

# REMUNERATION OVERVIEW



“ THE COMMITTEE ENSURES THE PAY FRAMEWORK APPROPRIATELY RECOGNISES AND REWARDS HARD WORK AND FINANCIAL PERFORMANCE ”

*Andrew Fisher, Chair of the Remuneration Committee*

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### INTRODUCTION

On behalf of the Board, I am pleased to present our 2021/22 Remuneration Report.

The Remuneration Report provides a comprehensive picture of the structure and scale of our remuneration framework and its alignment with the business strategy and the rest of the workforce. It also details decisions made by the Committee as a result of business performance for this year and the intended arrangements for 2022/23, including the appointment of Stuart Machin as Chief Executive Officer (CEO) and Katie Bickerstaffe as Co-Chief Executive Officer.

### CONTEXT OF BUSINESS PERFORMANCE

As anticipated in last year's report, the Committee focused much of its activities

during the year, on ensuring M&S' pay frameworks and practices support M&S' fundamental values of fairness where colleagues across the business are appropriately recognised and rewarded for hard work and financial results. The Committee ensures that any payments made do not "reward failure" or poor performance; and targets set are challenging yet motivational. Any discussion involving executive director incentive payments considers the appropriateness of the payment in the context of the shareholder experience, the general health of the business as well as pay outcomes experienced by colleagues across the business.

Based on the strong financial performance of M&S during the year, with PBT of £522.9m, the maximum payment opportunity under the corporate financial performance element of the Annual Bonus Scheme (ABS) was triggered (see page 97). This will be the first bonus payment made to colleagues or executives since 2017. This above-maximum profit performance was delivered through a mix of strong Food sales growth, an improving margin mix and the performance of the new Ocado and Costa channels, together with 3.8% sales growth in Clothing & Home, significant improvements in the online offer and fulfilment together with improved profitability, cash conversion and net debt. Further detail on these and other aspects of the business's performance over the last year is explained earlier in this annual report.

As explained later in this Remuneration Report (see page 97 and 100), the Committee was mindful of this performance when discussing and approving incentive outcomes, especially when considering the uncertainty of performance caused by global macro events.

### BOARD CHANGES

On 10 March we announced that after nearly 40 years of loyal service to M&S, Steve Rowe would be stepping down from his role as the CEO on 25 May, a role he has held for the last six years. He will cease full-time employment with the business at the conclusion of the Annual General Meeting (AGM) on 5 July. In view of his wisdom and formidable knowledge of the business, Steve has agreed to remain as an adviser to the new leadership for up to 12 months. I would like to take this opportunity to extend my personal thanks to Steve for his unwavering dedication and commitment to M&S, its colleagues and the Board.

When setting Steve's exit arrangements, the Remuneration Policy provided an effective and clear framework, while also providing appropriate levels of flexibility for the application of discretion by the Remuneration Committee. Final pay arrangements for Steve are outlined on page 104 of this report.

During his tenure, Steve oversaw far-reaching changes in organisational structure and management, leaving behind a very strong leadership team. As a result of robust succession planning, the Board was delighted to be able to select Steve's successors from within the existing leadership team, which not only demonstrates strong internal talent development but also provides for stability and continuity as we move to the next stage of our transformation journey. I warmly welcome Stuart Machin and Katie Bickerstaffe to the Board as CEO and Co-Chief Executive Officer respectively with effect from 25 May 2022, and I look forward to working more closely with both of them in their new roles.

As detailed on page 61, both Stuart and Katie are outstanding leaders with very strong track records and experience of leading businesses through

# REMUNERATION OVERVIEW CONTINUED

transformative change. The Board is confident in their ability to take M&S through the next stage of transformation. The Board is also cognisant that our leadership structure is unusual so it has ensured clear accountability of roles between Stuart and Katie. Stuart has responsibility for day-to-day leadership of the business and the Executive Committee. He continues to have oversight of our Food business, as well as Operations, Property, Store Development and Technology, and has taken on responsibility for HR and Corporate Communications. Upon appointment, Stuart will receive an annual salary of £800,000. Katie has responsibility for Clothing & Home, MS2, International and Financial Services. She also has a particular focus on driving the global omni-channel, data and digital future of the business. Upon appointment, Katie will receive an annual salary of £750,000, reflecting her different work pattern. Both Stuart and Katie continue to be entitled to pension arrangements on the same terms as all colleagues and will be eligible to participate in the ABS and Performance Share Plan (PSP) on the same basis as all executive directors. There was careful deliberation when setting the pay arrangements for Stuart and Katie, during which a number of factors were taken into consideration, including their different

work patterns, their experience and skill and the responsibilities of each, as well as external market factors.

In addition to his finance responsibilities, Eoin Tonge has taken on an enhanced role in leading the future development of the business strategy and oversight of Plan A, becoming our Group CFO & Chief Strategy Officer with effect from 25 May 2022. We believe the accountabilities of his new role go significantly beyond those normally associated with the CFO position. In light of this, Eoin's salary will increase to £660,000 from 25 May in recognition of his increased responsibilities, inclusive of any salary review for 2022/23.

Future Board salaries are confirmed on page 96, and further details of the contractual provisions for executive directors will be summarised in the Directors' Remuneration Report in next year's Annual Report & Financial Statements.

### SINGLE FIGURE AND INCENTIVE SCHEME OUTCOMES

As shown in the table on page 95, the total single figure for the executive directors is higher than prior year. This can be wholly attributed to the outcome of the ABS as no bonus was paid last year.

As in previous years, the 2021/22 ABS remained focused on restoring the

business to profitable growth with performance focused on Group Profit Before Tax before adjusting items (PBT) (70%) and individual measures set against key areas of delivery of the transformation (30%). Individual performance was measured independently of PBT performance, but no individual element could be earned until a threshold level of PBT was achieved.

It was with cautious optimism that we welcomed the 2021/22 financial results, recognising this as an indication of not only strong underlying performance in a very challenging climate, but also the impact of the successful transformation to date. The PBT outturn of £522.9m was above the maximum financial target, meaning the financial element of the bonus was achieved in full and the individual measures could pay out to the extent that executive directors achieved between target and stretch performance against their stretching personal objectives.

The Committee carefully reviewed the achievement of the individual objectives set at the beginning of the year to align with the strategic priorities to fulfil its remit and enable transparent disclosure to shareholders. Full disclosure can be seen on page 97, but the Committee noted in particular the step change in Clothing &

## STRATEGIC ALIGNMENT OF REMUNERATION FRAMEWORK WITH KPIS

KPI/Strategic priority	As measured by	Performance Share Plan (PSP)	Annual Bonus Scheme (ABS)
<b>KPI</b> Adjusted earnings per share (EPS)	<b>Financial results</b>		
✓ See <b>KPIs</b> on p35 Return on capital employed (ROCE)			
Group PBT before adjusting items (PBT)			
<b>Strategic priority</b> M&S Food high-performing business and market share growth	<b>Achievement against objectives</b>		
✓ See <b>Strategic priorities</b> on p6 Ocado transitioning to strong capacity growth post pandemic reversion			
Clothing & Home on track for a more profitable model capable of growth			
Building store rotation pipeline driving exit from legacy stores			
Absorbing Brexit related costs, but embryonic global strategy encouraging			

### 2021/22 performance



ADJUSTED EARNINGS PER SHARE

**21.7p**

Adjusted EPS in 2021/22 was 21.7p. This was below the 22.7p threshold required for any vesting under this element of the 2019 PSP award.



RETURN ON CAPITAL EMPLOYED

**8.7%**

Average three-year ROCE performance was 8.7%. This was below the required 10.2% threshold for any vesting under this element of the 2019 PSP award.



GROUP PBT BEFORE ADJUSTING ITEMS

**£522.9m**

Group PBT was above the "maximum" target for bonus payments to be made under the 2021/22 ABS.

Home performance and action taken to strengthen the balance sheet in the challenging environment. The Committee was in agreement that it was appropriate to award 83% against the individual objectives for the CEO and CFO.

Even when considering the strong financial results and strong individual performances, the decision to pay 95% of maximum bonus opportunity was not taken lightly. Financial and strategic targets were examined throughout the financial year and at year-end to ensure they retained the same level of stretch envisaged when originally set. The Committee was satisfied that this was the case, and the ABS operated as intended.

None of the 2019 PSP will vest in respect of the three-year performance period up to 2 April 2022. Page 100 of this report provides further detail on the 2019 measures and targets and their respective achievement. While vesting of the PSP remains low, the Committee remains satisfied that this level of vesting is reflective of the shareholder experience in the challenging business environment in which the 2019 plan operated, particularly the first two years of the three-year performance period.

### APPLICATION OF DISCRETION

A number of mechanisms are available to the Committee to ensure pay outcomes appropriately reflect individual and business performance, together with the wider economic and societal climate. This includes the ability to apply malus, clawback and responsible discretion to override formulaic outcomes under the incentive schemes.

Throughout the year, the Committee has carefully considered pay arrangements and where it may, or indeed may not, be appropriate to apply discretion.

After meaningful deliberation, the Committee concluded it was appropriate

to award Steve Rowe a bonus despite him being under notice at the date of payment.

As detailed above, not only will Steve be working beyond the end of the 2021/22 financial year and for up to 12 months as an adviser to the new leadership team, he has worked tirelessly and determinedly to deliver on the transformation promise, as demonstrated in our strong 2021/22 business performance. Steve will not be eligible for a bonus in respect of the 2022/23 financial year.

As illustrated in the bar chart at the bottom of this page, half of Steve's bonus will be deferred into M&S shares and will be released to him after a three-year holding period; this treatment ensures a long-term alignment with shareholders' interests following the end of Steve's tenure as CEO.

Considering the ABS further, the Committee debated the appropriateness of the original 2021/22 bonus PBT targets in light of the achievement of above "maximum" PBT target performance. Together with the individual objectives, the Committee reviewed the targets set throughout the year and at year-end to ensure they remained relevant and appropriately stretching, recognising that when the targets were set ahead of the start of the financial year, there was still a high degree of uncertainty as to how the challenges of Covid-19 would impact the business throughout the year. The Committee was satisfied that the original targets set required stretching PBT performance. The Committee also took into account the experience of wider stakeholders, including our colleagues, customers and shareholders, when approving the final outcome. It was determined that the outcome is reflective of a strong year in business performance and recovery, together with individual outstanding contributions, and in this context it is important that colleagues are recognised for this performance.

The Committee did not apply any discretion to the outcomes of the 2019 PSP, which reached the end of its performance period on 2 April 2022 and will lapse in full. Despite the robust business performance in 2021/22, when considering the full three-year performance period of the plan, the Committee was satisfied the final vesting outcome is reflective of the shareholder

experience during the period and the scheme had operated as intended.

As shown in the pie chart at the bottom of the page, Steve Rowe's single figure pay is 55% of the maximum possible for 2021/22.

### STRATEGIC ALIGNMENT OF PAY

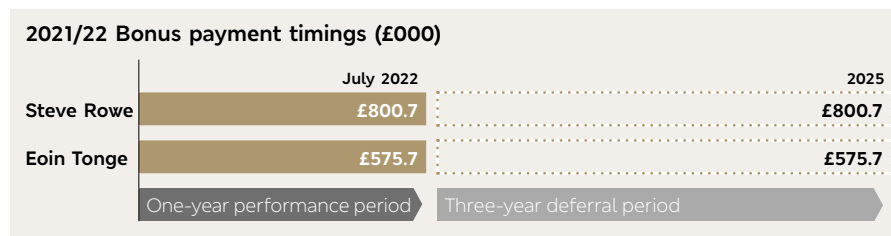
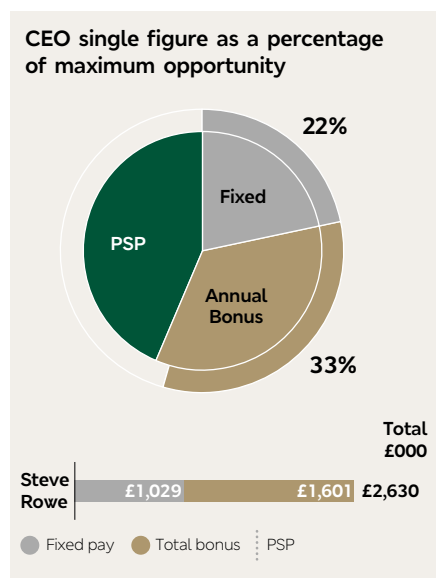
The Covid-19 pandemic increased the focus on transformation at M&S, which continued throughout this last financial year. During the year, the measures and targets used in M&S' incentive schemes, namely those of the PSP and ABS, were reviewed to ensure alignment with the key performance indicators (KPIs) and identified strategic priorities across the business. The illustration opposite on page 86 demonstrates the strong link between the KPIs and strategic priorities with executive remuneration at M&S. This strength of alignment enables the Committee to ensure pay arrangements support the delivery of transformation and fulfil M&S' potential for long-term sustainable growth. The Committee will continue to review thoroughly the pay structures and incentive arrangements for the senior leadership team to ensure strong alignment between the delivery of business performance and the associated remuneration arrangements, as the business moves into the 'shaping the future' phase of our transformation journey.

### PAY ARRANGEMENTS FOR 2022/23

Due to the timings of Stuart's and Katie's appointments to the Board and Eoin's role change, as well as the accompanying significant analysis and consideration of both external and internal factors when setting their respective salaries, Stuart, Katie and Eoin will not be eligible to participate in the 2022 salary review. They will next be eligible to be considered for a salary review in July 2023. Further details of the wider workforce 2022 salary review can be found on page 88.

Reflecting on the existing variable remuneration framework, it was agreed that in 2021/22 the structures of the PSP and ABS worked well and as intended. As a result, no changes have been proposed for 2022/23.

Once again, performance under the ABS will be measured against corporate financial targets (70%) and individual objectives (30%). The Committee believes it remains appropriate for PBT to continue to represent the largest element of bonus potential as M&S seeks to return to significant levels of profitability.



# REMUNERATION OVERVIEW

## CONTINUED

The maximum opportunity will remain at 200% of base salary.

The Committee continues to ensure that the remuneration framework for executives is aligned with shareholder interests. Following careful debate, it has been agreed that the 2022 PSP will maintain measures applied to the 2021 PSP awards, being 30% adjusted EPS, 30% ROCE, 20% relative total shareholder return (TSR) and 20% strategic measures. Targets have been set to be stretching yet motivating and are detailed in full on pages 100 and 101.

While no change has been proposed to the structure and measures of the 2022 PSP, this belies the significant and detailed conversation and analysis that took place around the appropriateness of the introduction of environmental, social and governance (ESG) measures and targets into the PSP. There is no doubt that M&S takes its ESG responsibility seriously. Our sustainability commitments sit at the heart of our business operations and inform decisions at all levels and across all departments (see page 70 for our ESG Committee Review). M&S was an early pioneer of championing sustainability and continues to hold a leading position in this field. One of the ways we believe we can improve our work in this area is to focus on communication with consumers to engage them on this important topic, and to be sure we improve awareness of the work we do. As such, when the Committee considered the introduction of a more traditional carbon metric in the pay framework, it determined that a measure which charts an improvement in customer sentiment would be more aligned to the strategy for the business. To track this credibly and robustly, a base case for current sentiment must first be established. This forthcoming year the Committee will review the base measurement line throughout the year with the intention of introducing a metric to show improvement from that baseline for 2023.

Having reduced award levels in 2020 to acknowledge the shareholder experience of Covid-19 and to mitigate against windfall gains, share price recovery led the Committee to decide that for the 2021 PSP award it was appropriate to return PSP award percentages to 250% of salary. Mindful of the need to incentivise executives and ensure that they remain aligned with the long-term interests of shareholders, we intend to once again grant PSP awards of 250% of salary in June 2022. The Committee retains the right to

review award levels in the event of significant share price movement prior to the date of grant. Furthermore, it should be noted that when this award reaches the point of vesting, careful consideration will not only be applied to achievement against the relevant performance conditions, but also to ensure the vesting values are reflective of the shareholder experience across the term of the plan. Should the Committee believe this not to be the case, it retains its right to apply discretion to the final outturn.

### WIDER WORKFORCE PAY ARRANGEMENTS

The Committee continued to receive, and indeed welcome, regular and varied updates during the year relating to M&S' pay arrangements. In addition to those already outlined in the Committee's remit, available on the M&S website, discussions included hourly pay for store colleagues and career progression through the organisation. The Committee was also informed of the outcome of the company-wide Total Reward Review that took place in the prior year. More than 14,000 colleagues gave us their views and suggestions on pay arrangements at M&S. As a result of this feedback in 2021/22, we saw the implementation of Virtual GP, which allowed colleagues unlimited 24/7 access to a GP, Check4Cancer, which provides free screenings to all colleagues for high-risk cancers, and salary finance options to help consolidate debt, save and protect through income protection insurance.

To bring M&S in line with market practice, and in direct response to colleague feedback as a result of the company-wide Total Reward Review, from 1 April 2022 the Company has introduced a 5% payment in lieu of pension allowance for colleagues impacted by either the Annual or Lifetime Allowance limits. The Committee recognises this provision aligns with market practice. To maintain alignment between executive directors and colleagues in the wider population, it is intended to introduce a similar arrangement into the new Remuneration Policy which will be brought for shareholder approval at the 2023 AGM.

The Committee welcomes continued collaboration with the Business Involvement Group (BIG). At Committee meetings we receive direct feedback on colleagues' views from the National Chair of BIG and in turn the Head of Executive Reward and Pay Governance attends National BIG Committee meetings to share and discuss the executive pay framework and its relationship with the wider workforce. Such dialogue forms the basis of a trusted and valued collaborative working partnership and ensures a close link between the pay philosophies at the most senior levels and those for the wider population.

To demonstrate the importance the Committee gives to the alignment of executive pay with the wider workforce, in the 2021 Remuneration Report we expanded our disclosures on such pay arrangements. We are pleased to continue this approach in this year's report; see pages 89 and 90.

Given the economic environment in which we are operating currently, it is unsurprising that significant time was taken in discussing the appropriate approach to the annual pay review. As is to be expected, this topic generated a robust debate, and we believe the end result of salary increases ranging from 3% for our senior population to 4%-6.5% for the wider workforce balances the need for financial restraint with support for our colleagues given the increases to cost of living being experienced by all. Further details can be found on pages 89 and 96.

### LOOKING AHEAD

We look ahead to what will be a new and dynamic chapter in the M&S story. This will be the final year under the current remuneration framework, and at the 2023 AGM we will be seeking your support and approval for a new Remuneration Policy. During the coming year, the Committee will be working to ensure any new Remuneration Policy is valid and effective in driving and supporting the business strategy while remaining appropriate when considering the overall M&S remuneration framework and the external regulatory environment.

I would like to thank our shareholders for their continued support during the year. I will be available at the AGM on the 5 July 2022 to answer any questions in relation to this Remuneration Report.

**Andrew Fisher**

# REMUNERATION IN CONTEXT

## COLLEAGUE ENGAGEMENT

### Share ownership across our colleagues

M&S is a proud advocate of employee share ownership. The Board believes this supports colleagues not only to share in M&S' success but also to behave as owners of our business, aligned with our shareholders' interests. Across our UK and Irish colleagues, M&S has a significant number of participants in all employee share schemes; colleagues hold over 101m save as you earn options in our ShareSave scheme and over 2,000 colleagues hold shares in our share incentive plan ShareBuy.

### Direct engagement with our colleagues

Since 2018, the Chair of BIC, our colleague representative body, has been invited to attend a Remuneration Committee meeting each year to engage and contribute on a full range of topics and activities. During the year, representatives from BIC have been engaged on a number of pay-related topics, beyond the executive level, including providing feedback on, and agreeing with, the ShareSave communication materials and funding options of our share schemes. They also discussed the operation of a tax-advantaged ShareSave in Ireland, which has been paused while alternative options are investigated due to the absence of an approved savings carrier. The collaborative relationship we have with BIC strongly reflects our belief in the key role that colleague voice plays in ensuring the Committee has greater visibility of the things that really matter to our colleagues. This also gives the Committee the opportunity to explain and discuss our pay practices and how executive pay aligns with pay across the wider workforce. In addition, the Head of Executive Reward & Pay Governance provides updates to the Committee as appropriate on pay and people-related issues during the year.

### Pay budgets

Under the remit of the Remuneration Committee, total budgeted salary expenditure across M&S for salary review is noted, as are bonus and share scheme budgets, ensuring principles for reward allocation are aligned across the full workforce, inclusive of senior leaders.

The average pay increase for our UK Store Customer Assistants and Team Support Managers awarded in April 2022 was 5.3%. Effective July 2022, salary increases ranging from 3% for our senior population to 4%-6.5% for the wider salaried workforce have been awarded.

## CONSIDERATION OF COLLEAGUE PAY

The Committee monitors and reviews the effectiveness of the executive reward policy and its impact and compatibility with remuneration policies in the wider workforce. Throughout the year, the Committee reviews the frameworks and budgets for key components of colleague pay arrangements, together with the broader structure of Group bonus provisions, which ensures appropriate alignment with senior pay arrangements.

The Committee is provided throughout the year with information detailing pay in the wider workforce, which gives it the additional context needed to make informed decisions. The Head of Executive Reward & Pay Governance advises the Committee on the approach to be adopted in the forthcoming UK pay review, and the Committee then considers the executive directors' pay in line with these arrangements.

In approving the budget for the annual bonus, the Committee reviews all bonus costs for the Company against the operating plan. The Committee also reviews and approves any PSP awards made to executive directors and directors below the Board prior to their grant.

The Committee receives updates on a variety of colleague engagement initiatives. Alongside our annual survey, bi-annual pulse and quarterly focused surveys provide dynamic and relevant colleague feedback. The pulse surveys have helped us to better understand, and take action on, the things which matter most to our colleagues. These have focused on topics such as Inclusion & Diversity, Wellbeing and overall colleague engagement.

Colleagues are encouraged to raise questions at the periodic all-colleague announcements led by the CEO. All questions raised are answered, and

comments made during the year through surveys or our network of elected colleague representatives via BIC are considered. The Head of Executive Reward & Pay Governance typically provides an annual update to these colleague representatives with an explanation of the executive directors' pay arrangements during the year, and these representatives in turn are able to ask questions on the arrangements and their fit with the other reward policies at this time.

## CONSIDERATION OF STAKEHOLDER VIEWS

The Committee is dedicated to an open and transparent dialogue with shareholders on the issue of executive remuneration. Where appropriate, the Committee will actively engage with shareholders and shareholder representative bodies, seeking views which are considered when making any decisions about changes to the directors' Remuneration Policy.

The Committee seeks the views of the largest shareholders individually, and others through shareholder representative bodies, when considering making any significant changes to the Remuneration Policy. This may be done annually or on an ad hoc basis, dependent upon the issue. This year, the Committee consulted on the proposed strategic measures and targets to be applied to the PSP. The Committee, led by the Chair, annually engages in a process of investor consultation, which is typically in written format, but has included face-to-face meetings, telephone or video calls. The Committee Chair is available to answer questions at the AGM, and the answers to specific questions are posted on our website.

As part of our reporting approach, an annual shareholder meeting is normally held and views on a variety of topics, including executive pay, are taken into account.

## PERCENTAGE CHANGE IN CEO'S REMUNERATION

The table below sets out the change in the CEO's remuneration (i.e. salary, taxable benefits and annual bonus) compared with the change in the average non-executive director and our

UK-based colleagues' pay. This group has been chosen as the majority of our workforce are based in the UK. Further details of the non-executive director pay changes are shown on page 104.

	% change 2020/21 – 2021/22		
	Base salary/fees	Benefits	Annual bonus
CEO (Steve Rowe)	1%	-20%	100%
Average non-executive director	1%	0%	–
UK colleagues (average per FTE)	4%	0%	100%

# REMUNERATION IN CONTEXT CONTINUED

## GENDER PAY GAP

The M&S median gender pay gap for the year to April 2021 is 4.8%, compared with an average of 9% for the Wholesale and Retail sector. The M&S mean gap for the same period is 12.5%.

Throughout the year we've continued to take actions that further promote and enhance inclusion and diversity (I&D) at M&S so that all of our remarkable colleagues are able to feel comfortable being themselves and experience a culture that's inclusive and diverse, where everyone is respected and feels valued and that they belong.

A data-led reset of the I&D strategy has resulted in a clear and focused plan for the next three years to build better representation through targeted hiring, internal development and progression initiatives, and better education and awareness activities which will build on the impact arising from over 90% of colleagues completing the first two I&D modules.

M&S is clear that any form of discrimination, bullying, harassment, or victimisation will not be tolerated in any part of the business, and this is underpinned by a new 'Respect Matters' policy, launched in October 2021.

Our colleague networks continue to bring our diverse communities together and help create a safe space for colleagues to speak out and share their views, as well as influencing our plans and culture, celebrating key events in the inclusion calendar, and raising important matters through the online social communities.

This year, the Gender Equality Network celebrated International Women's Day by hosting the first ever Ideathon to generate ideas and suggestions on how M&S can 'break the bias' when it comes to gender equality.

We remain proud that nearly 73% of our customer assistants are women, but while we're seeing some progress in diversity in more senior roles, more still needs to be done to drive better representation. I&D remains a strategic priority for M&S, and we'll continue to focus our efforts to build on the success of previous years.

### Gender pay gap (median)

**4.8%**

The CEO and the non-executive directors were awarded a 1% pay increase in respect of the 2020/21 financial year, while customer assistants received a 5.6% increase to £9.50 per hour. Salaried colleagues received on average a 2% increase.

The overall structure of the benefits package has not changed; however, as previously agreed, in order to bring the pension supplement in line with the broader colleague offer by 2024, the pension supplement paid to Steve Rowe was reduced from £202,500 to £135,000.

In 2020/21 Steve Rowe returned to using the chauffeur service in contrast to 2019/20 when, during periods of national lockdown, Steve Rowe drove himself, to ensure the safety of his driver and maintain the required social distancing.

As previously disclosed, the bonus scheme for 2020/21 was cancelled, so no award was made to either the CEO or anyone else within the wider workforce; a bonus payment was made in respect of the 2021/22 financial year to the CEO and just under 5,000 bonus-eligible colleagues.

## CHIEF EXECUTIVE'S PAY RATIO

Year	Methodology	25th percentile ratio	50th percentile ratio	75th percentile ratio
2022	Option A	128 : 1	117 : 1	99 : 1
2021	Option A	55 : 1	50 : 1	42 : 1
2020	Option A	64 : 1	59 : 1	51 : 1

As reported last year, the Committee approved the use of Methodology A, as set out in the regulations, as we believe it to be the simplest and most appropriate and robust way to calculate the ratio.

Option A requires the pay and benefits of all UK colleagues to be calculated to identify the three colleagues at the 25th, 50th and 75th percentiles as at 2 April 2022. This is calculated on the same basis as the CEO total single figure of remuneration except in that the individual performance element of the ABS that is applicable to the relevant colleagues (when operating) is the estimated actual value. This requires:

- starting with colleague pay that was calculated based on actual base pay, benefits, bonus and long-term incentives for the 12 monthly payrolls within the full financial year. Earnings for part-time colleagues are annualised on a full-time equivalent basis to allow equal comparisons.
- adjusting the value of any bonus so that it only reflects the amount earned in respect of the 2021/22 financial year and does not include the value of any deferred shares vesting in the year.

– adding in the employer pension contribution from the Your M&S Pension Saving Plan.

Joiners and leavers in the year have been excluded from the calculations. The percentile figures are therefore representative of the whole colleague population but do not include all colleagues as at 2 April 2022.

The table above shows the ratio of CEO pay in 2021/22, using the single total figure remuneration as disclosed in Figure 7 (page 95), to the comparable equivalent total reward of those colleagues whose pay is ranked at the relevant percentiles in our UK workforce. We believe the median pay ratio this year is consistent with pay, reward and progression policies for UK colleagues, as it reflects the consistent approach to pay along with M&S' policy to pay for performance. The increase in pay ratio this year is as a result of bonus payments being made across the business, including to the CEO.

Pay data	Salary (£000)	Total pay and benefits (£000)	Salary (£000)	Total pay and benefits (£000)
	2020/21	2020/21	2021/22	2021/22
CEO remuneration	834	1,068	841	2,630
UK colleague 25th percentile	18	20	19	21
UK colleague 50th percentile	20	21	21	22
UK colleague 75th percentile	24	25	25	26

# SUMMARY REMUNERATION POLICY

## SUMMARY EXECUTIVE DIRECTORS' REMUNERATION POLICY (AS APPROVED ON 3 JULY 2020)

This report sets out a summary of M&S' policy on remuneration for executive and non-executive directors. The full Policy was approved by shareholders at the AGM on 3 July 2020 and can be found on our website at [marksandspencer.com/thecompany](https://marksandspencer.com/thecompany). The Policy took effect from this date and is designed to attract, retain and motivate our leaders within a framework designed to promote the long-term success of M&S and aligned with our shareholders' interests.

**FIGURE 1: EXECUTIVE DIRECTORS' REMUNERATION POLICY TABLE**

ELEMENT	OPERATION	OPPORTUNITY
<b>Base salary</b>	Salaries are payable in cash and are reviewed annually by the Committee considering a number of factors, including external market data, historic increases given to the individual and salary review principles applied to the rest of the organisation.	Normally in line with those in the wider workforce, although no maximum is set.
<b>Benefits</b>	In line with our policies, directors are eligible to receive benefits which may include: a car or cash allowance and a driver, life assurance and relocation and tax equalisation allowances in line with our mobility policies.  As with all colleagues, directors are also offered other benefits, including colleague discount, salary sacrifice schemes and participation in all-employee share schemes.	There is no set maximum; however, any provision will be commensurate with local markets and for all-employee share schemes is in line with local statutory limits.
<b>Pension benefits</b>	Directors may participate in the Your M&S Pension Saving Plan (a defined contribution arrangement), on the same terms as all other colleagues.  The defined benefit pension scheme is closed to new members. Directors who are members of this scheme will continue to accrue benefits as a deferred member.	Currently a maximum employer contribution of 12% of salary where the employee contributes 6% of salary.  From 3 July 2020, pension cash supplements were removed for future directors.
<b>ABS including Deferred Share Bonus Plan (DSBP)</b>	Directors are eligible to participate in this non-contractual, discretionary scheme. Performance is measured against one-year financial and individual performance targets linked with the delivery of the business plan. At least half of awards are measured against financial measures, which typically include Group PBT before adjusting items (PBT).  Corporate and individual elements may be earned independently, but no part of the individual objectives may be earned unless a threshold level of PBT has been achieved, after which up to 40% of the maximum may be payable for the achievement of individual objectives.  Not less than 50% of any bonus earned is paid in shares which are deferred for three years.  The Committee retains the right to exercise discretion, both upwards and downwards, to ensure that the level of award payable is appropriate.  Malus provisions apply to the deferred share awards. Cash bonus payments are subject to two-year clawback provisions. Clawback would be triggered in specified events such as, but not limited to, a material misstatement of the Company's audited results, an error in calculation of the award, gross misconduct, or events or behaviour that have a detrimental impact on the reputation of any member of the Group.	Total maximum annual potential of up to 200% of salary for each director.
<b>PSP</b>	Directors are eligible to participate in the PSP. This is a non-contractual, discretionary plan and is M&S' main long-term incentive scheme. Performance may be measured against appropriate financial, non-financial and/or strategic measures. Financial measures must comprise at least 50% of awards.  Malus and clawback provisions apply to these awards. Clawback triggers include, but are not limited to, a material misstatement of the Company's audited results, an error in calculation of the award, gross misconduct or events or behaviour that has a detrimental impact on the reputation of any member of the Group.  Awards are subject to a further two-year holding period after the vesting date.	The maximum value of shares at grant is capped at 300% in respect of a financial year.
<b>Shareholding requirement</b>	Directors are required to hold shares equivalent in value to a minimum percentage of their salary within a five-year period from their appointment date.  Directors are required to continue to hold their shareholding requirement, or, if their level of shareholding is below the requirement, their actual shareholding, for two years after leaving M&S.	For the CEO, this requirement is 250% of salary. For all other executive directors, the requirement is 200%.

# SUMMARY REMUNERATION POLICY

## CONTINUED

### FIGURE 2: RECRUITMENT POLICY & SERVICE CONTRACTS

The table below summarises the Company's policy on the recruitment of new executive directors. Similar considerations may also apply where a director is promoted to the Board.

In addition, the Committee has discretion to include any other remuneration component or award which it feels is appropriate, considering the specific circumstances of the individual, subject to the limit on variable remuneration set out below. The rationale for any such component would be appropriately disclosed.

ELEMENT	APPROACH
Service contract	– All executive directors have rolling contracts for service which may be terminated by M&S giving 12 months' notice and the individual giving six months' notice.
Base salary	– Salaries are set by the Committee, taking into consideration a number of factors, including the current pay for other executive directors, the experience, skill and current pay level of the individual and external market forces.
Benefits	– The Committee will offer a benefits package in line with our benefits policy for executive directors.
Pension benefits	– Maximum contribution in line with our policy for future executive directors (currently up to 12% of salary).
ABS	– Eligible to take part in the ABS with a maximum bonus of 200% of salary in line with our policy for executive directors.
PSP	– A maximum award of up to 300% of salary in line with our policy.
Buy-out awards	<ul style="list-style-type: none"> <li>– The Committee may offer compensatory payments or buy-out awards, dependent on the individual circumstances of recruitment, determined on a case-by-case basis.</li> <li>– The specifics of any buy-out awards would be dependent on the individual circumstances of recruitment. The Committee's intention would be that the expected value awarded is no greater than the expected value forfeited by the individual.</li> </ul>

### FIGURE 3: TERMINATION POLICY

The Company may choose to terminate the contract of any executive director in line with the terms of their service agreement, either by means of a payment in lieu of notice or through a series of phased payments subject to mitigation. Service agreements may be terminated without notice and, in certain circumstances such as gross misconduct, without payments.

The table below summarises our Termination Policy for executive directors under their service agreements and the incentive plan rules.

ELEMENT	APPROACH
Base salary, benefits and pension benefits	– Payment made up to the termination date in line with contractual notice periods.
ABS	– There is no contractual entitlement to payments under the ABS. If the director is under notice or not in active service at either the relevant year end or on the date of payment, awards (and any unvested deferred bonus shares) may lapse. The Committee may use its discretion to make a bonus award.
Long-term incentive awards	– The treatment of outstanding awards is determined in accordance with the plan rules.
Repatriation	– M&S may pay for repatriation where a director has been recruited from overseas.
Legal expenses & outplacement	– Where a director leaves by mutual consent, M&S may reimburse reasonable legal fees and pay for professional outplacement services.

The full Policy sets out further detail on the treatment of the executive directors' pay arrangements, including the treatment of share schemes in the event of a change of control or winding up of the Company.



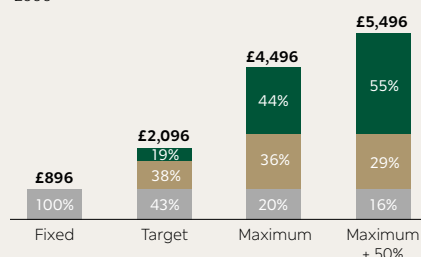
## APPLICATION OF REMUNERATION POLICY

The charts below provide an illustration of what could be received by each of the executive directors in 2022/23 under the Policy. These charts are illustrative, as the actual value which will ultimately be received will depend on business performance in the year 2022/23 (for the cash element of the ABS) and in the three-year period to 2024/25 (for the PSP), as well as share price performance to the date of the vesting of the PSP awards in 2025

### DIRECTORS

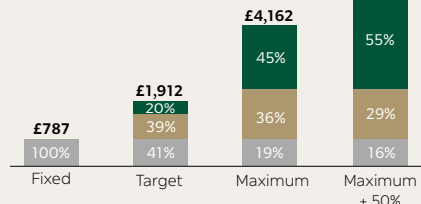
#### Stuart Machin

£000



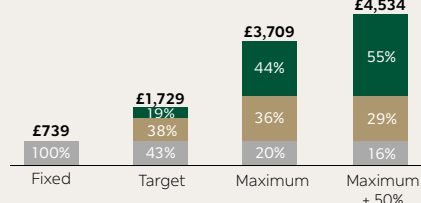
#### Katie Bickerstaffe

£000



#### Eoin Tonge

£000



### BASIS OF CALCULATIONS AND KEY

<b>Fixed</b>	Fixed remuneration only. No vesting under the ABS and PSP.
<b>Target</b>	Includes the following assumptions for the vesting of the incentive components of the package: <ul style="list-style-type: none"> <li>– ABS: 50% of maximum, assumes no share price growth.</li> <li>– PSP: 20% of 250% of salary, assumes no share price growth.</li> </ul>
<b>Maximum</b>	Includes the following assumptions for the vesting of the incentive components of the package: <ul style="list-style-type: none"> <li>– ABS: 100% of maximum, assumes no share price growth.</li> <li>– PSP: 100% of 250% of salary, assumes no share price growth.</li> </ul>
<b>Maximum +50% share price growth</b>	Includes the following assumptions for the vesting of the incentive components of the package: <ul style="list-style-type: none"> <li>– ABS: 100% of maximum, assumes no share price growth.</li> <li>– PSP: 100% of 250% of salary with 50% share price growth.</li> <li>– Grant share price for the purpose of demonstrating the 50% growth taken as closing share price at 2021/22 year end.</li> </ul>

#### ● Fixed remuneration

Includes all elements of fixed remuneration:

- Base salary (effective 25 May 2022), as shown in the table on page 96.
- Pension benefits, as detailed on page 96.
- Benefits (using the value for 2021/22 included in the single figure table on page 95).

#### ● ABS

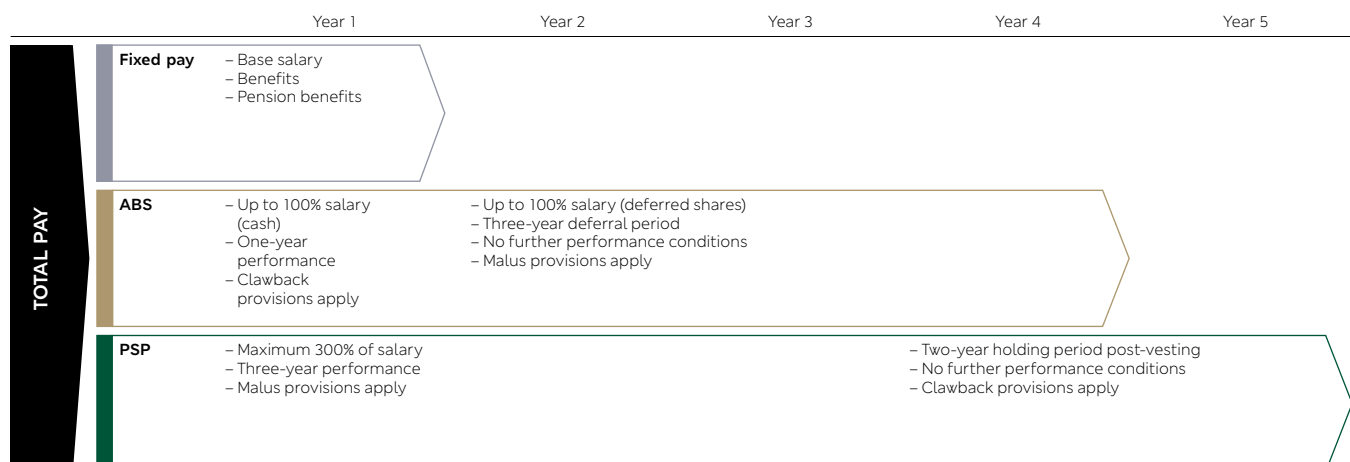
Represents the potential total value of the annual bonus for 2022/23. Half of any bonus would be deferred into shares for three years, and this is included in the value shown.

#### ● PSP

PSP represents the potential value of the PSP to be awarded in 2022, which would vest in 2025 subject to the relevant performance targets. Awards would then be held for a further two years.

**FIGURE 4: SUMMARY OF REMUNERATION POLICY**

The diagram below illustrates the balance of pay and time period of each element of the Remuneration Policy for executive directors, approved in July 2020. The Committee believes this mixture of short- and long-term incentives fixed to performance-related pay is currently appropriate for M&S' strategy and risk profile.



# SUMMARY REMUNERATION POLICY

## CONTINUED

### FIGURE 5: NON-EXECUTIVE DIRECTORS' REMUNERATION POLICY

The table below sets out our Policy for the operation of non-executive director fees and benefits at the Company. The Policy was approved in July 2020 and may operate for up to three years.

ELEMENT	OPERATION AND OPPORTUNITY
<b>Chairman's fees</b>	<ul style="list-style-type: none"> <li>– Fees are reviewed annually and are determined by the Remuneration Committee.</li> <li>– Total fee comprises the non-executive director basic fee and the additional fee for undertaking the role.</li> <li>– The maximum aggregate non-executive director basic fee, including the Chairman's basic fee, is £750,000 p.a, as set out in our Articles of Association.</li> </ul>
<b>Non-executive director's basic fee</b>	<ul style="list-style-type: none"> <li>– Fees are reviewed annually and are determined by the Chairman and executive directors.</li> <li>– The maximum aggregate non-executive director basic fee, including the Chairman's basic fee, is £750,000 p.a, as set out in our Articles of Association.</li> </ul>
<b>Additional fees</b>	<p>Additional fees are paid for undertaking the extra responsibilities of:</p> <ul style="list-style-type: none"> <li>– Board Chairman.</li> <li>– Senior Independent Director.</li> <li>– Committee Chair.</li> </ul>
<b>Benefits</b>	<ul style="list-style-type: none"> <li>– In line with our other colleagues, the Chairman and non-executive directors are entitled to receive colleague discounts.</li> <li>– The Company may reimburse the Chairman and non-executive directors for reasonable expenses in performing their duties and may settle any tax incurred in relation to these.</li> <li>– The Chairman may also be entitled to the use of a car and driver.</li> </ul>
<b>Share ownership</b>	<ul style="list-style-type: none"> <li>– All non-executive directors, including the Chairman, are required to build and maintain a shareholding of at least 2,000 shares upon joining M&amp;S.</li> <li>– This shareholding must be held for the period of their tenure.</li> </ul>

### REMUNERATION FRAMEWORK FOR THE REST OF THE ORGANISATION

M&S' philosophy is to provide a fair and consistent approach to pay. Remuneration is determined by level and is broadly aligned with those of the executive directors.

Base salaries are reviewed annually and reflect the local labour market.

All UK colleagues are eligible to participate in the Your M&S Pension Saving Plan on the same terms as the executive directors. Colleagues affected by the HMRC Annual and/or Lifetime Allowance limits, can now choose to opt out of the pension and receive a cash payment in lieu of this. In addition, all UK colleagues are provided with life insurance and colleague discounts, and may choose to participate in the Company's all-employee share schemes and salary-sacrifice arrangements.

A significant number of colleagues are eligible to be considered to participate in an ABS which is partially determined by Group PBT performance. Part of the bonus is deferred into shares for three years.

Around 170 of M&S' top senior executives may be invited to participate in the PSP, and will then be measured against the same performance conditions as executive directors. Award levels granted are determined to be aligned with market practice and reflect an individual's level of seniority as well as their performance and potential within the business.

# REMUNERATION REPORT

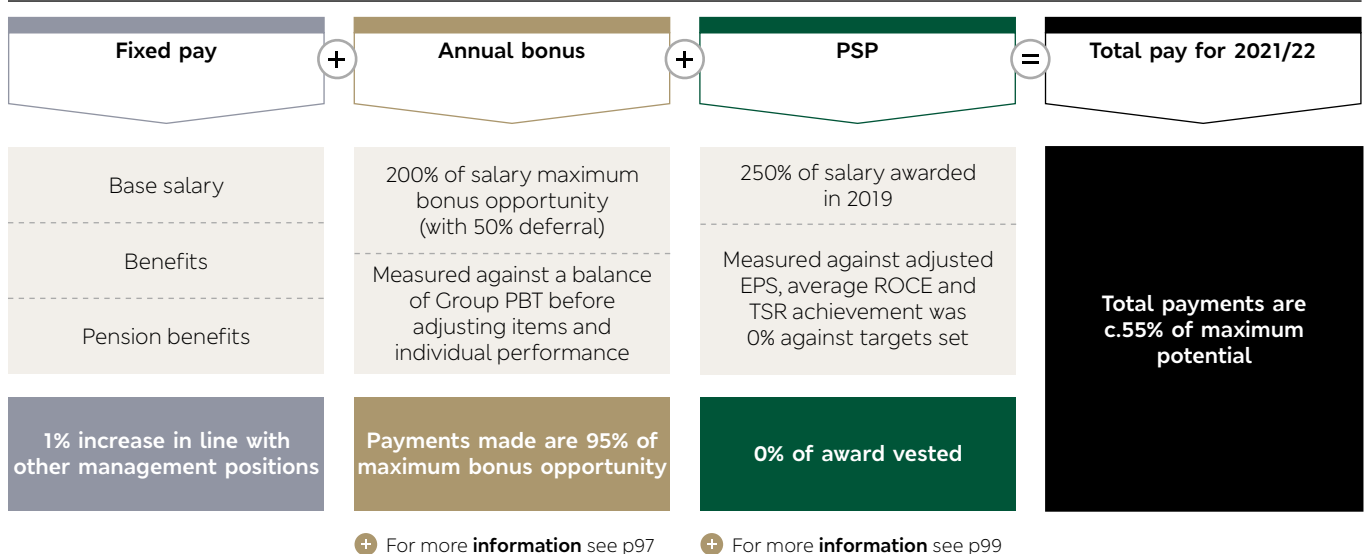
## EXECUTIVE DIRECTORS' REMUNERATION

Each year, the Remuneration Committee assesses the current senior remuneration framework to determine whether the existing incentive arrangements remain appropriately challenging in the context of the business strategy, fulfil current external guidelines and are aligned with a range of internal factors, including the pay arrangements and policies throughout the rest of the organisation. In its discussions, the Remuneration Committee aims to ensure not only that

the framework is strategically aligned to the delivery of business priorities, but also that payments made during the year fairly reflect the performance of the business and individuals. A significant proportion of the performance measures used in the incentive schemes are integrated with M&S' KPIs and strategic priorities detailed in the Strategic Report, as illustrated on pages 35 and 6 respectively.

The diagram below (Figure 6) details the achievement of each executive director under the Company's incentive schemes as a result of short- and long-term performance to the end of the reported financial year and summarises the main elements of the senior remuneration framework. Further details of payments made during the year are set out in the table below (Figure 7) and later in this report.

**FIGURE 6: REMUNERATION STRUCTURE 2021/22**



**FIGURE 7: TOTAL SINGLE FIGURE REMUNERATION (AUDITED)**

Director	Year	Salary £000	Benefits £000	Total bonus £000	Total PSP vested £000	Pensions benefits £000	Total RSP granted £000	Total pay £000	Total fixed pay £000	Total variable pay £000
Steve Rowe	2021/22	841	53	1,601	0	135	0	<b>2,630</b>	1,029	1,601
	2020/21	834	31	0	0	203	0	1,068	1,068	0
Eoin Tonge	2021/22	605	24	1,151	0	73	0	<b>1,853</b>	701	1,151
	2020/21	489	105	0	0	39	1,316	1,949	1,949	-

The increase in Steve's benefits is a result of the resumed use of his driver, which was paused during periods of lockdown in 2020/21, and the upgrade of the car used to a lower CO2 emitting vehicle. Whilst the change in vehicle is better for the environment, it does have a higher market value which increased the level of tax payable by Steve. No additional benefit was received by Steve.

Eoin Tonge received an award under the Restricted Share Plan (RSP) to compensate him, on a fair value basis, for share awards granted under his prior employer's share schemes. The face value of this award is shown in the 2020/21 row of the above table. Details of the calculation method were disclosed on page 94 of last year's annual report.

# REMUNERATION REPORT CONTINUED

## SALARIES

When reviewing salary levels, the Committee takes into account a number of internal and external factors, including Company performance during the year, external market data, historic increases made to the individual and, to ensure a consistent approach, the salary review principles applied to the rest of the organisation.

As detailed in last year's report, for salaries effective July 2021, in line with increases for management positions,

the Committee awarded Steve Rowe an increase of 1%, making his salary £842,845. Eoin Tonge also received a 1% salary increase, making his salary £606,000.

As set out on page 104 when Steve Rowe steps down from CEO on 25 May, Stuart Machin will become CEO, and his salary on appointment will be £800,000. On the same day, Katie Bickerstaffe will become Co-Chief Executive Officer on a salary of £750,000; Eoin Tonge will become Group

CFO & Chief Strategy Officer, and his salary will increase by 8.9% to £660,000.

The next annual salary review for the executive directors will be effective in July 2023.

The table below details the executive directors' salaries as at 2 April 2022 and salaries which will take effect from 25 May 2022.

FIGURE 8: SALARIES

	Annual salary as of 2 April 2022 £000	Annual salary as of 25 May 2022 £000	Change in salary % increase
Steve Rowe	842.8	–	–
Eoin Tonge	606.0	660.0	8.9%
Stuart Machin	N/A	800.0	N/A
Katie Bickerstaffe	N/A	750.0	N/A

## BENEFITS (AUDITED)

The Remuneration Policy permits that each executive director may receive a car or cash allowance as well as being offered the benefit of a driver. During the year, in lieu of a car allowance, Steve Rowe received a car and the benefit of a driver. Eoin Tonge does not receive a car or cash allowance. As disclosed last year, to facilitate Eoin Tonge's recruitment and relocation, he was provided with travel and accommodation allowances. The taxable value of these benefits in kind was detailed in Figure 7 on the previous page.

In line with all other colleagues, executive directors receive life assurance, colleague

discount and are eligible to participate in salary sacrifice schemes such as Cycle2Work.

## PENSION BENEFITS (AUDITED)

During the year, Steve Rowe received a cash payment in lieu of participation in an M&S pension scheme. As previously disclosed, he has agreed that his pension cash supplement be reduced to zero over a three-year period. For 2022/23, the CEO's total annual cash supplement will be reduced by one-third to £67,500 until Steve Rowe ceases employment with the business at the ACM on 5 July. Details of these future payments will be reflected in the single figure table in next year's report.

Steve Rowe is a deferred member of the Marks & Spencer UK Pension Scheme. Details of the pension accrued during the year ended 2 April 2022 are shown in Figure 9 below.

Eoin Tonge is a member of the Your M&S Pension Savings Plan, as described on page 91. Eoin contributes 6% of his salary into the scheme, and the Company matches this with a 12% contribution. The value of the Company's contribution in the year is shown in Figure 7 on page 95. This is the maximum level of contribution offered by M&S and is consistent with the terms available to all other colleagues.

FIGURE 9: PENSION BENEFITS (AUDITED)

	Normal retirement age	Accrued pension entitlement as at year end £000	Additional value on early retirement £000	Increase in accrued value £000	Increase in accrued value (net of inflation) £000	Transfer value of total accrued pension £000
Steve Rowe	60	164.6	0	0.5	0	5,320

The accrued pension entitlement is the deferred pension amount that Steve Rowe would receive at age 60 if he left the Company on 2 April 2022. All transfer values have been calculated on the basis of actuarial advice in accordance with the current Transfer Value Regulations. The transfer value of the accrued entitlement represents the value of the assets that the pension scheme would transfer to another pension provider on transferring the scheme's liability in respect of a director's pension benefits. It does not represent sums payable to a director and therefore cannot be added meaningfully to annual remuneration.

## ANNUAL BONUS SCHEME 2021/22 (AUDITED)

Annual performance for the year was measured against pre-determined Group PBT before adjusting items (PBT) (70%) and individual performance (30%) targets. PBT is used as a core bonus measure, as it is considered to be an important measure of overall performance and is consistent

with how business performance is assessed internally by the Board and Executive Committee.

Individual performance was measured against a scorecard of individual measures set against the areas of delivery of the transformation plan that were deemed

most critical to the future success of M&S. Individual performance was measured independently of PBT performance; no individual element could be earned until a threshold needed to secure payment under the corporate element was similarly achieved.

## ANNUAL BONUS SCHEME

### ANNUAL BONUS SCHEME 2021/22 (AUDITED) CONTINUED

PBT outturn for the year was £522.9m, which was above the target set to trigger payments under both the corporate and individual elements of the scheme. As shown in Figure 11 below, the strong PBT performance during the year exceeding the maximum target set at the start of the year meaning that executive directors were awarded 100% of maximum opportunity under the corporate element of the scheme and c.83% of the maximum for individual performance. Total bonus achievement was 95% of opportunity.

When discussing the payments to executive directors, the Committee noted

that under the terms of scheme, Steve would not technically be eligible for a payment due to being under notice before the payment date. However, the Committee considered his direct impact on delivering this first phase of transformation and his achievements against the individual objectives set for 2021/22. Given these and Steve's agreement to continue to support M&S beyond the end of his tenure, the Committee deemed it appropriate to apply their discretion and agree a bonus payment commensurate with his performance over the year.

The Committee reviewed achievement to ensure that total payments were appropriate in the context of several factors. These included M&S' overall financial performance, the outturn of individual objectives, and the level of bonus payable elsewhere in the business.

Figure 11 below sets out the Group PBT targets comprising 70% of awards and illustrates the extent to which each director achieved their four individual objectives. Total payments shown below directly correspond to the figure included in the single figure table on page 95.

### FIGURE 10: INDIVIDUAL OBJECTIVES (AUDITED)

Director	Individual
<b>Steve Rowe</b>	<p><b>Creation and implementation of revised Executive Committee structure and roles and the development of strong succession plans.</b> Streamlined and sharpened the Executive Committee, creating a cohesive top team, supported by the CEO through coaching and counselling. Supported the Board in the delivery of a strong succession plan, as demonstrated by the internal appointment of the new leadership team.</p> <p><b>Delivery of the transformation programme in Clothing &amp; Home.</b> Clothing &amp; Home delivered sales growth of 3.8% vs 2019/20 with three consecutive quarters of underlying growth. Online sales grew 55.6% with strong growth throughout the year outperforming pure play peers and gaining 60bps of market share. Store sales declined 11.2% with performance continuing to be impacted by legacy High Street and City Centre stores which is being addressed through the store renewal programme. Operating profit before adjusting items of £330.7m, compared to £224.0m in 2019/20 reflected the benefit of sales growth combined with a much stronger full price sales mix. Brand strategy established and model refined, with third party brands across Clothing &amp; Home and Beauty generating c.£100m of orders in 2021/22.</p> <p><b>Reset the strategic relationship with Ocado regarding platform integration, data sharing, infrastructure and category strategy.</b> Significant improvement in working relationships with Ocado Group. Greater "omni-channel" joint working, with upcoming trials on data sharing and category approaches. As expected 2021/22 saw a reduction in average basket size resulting in a decline in revenue, however, Ocado substantially outperformed the online grocery market. M&amp;S branded products consistently make up over 25% of Ocado Retail's sales, generating substantial buying gains for both M&amp;S Foods and Ocado Retail.</p> <p><b>Revitalise Plan A.</b> Plan A has always been an important pillar within the M&amp;S business, and this year saw a relaunch of a strengthened Plan A mission providing new oversight, energy and momentum, and a singular focus on cutting the M&amp;S carbon footprint by one third by 2025 and to be fully net zero by 2040. Agreed a new £850m Revolving Credit Facility linked to the delivery of the net zero roadmap.</p>
<b>Eoin Tonge</b>	<p><b>Drive a focus on financial delivery of critical transformation strategies in Property and supply chain.</b> Stepped up the new store pipeline to enable a drive in rotation with c.15 new full line stores and a further 32 store closures in the pipeline over the next three years with expectation that this will build further. Trials implemented to test an accelerated "close and recapture" model delivered proof of concept, expanding possibilities around estate rotation capabilities. Strong results from recent openings with sales averaging 11% above plan with payback at around 1.5 years (-44% against plan).</p> <p>With regard to supply chain, Eoin played a key role in the resetting of the Gist relationship. Put a strong three-year plan in place for Clothing &amp; Home supply chain and successfully delivered in-store fulfilment.</p> <p><b>Design and deliver critical Group investment evaluation processes and models.</b> Further tightening of our capital discipline and appraisal processes. Delivered corporate development through purchase of strategically identified businesses, such as Nobody's Child, The Sports Edit and our investment in the True investment fund. Successfully integrated Jaeger into the M&amp;S family.</p> <p><b>Shape and strengthen the balance sheet.</b> Balance sheet strengthened with net debt down two-thirds from two years ago, through prudent cashflow management, capex discipline and working capital initiatives. Critically renegotiated bank revolving credit facility.</p> <p><b>Deliver step change in the control environment.</b> Improvement in all internal governance mechanisms including reporting to and engaging with the Audit Committee and ESG Committee. New business model control framework put in place.</p>

### FIGURE 11: ANNUAL BONUS SCHEME 2021/22 (AUDITED)

Director	CORPORATE GROUP PBT (70%)		INDIVIDUAL (30%)		TOTAL PAYMENT	
	Target/performance		Performance	Achievement	% of salary	£000
<b>Steve Rowe</b>	100% of max bonus	Min £315m	Max £361m	83.3% of max bonus	190%	£1,601
<b>Eoin Tonge</b>	100% of max bonus	Min £315m	Max £361m	83.3% of max bonus	190%	£1,151

# REMUNERATION REPORT CONTINUED

## ANNUAL BONUS SCHEME CONTINUED

### DEFERRED SHARE BONUS PLAN (AUDITED)

Currently 50% of any bonus payment is compulsorily deferred into a conditional share award. These awards vest after three years, subject to continued employment as well as malus provisions. As the ABS did not operate in 2020/21, no share awards under the DSBP were made during the year. The table below provides the value of the share awards to be made in respect of the 2021/22 bonus. This value reflects half of the value shown for the 2021/22 bonus payments in the single figure table on page 95.

**FIGURE 12:**  
DSBP AWARDS  
IN RESPECT OF  
2021/22

	Basis of award	Face value of award £000	End of deferral period
Steve Rowe	50% of bonus	£800.7	30/6/2025
Eoin Tonge	50% of bonus	£575.7	30/6/2025

### ANNUAL BONUS SCHEME FOR 2022/23

During the year, the Committee reviewed the 2022/23 scheme, considering the accelerated Never the Same Again transformation programme together with bonus arrangements elsewhere in the business.

The Committee was satisfied that the structure of the ABS, as approved by shareholders at the 2020 AGM, remains appropriate. Subject to the achievement of stretching targets, set in line with the 2022/23 financial plan, the scheme provides for a competitive bonus opportunity with a strong focus on stretching PBT performance.

Executive directors are eligible to receive a bonus payment of up to 200% of salary.

Performance will be focused on Group PBT before adjusting items (PBT) (70%) with individual measures set against key areas of delivery of the transformation plan. Individual performance will again be

measured independently of PBT performance; no individual element may be earned until a threshold level of PBT is achieved.

The remaining 30% of the bonus will be measured against a scorecard of individual objectives, identified as the measurable key priorities required to drive the continued transformation of M&S.

The performance targets for the 2022/23 scheme are deemed by the Board to be too commercially sensitive to disclose at this time, as they are not disclosed elsewhere in the report. Where possible, they will be disclosed in next year's report. The Committee, at its absolute discretion, may use its judgement to adjust outcomes to ensure that any payments made reflect overall business and individual performance during the year. Any discretion applied will be clearly disclosed and justified.

Director	CORPORATE TARGETS		INDIVIDUAL OBJECTIVES	
	Group PBT before adjusting items PBT	% bonus	Scorecard of individual measures	Measures
<b>Stuart Machin</b>		70%	30%	<ul style="list-style-type: none"> <li>Lead and develop a successful rhythm and effective ways of working with new executive team. Leadership and governance of Executive Committee.</li> <li>Implement a simplified and effective organisational structure.</li> <li>Evolve the Ocado Retail joint venture and strategic plan.</li> <li>Deliver the Food supply chain transformation.</li> <li>Deliver the Property store rotation and renewal programme.</li> <li>Create a high performing and engaged culture across the whole of M&amp;S.</li> </ul>
<b>Katie Bickerstaffe</b>		70%	30%	<ul style="list-style-type: none"> <li>Deliver the MS2 and omni-channel strategy and performance.</li> <li>Improvement in Sparks active members, engagement, personalisation and payment.</li> <li>Achieve International growth and strategy for India expansion.</li> <li>Deliver end to end clothing supply chain (phase 1).</li> <li>Deliver digital and data capability and put at the heart of the delivery of the next phase of growth transformation.</li> <li>Clothing category management and effective ways of working.</li> </ul>
<b>Eoin Tonge</b>		70%	30%	<ul style="list-style-type: none"> <li>Continue to improve and strengthen the Group balance sheet.</li> <li>Implement a new energised control and risk framework</li> <li>Lead the strategic framework review for the next phase of growth transformation</li> <li>Accelerate the Property store rotation programme.</li> <li>Lead the organisation productivity and efficiency initiatives.</li> <li>Deliver a step change in our sustainability plan and put at the centre of our Brand and proposition.</li> </ul>

## PERFORMANCE SHARE PLAN (PSP)

### PSP AWARDS MADE IN 2021/22 (AUDITED)

Ahead of grants being made, the Committee reviewed the long-term incentive framework at M&S, assessing the extent to which it remained suitable. After consideration, it was decided that the current structural arrangements remained appropriate, 20% of the 2021 PSP award would be based upon strategic transformation goals relevant to the achievement of the business strategy over the next three years and the remaining 80% of the award would be based on EPS (30%), ROCE (30%) and relative TSR (20%).

TSR is measured against a bespoke group of 13 companies taken from the FTSE 350 General and Food & Drug Retailers indices, reviewed prior to grant to ensure the constituents remained appropriately aligned to M&S' business operations and best reflected the value of shareholders'

investment in M&S over the respective performance period. These companies are listed in Figure 14.

In light of the return of share price to pre-pandemic levels, the Committee decided that it was appropriate for grant levels to return to 250% of salary for the 2021 PSP. In determining the size of the 2021 PSP awards, the Committee decided that as a result of the share price recovery over the last 12 months, fewer shares would be awarded than in 2020. The grant was made on 29 June 2021.

Having taken the decision to delay target setting, the Committee consulted with shareholders on the proposed targets and received support for the proposed targets. The strategic targets are deemed

too commercially sensitive to disclose but will be reported at the time of vesting.

In line with policy, awards will vest three years after the date of grant, to the extent that the performance conditions are met, and must then be held for a further two years. Clawback provisions apply during this holding period. For financial measures, 20% of awards will vest for threshold performance, increasing to 100% on a straight-line basis between threshold and maximum performance. For strategic measures, no payment shall be made if the target is not achieved. This supports the Committee's view that delivery of these strategic measures is critical; payment for achievement below the target is not appropriate. Detailed targets can be seen in Figure 13.

**FIGURE 13: PERFORMANCE CONDITIONS FOR PSP AWARDS MADE IN 2021/22 (AUDITED)**

2021/22 award measures	Weighting	Details	
		Threshold	Maximum
Adjusted EPS in 2023/24 (p)	30%	15p	24p
ROCE in 2023/24 (%)	30%	10.5%	13.5%
Relative TSR	20%	Median	Upper quartile
Strategic measures	20%	M&S.com growth Food like-for-like sales Store staff cost to sales ratio	

**FIGURE 14: TSR COMPARATOR GROUP 2021/22 AWARDS**

ASOS	Dunelm Group	J Sainsbury	Next	Wm Morrisons
B&M European	Frasers	Kingfisher	Tesco	
Dixons Carphone	JD Sports Fashion	N Brown Group	WHSmith	

**FIGURE 15: PSP AWARDS MADE IN 2021/22 (AUDITED)**

	Basis of award % of salary	Threshold level of vesting	Face value of award £000	End of performance period	Vesting date
Steve Rowe	250%	20%	2,086	01/04/2024	29/06/2024
Eoin Tonge	250%	20%	1,500	01/04/2024	29/06/2024

PSP grants were made as a conditional share award. When calculating the face value of awards to be granted, the number of shares awarded was multiplied by the average mid-market share price on the five dealing days prior to the date of grant. For the 2021 award, the share price was calculated as £1.5267, being the average share price between 22 June 2021 and 28 June 2021.

**FIGURE 16: PSP AWARDS VESTING IN 2021/22 (AUDITED)**

For directors in receipt of PSP awards granted in 2019, the awards will vest in June 2022 based on three-year performance over the period to 2 April 2022. Performance has been assessed and it has been determined that 0% of the total award will vest. The Committee

reviewed this level of vesting against the wider business performance of the period and determined this level of payment was appropriate; no discretion was applied for either share price movements or formulaic vesting outcomes.

Details of performance against the specific targets set are shown in the table overleaf.

The total vesting values shown in Figure 17 directly correspond to the figure included in the single figure table on page 95.

# REMUNERATION REPORT CONTINUED

## PERFORMANCE SHARE PLAN (PSP) CONTINUED

	Adjusted EPS in 2021/22 (p)	Average ROCE (2019/20-2021/22) (%)	TSR	Total vesting % of award
	1/3 of award	1/3 of award	1/3 of award	
2019/20 award				
<b>Threshold performance</b>	22.7	10.2	Median	
<b>Maximum performance</b>	28.5	12.7	Upper quartile	
<b>Actual performance achieved</b>	21.7p	8.7%	Below median	
<b>Percentage of maximum achieved</b>	0%	0%	0%	<b>0%</b>

The targets outlined above are stated on a post-IFRS 16 basis and include adjustments that have been made for the impact of the investment in Ocado Retail Limited. The original targets were EPS 24.0p-31.0p and ROCE 13.0%-17.0%. For threshold performance 20% of the 2019/20 award would have vested, increasing to 100% on a straight-line basis between threshold and maximum performance.

### FIGURE 17: VESTING VALUE OF AWARDS VESTING IN 2021/22 (AUDITED)

	On grant		At the end of performance period (2 April 2022)				Impact of share price performance	Total vesting of award £000
	Number of shares granted (incl. rights issue adjustment)	% of salary granted	Dividend equivalents accrued during the performance period	Number of shares vesting	Number of shares lapsing			
Steve Rowe	983,801	250%	51,437	0	1,035,238	-	<b>£0k</b>	

Dividend equivalents accrued during the performance period have been included in the table above.

### PSP AWARDS TO BE MADE IN 2022/23

During the year, the Committee reviewed the long-term incentive framework at M&S, assessing the extent to which it remained suitable. While the 2022 PSP will maintain the measures used for the 2021 PSP awards (30% adjusted EPS, 30% ROCE, 20% relative TSR and 20% strategic measures), the EPS and ROCE targets have been increased from those seen in awards from previous years.

In making this decision, the Committee was mindful of the need to ensure that M&S' PSP motivates senior leaders to drive the required transformation to secure M&S' long-term success while balancing shareholder interests. Overall, the Committee believes that these PSP targets are appropriately stretching in the context of the business and analyst expectations and remain equally challenging as those set at the start of the performance period for previous awards.

TSR will once again be measured against a bespoke group of companies taken from the FTSE 350 General and Food & Drug Retailers indices. The existing group of 13 companies, as detailed in Figure 14, was thoroughly reviewed to ensure the constituents remained appropriate and aligned to M&S' business operations. This review resulted in the removal of Wm Morrisons, as it is no longer listed on the FTSE. The revised TSR comparator group of 12 companies can be found in Figure 19.

Following a debate on M&S' share price performance since the 2020/21 PSP was awarded in June 2021, a grant of 250% of salary was approved for the 2022 PSP. The Committee will review and reconfirm this decision immediately prior to grant to ensure this remains appropriate.

Performance will be measured as shown in Figure 18 below, with 20% of awards vesting for threshold performance and 100% for maximum.

### FIGURE 18: PERFORMANCE CONDITIONS FOR PSP AWARDS TO BE MADE IN 2022/23

2022/23 award measures	Weighting	Details	
		Threshold	Maximum
Adjusted EPS in 2024/25 (p)	30%	18p	27p
ROCE in 2024/25 (%)	30%	11.5%	14.0%
Relative TSR	20%	Median	Upper quartile
Strategic measures	20%	M&S.com growth Food like-for-like sales Store staff cost to sales ratio	



## PERFORMANCE SHARE PLAN (PSP) CONTINUED

**FIGURE 19: TSR COMPARATOR GROUP 2022/23 AWARD**

ASOS	Dunelm Group	J Sainsbury	Next
B&M European	Frasers	Kingfisher	Tesco
Dixons Carphone	JD Sports Fashion	N Brown Group	WHSmith

### EXECUTIVE DIRECTORS' REMUNERATION

**FIGURE 20: DIRECTORS' SHAREHOLDINGS (AUDITED)**

The table below sets out the total number of shares held by each executive director serving on the Board during the period to 2 April 2022. Shares owned outright include those held by connected persons.

There have been no changes in the current directors' interests in shares or options granted by the Company and its subsidiaries between the end of the financial year and 24 May 2022. No director had an interest in any of the Company's subsidiaries at the statutory end of the year.

	Shares owned outright	Unvested		Vested unexercised options
		With performance conditions Performance Share Plan	Without performance conditions Restricted Share Plan	
<b>Steve Rowe</b>	562,662	3,861,479	–	–
<b>Eoin Tonge</b>	277,999	2,032,049	789,252	–

**FIGURE 21: SHAREHOLDING REQUIREMENTS INCLUDING POST-CESSATION (AUDITED)**

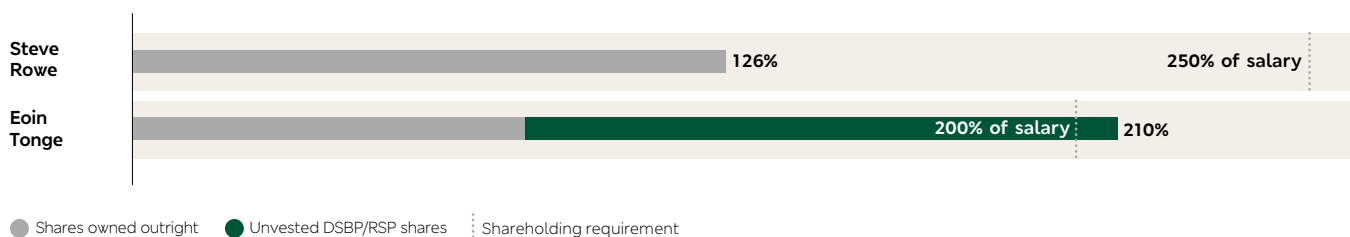
All executive directors are required to build shares equivalent in value to a minimum percentage of their salary within a five-year period from their appointment date. For the CEO, this requirement is 250% of salary and for other executive directors the requirement is 200% of salary. A similar requirement of 100% of salary currently applies to members of the Executive Committee below Board level.

The chart below shows the extent to which each executive director has met their target shareholding as at 2 April 2022. For Steve Rowe, his 250% shareholding requirement is measured from the date he was appointed CEO. Although the respective target has not yet been achieved, the Committee is satisfied that no shares granted or held have been sold by either the CEO or his related parties and that the CEO's interests remain strongly aligned with shareholders.

For the purposes of the requirements, the net number of unvested share awards not subject to performance conditions is included and is reflected in the chart below. The Committee continues to keep shareholding requirement guidelines and actual director shareholdings under review and will take appropriate action should it feel this is necessary.

To support the Committee's intention to drive long-term, sustainable decision-making for the benefit of M&S and our shareholders and in line with the 2018 UK Corporate Governance Code changes and the Investment Association's updated guidelines, in 2020 the Committee approved the extension of shareholding guidelines to beyond the time at which an executive director leaves M&S. Directors are required to maintain their minimum shareholding requirement, or, if their level of shareholding is below this, their actual shareholding, for two years after leaving M&S. For the avoidance of doubt, the Committee has approved all vesting awards from 2020 grants onwards to be held in a nominee vehicle to ensure the successful operation of this policy.

For the purposes of this calculation, an average share price is used to reduce the impact of share price volatility on the results. The average share price for the year was £1.809, with resultant shareholdings illustrated in the chart below.



# REMUNERATION REPORT CONTINUED

## EXECUTIVE DIRECTORS' REMUNERATION CONTINUED

### EMPLOYEE SHARE SCHEMES

#### ALL-EMPLOYEE SHARE SCHEMES (AUDITED)

Executive directors may participate in ShareSave, the Company's save as you earn (SAYE) scheme, and ShareBuy, the Company's share incentive plan, on the same basis as all other eligible colleagues. Further details of the schemes are set out in note 13 of the financial statements on pages 154 to 156.

#### DILUTION OF SHARE CAPITAL BY EMPLOYEE SHARE PLANS

Awards granted under the Company's SAYE scheme and discretionary share plan can be met by the issue of new shares when the options are exercised or through market purchase shares.

The Company monitors the number of shares issued under these schemes and their impact on dilution limits. The Company's usage of shares compared with the dilution limits set by the Investment Association in respect of all share plans (10% in any rolling 10-year period) and executive share plans (5% in any rolling 10-year period) as at 2 April 2022 is shown in Figure 22 and 23:

FIGURE 22: All share plans



FIGURE 23: Executive share plans

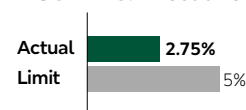


FIGURE 24: EXECUTIVE DIRECTORS' INTERESTS IN THE COMPANY'S SHARE SCHEMES (AUDITED)

	Maximum receivable at 3 April 2021	Awarded during the year	Exercised during the year	Lapsed during the year	Dividend equivalents accrued	Maximum receivable at 2 April 2022
<b>Steve Rowe</b>						
Performance Share Plan	3,228,450	1,366,509	–	733,480	–	3,861,479
Deferred Share Bonus Plan	–	–	–	–	–	–
SAYE	21,951	–	–	–	–	21,951
<b>Total</b>	<b>3,250,401</b>	<b>1,366,509</b>	<b>–</b>	<b>733,480</b>	<b>–</b>	<b>3,883,430</b>
<b>Eoin Tonge</b>						
Performance Share Plan	1,049,538	982,511	–	–	–	2,032,049
Restricted Share Plan	789,252	–	–	–	–	789,252
SAYE	21,951	–	–	–	–	21,951
<b>Total</b>	<b>1,860,741</b>	<b>982,511</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>2,843,252</b>

The market price of the shares at the end of the financial year was £1.5795; the highest and lowest share prices during the financial year were £2.5690 and £1.3155 respectively.

Figure 25 shows the time horizons of outstanding discretionary share awards (including dividend equivalent shares accrued during the performance period) for all directors serving on the Board during the year.

FIGURE 25: VESTING SCHEDULE OF EXECUTIVE DIRECTORS' OUTSTANDING DISCRETIONARY SHARE AWARDS

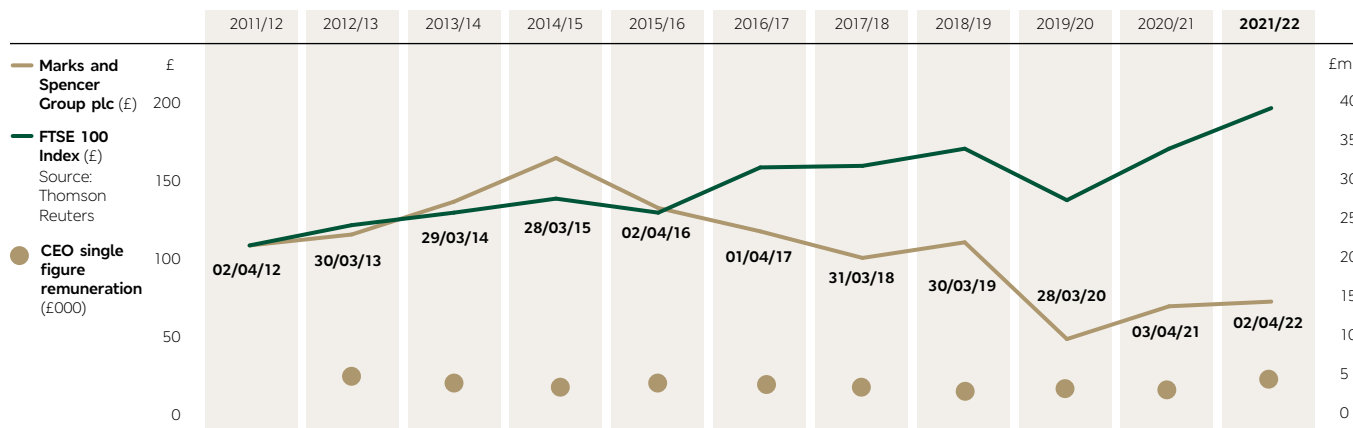
		Maximum receivable at 2 April 2022 (all discretionary schemes)	2022/23		2023/24		2024/25	
			Maximum receivable	Lapsed	Maximum receivable	Lapsed	Maximum receivable	Lapsed
<b>Steve Rowe</b>	Performance Share Plan	3,861,479	–	1,035,238	1,459,732	–	1,366,509	–
<b>Eoin Tonge</b>	Performance Share Plan	2,032,049	–	–	1,049,538	–	982,511	–
	Restricted Share Plan	789,252	526,168	–	263,084	–	–	–

As reported on page 99, the 2019 PSP awards included within the totals shown in Figure 25 will vest at 0% in June 2022. This has been reflected above in the 2022/23 Lapsed column.

## EXECUTIVE DIRECTORS' REMUNERATION CONTINUED

**FIGURE 26: PERFORMANCE AND CEO REMUNERATION COMPARISON**

This graph illustrates the Company's performance against the FTSE 100 over the past 10 years. While M&S is not currently a constituent of the FTSE 100 Index, the Committee feels that this remains the most appropriate comparator. The calculation of TSR is in accordance with the relevant remuneration regulations. The table below the TSR chart sets out the remuneration data for directors undertaking the role of CEO during each of the last 10 financial years.



CEO		2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
CEO single figure (£000)	Steve Rowe	-	-	-	-	-	1,642	1,123	1,517	1,205	1,068	2,630
	Marc Bolland	2,142	1,568	2,095	2,015	-	-	-	-	-	-	-
Annual bonus payment (% of maximum)	Steve Rowe	-	-	-	-	-	36.98%	0.00%	0.00%	0.00%	0.00%	95.0%
	Marc Bolland	42.50%	0.00%	30.55%	31.90%	-	-	-	-	-	-	-
PSP vesting (% of maximum)	Steve Rowe	-	-	-	-	-	0.00%	8.20%	34.0%	11.20%	0.00%	0.00%
	Marc Bolland	00.00%	7.60%	4.70%	4.80%	-	-	-	-	-	-	-

**FIGURE 27: PERCENTAGE CHANGE IN DIRECTORS' REMUNERATION**

	% change 2020/21-2021/22			% change 2019/20-2020/21		
	2020/21 Base salary/fees	Benefits	Annual bonus	2019/20 Base salary/fees	Benefits	Annual bonus
Steve Rowe	1%	-20%	100%	0%	-36.8%	-
Eoin Tonge	1%	-33%	100%	0%	-	-
Archie Norman	1%	200%	N/A	0%	-74%	N/A
Andy Halford	1%	100%	N/A	0%	0%	N/A
Andrew Fisher	1%	100%	N/A	0%	-100%	N/A
Justin King	1%	-100%	N/A	0%	100%	N/A
Tamara Ingram	1%	-	N/A	0%	-	N/A
Sapna Sood	1%	-	N/A	0%	-	N/A
Evelyn Bourke	1%	100%	N/A	N/A	N/A	N/A
Fiona Dawson	1%	-	N/A	N/A	N/A	N/A
UK colleagues (average FTE)	2%	0%	100%	0%	0%	-

The table sets out the annual percentage change in salary, benefits and bonus for each director compared with that of the average full-time equivalent total reward for all UK colleagues.

For non-executive directors, benefits comprise taxable expense reimbursements relating to travel, accommodation and subsistence in connection with the attendance at Board and Committee meetings during the year. The change in the taxable benefits is a result of Covid-19 travel restrictions easing and not a change in the benefits policy.

**FIGURE 28: RELATIVE IMPORTANCE OF SPEND ON PAY**

The table opposite illustrates the Company's expenditure on pay in comparison with profits before tax and distributions to shareholders by way of dividend payments and share buyback. Total colleague pay is the total pay for all Group colleagues. Group PBT before adjusting items has been used as a comparison, as this is the key financial metric that the Board considers when assessing Company performance.

	2020/21 £m	2021/22 £m	% change
Total colleague pay	1,463.7	<b>1,487.5</b>	1.6%
Total returns to shareholders	Nil	<b>Nil</b>	-
Group PBT before adjusting items	41.6	<b>522.9</b>	1,257%

Group PBT before adjusting items as disclosed on page 86.

# REMUNERATION REPORT CONTINUED

## EXECUTIVE DIRECTORS' REMUNERATION CONTINUED

### FIGURE 29: SERVICE AGREEMENTS

In line with our policy, directors have rolling contracts which may be terminated by the Company giving 12 months' notice or the director giving six months' notice.

	Date of appointment	Notice period
<b>Steve Rowe</b>	02/04/2016	12 months/6 months
<b>Eoin Tonge</b>	08/06/2020	12 months/6 months

### CHANGES TO EXECUTIVE MEMBERSHIP OF THE BOARD DURING 2021/22

#### DIRECTORS APPOINTED TO THE BOARD

As announced on 10 March 2022, Stuart Machin will join the Board on 25 May 2022 as CEO. His basic annual salary is £800,000. Stuart's incentive arrangements are aligned with our Remuneration Policy, as summarised on page 91.

It was announced on the same day that Katie Bickerstaffe, having previously served as a non-executive director, will rejoin the Board on 25 May 2022 as Co-Chief Executive. Her basic annual salary is £750,000. Katie's incentive arrangements are aligned with our Remuneration Policy on page 91.

#### EXTERNAL APPOINTMENTS

The Company recognises that executive directors may be invited to become non-executive directors of other

#### PAYMENTS FOR THE LOSS OF OFFICE (audited)

As announced on 10 March 2022, Steve Rowe will stand down from the Board after the preliminary results on 25 May and will cease full-time employment with M&S at the AGM on 5 July. In view of his wisdom and formidable knowledge of the business, he has agreed to remain as an adviser to the new leadership for up to 12 months. The terms of his remuneration upon leaving are in line with the approved Termination Policy. Steve is contractually entitled to receive a salary, and benefits, by way of phased monthly payments

from 6 July 2022 to 5 July 2023, subject to mitigation.

The Committee determined good leaver treatment in line with the plan rules, and therefore his unvested conditional shares awarded under the 2020 and 2021 PSP will be time pro-rated to 5 July 2022. As detailed earlier in the report, the PSP awards granted in 2019 vested in June 2022 at 0%, resulting in the award lapsing in full.

#### PAYMENTS TO PAST DIRECTORS (audited)

There were no payments made to past directors during the period.

### FIGURE 30: NON-EXECUTIVE DIRECTORS' TOTAL SINGLE FIGURE REMUNERATION (AUDITED)

Non-executive directors receive fees reflecting the time commitment, demands and responsibilities of the role. Fees paid to the non-executive directors and Board Chairman for 2021/22 and 2020/21 are detailed in the table opposite.

Benefits include expense reimbursements relating to travel, accommodation and subsistence in connection with the attendance at Board and Committee meetings during the year, which are deemed by HMRC to be taxable.

The amounts in the table opposite include the grossed-up cost of UK tax paid by the Company on behalf of the non-executive directors. Non-taxable expense reimbursements have not been included in the table.

As reported last year, the basic non-executive fee increased by 1% to £72,215 with effect from 1 July 2021. The Board Chairman was similarly awarded an increase of 1% with effect from 1 July 2021. The total aggregate fee for the Board Chairman increased to £618,000.

companies, and that these appointments can broaden their knowledge and experience to the benefit of the Company.

The Policy is for the individual director to retain any fee. No executive directors held an external appointment during 2021/22.

The additional fee for chairing a committee increased in the year from £15,500 to £20,000 with effect from 1 January 2022.

In line with pay increases across the business, non-executive director fees will increase by 3% to £74,380 with effect from 1 July 2022. The Board Chairman was also awarded an increase of 3% bringing the total aggregate fee to £636,540.

Fee levels will again be reviewed in the year, ahead of any changes which would be effective 1 July 2023.

Director	Year	Basic fees £000	Additional fees £000	Benefits £000	Total £000
<b>Archie Norman</b>	2021/22	72	544	10	<b>626</b>
	2020/21	71	541	5	617
<b>Andy Halford</b>	2021/22	72	31	0	<b>103</b>
	2020/21	71	31	0	102
<b>Andrew Fisher</b>	2021/22	72	17	1	<b>90</b>
	2020/21	71	16	0	87
<b>Justin King</b>	2021/22	72	0	0	<b>72</b>
	2020/21	71	0	1	72
<b>Tamara Ingram<sup>1</sup></b>	2021/22	72	17	0	<b>89</b>
	2020/21	60	10	0	70
<b>Sapna Sood</b>	2021/22	72	0	0	<b>72</b>
	2020/21	60	0	0	60
<b>Evelyn Bourke</b>	2021/22	72	0	1	<b>73</b>
	2020/21	12	0	0	12
<b>Fiona Dawson</b> (from 25 May 2021)	2021/22	62	0	0	<b>62</b>
	2020/21	0	0	0	0

1. The 2020/21 additional fees for Tamara Ingram have been restated to include £5,167 Committee Chair fees earned in 2020/21 but paid in 2021/22.

## NON-EXECUTIVE DIRECTORS' REMUNERATION CONTINUED

### FIGURE 31: NON-EXECUTIVE DIRECTORS' SHAREHOLDINGS (AUDITED)

The non-executive directors are not permitted to participate in any of the Company's incentive arrangements. All non-executive directors are required to build and maintain a shareholding of at least 2,000 shares in the Company upon joining M&S.

The table opposite details the shareholding of the non-executive directors who served on the Board during the year as at 2 April 2022 (or upon their date of retiring from the Board), including those held by connected persons.

Changes in the current non-executive directors' interests in shares in the Company and its subsidiaries between the end of the financial year and 24 May 2022 (or upon their date of retiring from the Board) are shown in the table opposite.

Director	Number of shares held as at 2 April 2022	Number of shares held as at 24 May 2022
<b>Archie Norman</b>	148,600	No change
<b>Andy Halford</b>	25,200	No change
<b>Andrew Fisher</b>	4,243	No change
<b>Justin King</b>	64,000	No change
<b>Tamara Ingram</b>	2,000	No change
<b>Sapna Sood</b>	2,000	No change
<b>Evelyn Bourke</b>	50,000	No change
<b>Fiona Dawson</b>	12,352	No change

### FIGURE 32: NON-EXECUTIVE DIRECTORS' AGREEMENTS FOR SERVICE

Non-executive directors have an agreement for service for an initial three-year term which can be terminated by either party giving three months' notice (or six months' notice for the Chairman).

The table opposite sets out these terms for all current members of the Board.

Director	Date of appointment	Notice period
<b>Archie Norman</b>	01/09/2017	6 months/6 months
<b>Andy Halford</b>	01/01/2013	3 months/3 months
<b>Andrew Fisher</b>	01/12/2015	3 months/3 months
<b>Justin King</b>	01/01/2019	3 months/3 months
<b>Tamara Ingram</b>	01/06/2020	3 months/3 months
<b>Sapna Sood</b>	01/06/2020	3 months/3 months
<b>Evelyn Bourke</b>	01/02/2021	3 months/3 months
<b>Fiona Dawson</b>	25/05/2021	3 months/3 months

### NON-EXECUTIVE DIRECTOR CHANGES TO THE BOARD DURING 2022/23

#### ROLE CHANGES WITHIN THE BOARD

**Andy Halford** retires as the Chair of the Audit Committee on 7 June 2022; he will remain as the Senior Independent Director until he retires and steps down before the 2023 AGM. His fee will increase, in line with the increase to basic non-executive director fees, from £103,215 to £105,380.

**Evelyn Bourke** will become Chair of the Audit Committee with effect from 7 June 2022. Evelyn will receive a total fee of £92,215, which is inclusive of the standard annual non-executive director fee of £72,215 (£74,380 from 1 July 2022).

# REMUNERATION REPORT CONTINUED

## REMUNERATION COMMITTEE

### REMUNERATION COMMITTEE REMIT

During the year, the Remuneration Committee reviewed the Terms of Reference to ensure that they reflected the government's latest recommendations and the revised principles of the Remuneration Policy, as set out in the UK Corporate Governance Code 2018. In particular, the Committee, in its support of the Nomination Committee, expanded its remit to specifically discuss the talent and succession in the senior leadership group and associated pay arrangements. The Terms of Reference can be found on the Company's website at [corporate.marksandspencer.com/investors/corporate-governance/governance-framework](https://corporate.marksandspencer.com/investors/corporate-governance/governance-framework).

### KEY RESPONSIBILITIES

- The Committee continues to have a strong focus on ensuring an appropriate alignment between the remuneration of executive directors, the Executive Committee and colleagues across M&S, ensuring that the senior remuneration framework is strategically aligned with the business but that it also attracts and recognises the talent required to drive transformation and cultural change within M&S. The responsibilities are broadly as follows:
  - Setting remuneration policy and practices that are designed to support strategy and promote the long-term success of M&S while following the principles:
    - **Clarity:** Remuneration arrangements are transparent and promote effective engagement with shareholders and the workforce.
    - **Simplicity:** Remuneration structures are uncomplicated, and their rationale and operation are easy to understand.
    - **Risk:** Ensure that reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans, are identified and mitigated.
  - **Predictability:** The range of possible values of rewards to executive directors is identified and explained at the time of approving the policy.
  - **Proportionality:** The link between individual awards, the delivery of strategy and the long-term performance of the Company is clear. Outcomes should not reward poor performance.
  - **Alignment with culture:** Incentive schemes that drive behaviours consistent with M&S' purpose, values and strategy.
- Determining the terms of employment and remuneration for the executive directors and the Executive Committee, including recruitment and termination arrangements.
- Considering the appropriateness of the senior remuneration framework and exercising independent judgement and discretion when authorising remuneration outcomes, taking Company and individual performance, and the context of the wider workforce, into account.
- Noting the total pay budgets, including salary, bonus and share scheme allocations, across all of M&S, together with the principles of allocation to ensure appropriate consistency with the senior pay frameworks.
- Approving the design, targets and total payments for all performance-related pay schemes operated by M&S, seeking shareholder approval where necessary.
- Assessing the appropriateness and subsequent achievement of performance targets relating to any share-based incentive plan for the executive directors and Executive Committee.
- Receiving direct feedback from BIG, the Group's colleague representative body, colleague voice surveys and management reports to ensure colleague views on Group culture, including remuneration strategy and I&D are considered.

### REMUNERATION COMMITTEE AGENDA FOR 2021/22

#### REGULAR ITEMS

##### Pay arrangements

- Within the terms of the M&S Remuneration Policy, approval of the remuneration packages for the executive directors, the Executive Committee, and any termination payments where applicable.
- Consideration of the appropriateness of the senior remuneration framework in the context of the rest of the organisation and external governance.
- Noting of the total budgeted salary expenditure across M&S, ensuring principles for reward allocation are aligned across M&S.

##### Annual Bonus Scheme

- Review of achievements against 2021/22 performance objectives for executive directors and the Executive Committee.
- Approval of targets for the 2022/23 ABS ensuring that the performance conditions are transparent, stretching and rigorously applied.
- Approval of the 2022/23 individual performance objectives for executive directors and the Executive Committee.

- Noting of the total budgeted expenditure for the ABS across M&S.

##### Long-term incentives

- Approval of 2022 PSP awards for the executive directors and the Executive Committee.
- Approve the 2022 PSP targets ensuring appropriate alignment between driving exceptional performance and motivating and retaining top talent.
- Approval of the vesting level of the 2019 PSP awards across M&S.
- Regular review of all in-flight PSPs against targets.
- Consideration of long-term share awards granted to colleagues below Executive Committee level.

##### Governance and external market

- Review of the M&S Remuneration Policy, ensuring that it continues to support the long-term success of M&S and is aligned with the 2018 UK Corporate Governance Code, other external governance and emerging best practice.

- Review the appropriateness of the senior remuneration framework in the context of the rest of the organisation and external governance.
- Approval of the Directors' Remuneration Report for 2021/22 and review of the ACM voting outcome for the 2020/21 report.
- Review of the Committee's performance in 2021/22, including assurance that the principles of the revised Terms of Reference and broader remit of the Committee are embedded.
- Assessment of the external market when considering remuneration arrangements for executive directors and the Executive Committee.
- Review the effectiveness and transparency of remuneration reporting.
- Noting of direct feedback from BIG, M&S' colleague representative body, to ensure that all colleague views are received and considered by the Board when making remuneration and reward decisions.

##### Talent planning

- Noting the performance management process across the business.
- Discussing senior leadership talent and succession planning.

### EFFECTIVENESS OF THE REMUNERATION COMMITTEE

During the year, the Board Chairman led an internal review of the Board's effectiveness. All non-executive directors independently provided their views, which were then reviewed and discussed collectively.

The Remuneration Committee, under the leadership of Andrew Fisher, continues to operate efficiently; matters discussed during the year fulfil the Committee's expanded remit and are thoughtfully debated in the context of internal and external factors.

### 2022/23 ACTION PLAN

- Full review of the M&S Remuneration Policy in anticipation of the binding shareholder vote at the 2023 AGM, ensuring the policy continues to accelerate the transformation and support long-term success of M&S and is aligned with the 2018 UK Corporate Governance Code, other external governance and emerging best practice.
- Review and discuss Group future pay and incentive structures to align with organisational design and M&S values, ensuring appropriateness of reward structures and costs for the future, as well as continued alignment with the Board approach to pay.
- Review of proposed ESG customer sentiment metric and establishment of base line for measurement together with continuing discussion on alternative ESG measures to ensure appropriate focus on Plan A goals in Board pay arrangements.
- Continue to support the work of the Nomination Committee through the assessment of senior leadership talent, succession planning and associated pay arrangements, together with talent plans and colleague engagement across the entire organisation.

## REMUNERATION COMMITTEE CONTINUED

**FIGURE 33: REMUNERATION COMMITTEE MEETINGS**

The table opposite details the independent non-executive directors that were members of the Committee during 2021/22.

MEMBER	Member since	Maximum possible meetings	Number of meetings attended	% of meetings attended
<b>Andrew Fisher</b> (Committee Chair)	1 October 2018	5	5	100%
<b>Archie Norman</b>	3 November 2017	5	5	100%
<b>Tamara Ingram</b>	11 September 2020	5	5	100%

### COMMITTEE ADVISERS

In carrying out its responsibilities, the Committee is independently advised by external advisers. The Committee was advised by PwC during the year. PwC is a founding member of the Remuneration Consultants Group and voluntarily operates under the code of conduct in relation to executive remuneration consulting in the UK. The code of conduct can be found at [remunerationconsultantsgroup.com](http://remunerationconsultantsgroup.com).

The Committee has not explicitly considered the independence of the advice it receives, although it regularly reflects on the quality and objectivity of this advice. The Committee is satisfied that any conflicts are appropriately managed.

PwC was appointed by the Committee as its independent adviser in 2014, following a rigorous and competitive tender process. PwC provides independent commentary on matters under consideration by the Committee and updates on legislative requirements, best practice and market practice. PwC's fees are typically charged on an hourly basis, with costs for work agreed in advance. During the year, PwC charged £66,750 for Remuneration Committee matters. This is based on an agreed fee for business as usual support, with additional work charged at hourly rates. PwC has provided tax, consultancy and risk consulting services to the Group in the financial year.

PwC's advisory team has no connection with any individual director of the Group.

The Committee also seeks internal support from the CEO, CFO, General Counsel & Company Secretary and the Head of Executive Reward & Pay Governance as necessary. All may attend the Committee meetings by invitation but are not present for any discussions that relate directly to their own remuneration.

The Committee also reviews external survey and bespoke benchmarking data, including that published by Aon Hewitt Limited, KPMG, PwC, FIT Remuneration Consultants, Korn Ferry and Willis Towers Watson.

### REMUNERATION COMMITTEE STAKEHOLDER AND SHAREHOLDER ENGAGEMENT

The Committee is dedicated to ensuring that executive pay remains competitive, appropriate and fair in the contexts of the external market, Company performance and the pay arrangements of the wider workforce. In collaboration with the Head of Executive Reward & Pay Governance, the Committee gives colleagues, through colleague representatives, the opportunity to raise questions or concerns regarding the remuneration of

the executive directors. During the year, colleague representatives were given the opportunity to raise their views with the Remuneration Committee via the BIG Chair. Details of the directors' pay arrangements were discussed in the context of the reward framework for the rest of the organisation and external factors; no concerns were raised either during these discussions or subsequently.

The Committee is dedicated to a continuous, open and transparent dialogue with shareholders on the issue of executive remuneration. As described in the Committee Chair's letter, dialogue on the proposed measures and weightings of the PSP continued during the year. Shareholders were positive in their feedback and confirmed that the targets set aligned with their expectations.

### SHAREHOLDER SUPPORT FOR THE REMUNERATION POLICY AND 2020/21 DIRECTORS' REMUNERATION REPORT

At the Annual General Meeting on 6 July 2021, 99.15% of shareholders voted in favour of approving the Directors' Remuneration Report for

2020/21. The Committee believes that this illustrates the strong level of shareholder support for the senior remuneration framework. The table below shows full

details of the voting outcomes for the 2020/21 Directors' Remuneration Report.

**FIGURE 34: VOTING OUTCOMES FOR THE REMUNERATION POLICY AND 2020/21 REMUNERATION REPORT**

	Votes for	% Votes for	Votes against	% Votes against	Votes withheld
<b>Remuneration Policy</b> (at the 2020 AGM)	1,125,697,134	97.14%	33,187,602	2.86%	942,792
<b>2020/21 Remuneration Report</b> (at the 2021 AGM)	1,271,170,625	99.15%	10,910,040	0.85%	2,734,663

### APPROVED BY THE BOARD

**Andrew Fisher** Chair of the Remuneration Committee  
London, 24 May 2022

This Remuneration Policy and these remuneration reports have been prepared in accordance with the relevant provision of the Companies Act 2006 and on the basis prescribed in the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 ("the Regulations"). Where required, data has been audited by Deloitte, and this is indicated appropriately.