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COMPANIES HOUSE

Reshaping M&S

Marks and Spencer Group plc

Annual Report & Financial Statements 2023

Company number

RESHAPING M&S *for growth*

M&S has a heritage of quality, innovation and value for money and has been voted the UK's most trusted brand. From these foundations, M&S is reshaping for sustainable profitable growth and value creation.

Read more about our strategic priorities on pages 12-13

DELIVER PROFITABLE SALES *growth*

Read more on pages 14-21

IMPROVE OPERATING *margins*

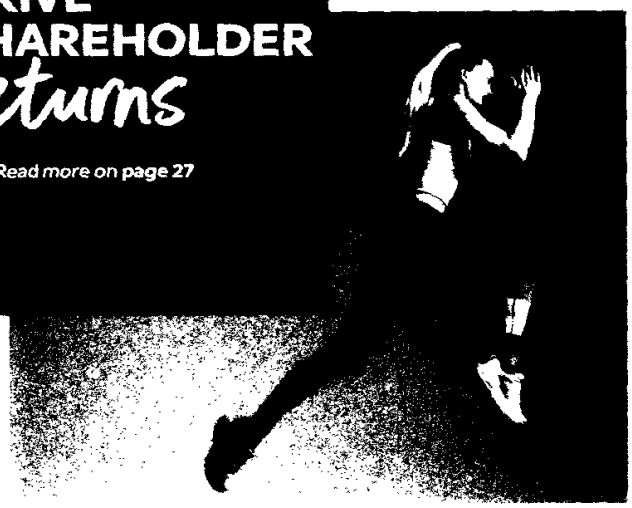
Read more on pages 22-23

DISCIPLINED INVESTMENT *choices*

Read more on pages 24-26

DRIVE SHAREHOLDER *returns*

Read more on page 27



FINANCIAL HIGHLIGHTS

Group revenue

£11.9bn

Basic earnings per share

18.5p

Group profit before tax

£475.7m

Group profit before tax and adjusting items APM

£482.0m

Net debt excluding lease liabilities APM

£355.6m

Adjusted earnings per share APM

18.1p

NET PROMOTER SCORES

Group NPS

+36

High quality perception across both Food and Clothing & Home as well as continued positive sentiment towards our customer service were key drivers of overall Group NPS increasing by 7 percentage points this year.

Omni-channel NPS

+39

To align with our strategic priorities, Digital and Store NPS metrics have been replaced with a single Omni-channel NPS measure to track customer satisfaction as they shop across channels.

International NPS

+84

Customers' experience of M&S globally improved as NPS increased by 4 percentage points this year.

APM

ALTERNATIVE PERFORMANCE MEASURES
The report provides alternative performance measures ("APMs") which are not defined or specified under the requirements of UK-adopted International Accounting Standards. We believe these APMs provide readers with important additional information on our business. We have included a glossary on pages **213 to 217** which provides a comprehensive list of the APMs that we use, including an explanation of how they are calculated, why we use them and how they can be reconciled to a statutory measure where relevant.

COVER
Pure Cotton Printed Maxi Tiered Dress (T427541): Part of the Summer 23 campaign, the on-trend blue printed dress is £39.50, our best-selling dress price point. M&S is now no.3 in the market for dresses, up from no.6 three years ago.

M&S Tree Ripe Cox Apples: M&S is the only retailer to tree ripen its British Apples, ensuring a better flavour development and a richer colour. M&S has worked with its longstanding grower to use the method on four apple varieties and seen sales increase 19%.

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Read more

Download

Link to Sustainability Report

Website

CHAIRMAN'S LETTER

"We are now at last seeing the reshaping of M&S take hold."

DEAR SHAREHOLDER
When I arrived at M&S five years ago, we embarked on the most important turnaround mission in British retailing, to bring this great British brand back to health after years of drift. Of all the turnarounds I have been part of, this has been the slowest and most intractable; reflecting the deep-rooted nature of our problems and culture at the 'old M&S', but we are now at last seeing the reshaping of M&S take hold with new energetic leadership, new strong trading results and the prospect of a return to dividends.

Stuart Machin succeeded Steve Rowe as Chief Executive at the beginning of the year with Katie Bickerstaffe as Co-Chief Executive reporting to Stuart. All new leaders need to arrive with a bang, create new energy and set direction early. In the last twelve months the sense of pace, openness to change and delivery of performance has accelerated. The M&S challenge has always been fundamentally about culture, talent and organisation and the change is palpable.

M&S is a family of businesses each with different economics, suppliers and consumer dynamics bound together by a common brand, values and trading philosophy.

This year almost all the main businesses traded strongly, growing overall market share in both Clothing & Home and Food, despite a challenging consumer environment and strong regulatory headwinds. Overall I measure our progress by the extent of change in the business and customer reaction to product and service. Our ratings for style, quality and value in Clothing are well ahead and in Food, value perception is at the highest it has been in six years and our lead on quality has widened.

At its core our strategy is clear: to deliver exceptional product ranges at trusted value; shift our sales into high performing growth channels; rationalise the rest and underpin it with a modern omni-channel infrastructure and lower cost base. Years of indecision had left M&S with a sprawling store network, including some historic but "legacy" stores. By rotating into new high productivity digitally-enabled stores in our new "renewal" format we can increase sales and margins and the year ahead will see some exciting new developments.

Our objective is to grow online, so that 50% of our Clothing & Home business will be ordered online, and with a margin that will exceed the store average. This channel shift will be supported by our emerging competitive advantage on data, so we will be able to talk to each customer as an individual, moving away from "one message fits all" marketing.

In reshaping the business, we still have plenty of "old world" issues to tackle. Because the cost headwinds remain strong, we are still "running up a down escalator", not least because we rightly committed to a near 10% pay award to support our colleagues through the cost-of-living crisis. Our central support functions and supply chain processes remain inefficient by industry standards. That means we must become leaner and invest in improved technology support, as well as supply networks. This is where the "spirit of the turnaround" with the imperative for change needs to be rekindled and sustained as the desire to revert to business as usual at M&S is always strong.

I believe the M&S Board should be an engaged Board helping drive the strategy by supporting and challenging the executive team. With the extent of modern governance pressures, it is easy for Boards to lose their "edge". We run a very active Board involvement programme and our meetings are never dull. Following their appointments in May, Katie and Stuart joined the Board and through the year we welcomed Ronan Dunne and Cheryl Potter as non-executive directors. Ronan has led many businesses through technological and people transformation and Cheryl brings a strong private equity shareholder lens as well as retail turnaround experience to our Board. Since Cheryl joined us in February, we now have a majority of women round the table.

At the end of December, Andy Halford - our superb Senior Independent Director and Chair of the Audit Committee - stood down from the Board after ten years and goes with our thanks.

We believe M&S has to fight its corner in public life, standing up for our business and values, as well as our colleagues, customers and the thousands of trusted suppliers – large and small – who work with us. We live in a world where retail, especially food, has become the *"politicians playground" and we have to* defend the customer's right to choose. So we have fought high profile campaigns on the Northern Ireland Protocol and customs controls with some success in the form of the Windsor Agreement. We are also leading a national "Share your Voice" campaign to bring back retail shareholder democracy fit for a modern digital era. If M&S does not stand up for the small shareholder, who will?

Given the scale and passion of our retail shareholder base, we want to use today's technology to make it easier to have a stake and say in M&S and I look forward to welcoming many of you to our next digital AGM in July.

Colleague culture and values are central to our M&S history and we want to recreate a business where every colleague at every level can have a say and feel listened to. The support from our store managers, the Business Involvement Group representatives and all our colleagues across the business, including Gist who have now joined the family, has been magnificent and we thank them all.

Yours sincerely,

Archie Norman
Chairman

HOW GOVERNANCE IS SUPPORTING M&S *Reshaping*

STAKEHOLDER ENGAGEMENT

Our stakeholders underpin everything we do and are fundamental to the delivery of our strategy.

Read more in **Our Business Model** and **Stakeholder Engagement** pages 8-11 and **S.172 Statement** on pages 80-82

'SHARE YOUR VOICE' CAMPAIGN

This campaign aims to give all shareholders a voice by improving communication and engagement.

Read more in the **Chairman's Governance Letter** on pages 68-69

ANNUAL GENERAL MEETING ('AGM')

Following the success of previous years, the 2023 AGM will once again take place as a digitally enabled meeting.

Read more in the **Notice of Meeting** on pages 218-229

NED APPOINTMENTS

The Nomination Committee led the recruitment and appointment of two new Non-Executive Directors, Ronan Dunne and Cheryl Potter.

Read more in the **Directors' biographies** on pages 73-73

Details of the appointment and induction process can be found in the **Nomination Committee Report** on pages 85-89

CHIEF EXECUTIVE'S REVIEW
STRONG RESULTS AS M&S RESHAPES FOR GROWTH

"M&S is a special business with so much potential."

OVERVIEW

One year in, our strategy to reshape M&S for growth has driven sustained trading momentum, with both businesses continuing to grow sales and market share. Our Food and Clothing & Home businesses invested in value to protect customers from the full force of inflation which, whilst impacting margin, was the right thing to do as serving our customers well is the only route to delivering for our shareholders.

STRONG TRADING RESULTS

M&S delivered strong results in 2022/23 despite significant inflationary cost headwinds impacting margins, reflecting the benefits of our programme to reshape for growth. Profit before tax and adjusting items for the period was £482.0m (2021/22: £522.9m). Statutory profit before tax was £475.7m (2021/22: £391.7m). Prior year results included £59.8m of UK business rates relief and a net rates charge of £139.7m compared with a net rates charge of £186.6m in 2022/23.

Clothing & Home grew sales 11.5% with like-for-like sales up 11.2% driven by a more confident approach to buying and a focus on the modern mainstream customer, which is starting to drive better style perceptions. While store sales outperformed, online sales were also up, with growth in Click & Collect sales, active App users and Sparks loyalty membership. Alongside this, volume and value market share increased.

Food sales grew 8.7% with like-for-like sales up 5.4%, outperforming the market in volume and value terms, as we broadened appeal through focused product development and investment in trusted value. While investment in value reduced margin, the positive customer response supported the delivery of improved trading performance in the second half. Margin in the second half also benefitted from the strategic acquisition of Gist.

International sales were up 11.2% at constant currency, driven by demand for clothing from global partners. As a result, profits recovered despite the combined impacts of the exit from Russia and ongoing EU border-related costs.

Ocado Retail sales were down 1.2%. While active customers grew, revenues reflected reduced volumes as a result of lower shopping frequency post-pandemic. Profitability was impacted by the effects of higher fixed costs from under-utilised capacity, the impact of which we are working together to reduce, as we build customer numbers over time.

Read more in our Financial Review pages 35-41

RESHAPING M&S TO DELIVER LONG-TERM GROWTH

M&S has a heritage of quality, style, innovation and value for money and during the year, was voted the UK's most trusted brand. After a number of years of substantial change and investment, a strengthening omni-channel position in Clothing & Home and the broader reach of Food, including through the Ocado Retail joint venture, there are significant opportunities for profitable growth.

During the year, supported by Katie Bickerstaffe as Co-CEO, I set out our priorities to reshape M&S to deliver sustainable growth. To support the implementation of our plan, Jeremy Townsend was appointed to the team as CFO in January 2023, and I am pleased to say he will remain with the business until May 2025.

This Annual Report updates on our delivery against this plan, setting out how these priorities will deliver profitable sales growth, improve operating margins, provide investment choices and drive shareholder returns. The nine priorities are summarised below.

- **Exceptional product, trusted brand:** Developing exceptional product worthy of a trusted brand, through investment in great tasting, value for money, quality Food and developing stylish, great value, quality Clothing & Home ranges.

- **Leading in omni-channel:** Driving omni-channel growth. Increasing the participation of Clothing & Home online sales, through leveraging the national store and distribution network, to offer a convenient and consistent service however and wherever customers choose to shop. And growing utilisation of Ocado Retail's capacity, by providing superior service, market-leading choice and M&S products.
- **Expanding global reach:** Capitalising on the strength of the M&S brand to grow global sales through capital light partnerships and the development of a multi-platform online business.
- **Structurally reducing costs:** Making £400m of structural cost savings over five years, reducing cost to serve and growing our margins through technology improvements to increase retail and supply chain efficiency and simplified and streamlined digital, technology and support centre functions.
- **Creating a high-performance culture:** A simpler, faster, delivery focused business which is passionate about M&S products, puts the customer first and has the digital skillset to make fast, informed decisions.
- **Accelerating store rotation:** Accelerating store rotation and renewal to create a more productive estate of c.180 full line stores and opening more than 100 new Food stores positioned in growth locations, which support omni-channel retailing.
- **Modernising our supply chain:** Modernising the supply chain to improve availability and customer service, while reducing costs and working capital.
- **Compelling customer ecosystem:** Creating a more engaging and connected customer experience to drive omni-channel growth. This brings together the Sparks loyalty programme and payment options, supported by an effective and more efficient technology infrastructure.
- **Disciplined capital allocation:** Disciplined capital allocation, to strengthen the balance sheet, reinstate an investment grade rating for our debt and restore dividends. Robust liquidity and balance sheet metrics allow for a further bond repurchase exercise of c.£225m in respect of our medium-term maturities.

OUTLOOK AND GUIDANCE

M&S has had a good start to the new financial year, with both Food and Clothing & Home growing sales. While the economic outlook for consumer spending is uncertain, cost inflation remains high, and market conditions are expected to become more challenging, the strategy is beginning to deliver improved performance and there remains much within the Group's control.

In FY24, modest growth is expected in revenues, driven by omni-channel as well as from the benefits of the accelerating store rotation plan. Further investment in quality and trusted value will be partly offset by actions to mitigate sourcing cost pressures and to reduce waste and stock loss.

Cost inflation includes over £50m of energy costs as well as colleague pay increases of more than £100m, which are expected to be offset by the delivery of over £150m of in-year savings from the structural cost reduction programme. This gives scope to invest in customer service and digital development, while controlling costs.

Despite facing significant headwinds, we are encouraged by the strong foundations established last year.

DIVIDEND

We suspended dividend payments at the start of the pandemic to protect our balance sheet. This enabled us to invest in our transformation priorities and trusted value. With the business generating an improved operating performance and having a strengthened balance sheet with credit metrics consistent with investment grade, the Board plans to restore a modest annual dividend to our shareholders starting with an interim dividend at the results in November.

THANK YOU TO OUR REMARKABLE PEOPLE

M&S is such a special business with so much potential, and I want to thank all of my colleagues for their contribution to these results. Delivering performance and driving change is everyone's responsibility at M&S, and they have done a remarkable job. Despite facing significant headwinds, I am encouraged by the strong foundations established last year and excited about what we can achieve in the year ahead.

Stuart Machin
Chief Executive Officer

WHERE TO FIND OUT *more*

OUR EXTERNAL MARKET ENVIRONMENT

Read more on pages 6-7

OUR STRATEGIC PRIORITIES

Read more on pages 12-13

OUR FINANCIAL PERFORMANCE

Read more on pages 34-41

OUR APPROACH TO SUSTAINABILITY

Read more on pages 32-33

CEO & CO-CEO
HOW M&S HAS RESPONDED TO THE EXTERNAL ENVIRONMENT

Stuart Machin

Katie Bickerstaffe

COST-OF-LIVING CRISIS

Q How has M&S supported its colleagues?

SM Whether you've been running a home or running a business, everyone across the country has felt the pressure of rising costs this year. It was the top concern for our colleagues, and we wanted to do what we could to help ease some of that strain. Throughout 2022/23 we invested over £46m in front-line colleague pay across two separate pay rises, including our first ever Autumn pay review. In February 2023, we announced a commitment to invest a further £57m in store colleague pay, meaning the hourly rate has increased 20% over the last two years. When combined with pension and benefits, this gives M&S one of the strongest reward packages in retail.

KB Alongside pay, we have protected front-line roles this year. We also wanted to offer practical support to our colleagues. We used awareness weeks to make sure colleagues knew about the help available to them – such as our free financial planning workshops and the Unmind mental wellbeing App. With input from our colleague listening schemes and BIG – our colleague representative group – we introduced free sanitary products across all sites and stores and a free meal per shift for colleagues at our Distribution Centre in Castle Donington. It was clear that Christmas was a particular pinch point, so we gave a £250 giftcard to store and junior colleagues to provide just a little extra help towards their celebrations.

Q How has M&S supported its customers?

SM We know value has been the single most important factor for customers when deciding where to shop. Over the last three years we have started to change value perceptions of M&S thanks to the investment we have made in price – particularly in Food. Of course, at M&S value isn't just about price – it means never compromising on the quality standards our customers expect. We wanted to protect this and invested again in our value.

Read more on page 14

Across both businesses we have focused on protecting prices on the products that matter most to customers. In Food, alongside our everyday Remarksable ranges we launched "Price Locks" on over 100 customer favourites to give them certainty on the products they love to shop. Customers have noticed the difference, with M&S price comparison videos going viral on TikTok. In Clothing, as the market leaders in Back-to-School season, we took the decision to hold prices on uniforms last summer. Schoolwear is an essential purchase for millions of families, and we wanted them to have confidence in the value of our uniform.

KB As in Food, great value in Clothing & Home means more than just price, it also means great cost per wear, hand-me-down quality, the confidence that it will fit and also wash well. Ultimately, customers want clothing that is made well and made to last. Through our Back-to-School marketing campaign we showcased how we extend the life of our school ranges through durable design features and innovations – such as grow-proof hems and adjustable waistbands. In January, we launched "Value You Can Trust"; a Clothing & Home campaign designed to reaffirm our value credentials and reassure on our promise of stylish clothing at a great everyday price without compromising on the quality and standards customers expect.

We have also been agile to have the right product mix for cost conscious customers. Their concerns peaked in the Autumn with the reality of rising energy prices, so we bought deeper into warmwear ranges and launched a "Cosy Shop" in September – offering great value on thermal ranges and unique innovations such as M&S Snuggle™, which sold 79% more than last year.

CUSTOMER PRIORITIES AND BEHAVIOUR

Q How has the external environment impacted customer behaviour?

SM After the disruption of Covid, customers were determined to enjoy events and occasions this year. Our Family Matters Index (below) found they were prepared to cut back in other areas to protect these celebrations and eating out was the first thing to go. We responded in two ways in Food; firstly, through increased innovation in our event ranges and secondly, by making sure we offered a great value alternative to dining out. Our much replicated ***Dine In*** deal was launched in response to the 2008 downturn and we have refreshed the offer with more of our ***Castropub*** ranges and exciting new restaurant quality products like our slow cooked meats, to make it feel really special again.

KB We saw a similar story in Clothing. Customers are enjoying the return of events – particularly holidays. Over half of M&S customers told us they are planning a beach holiday and three quarters planned to refresh their summer wardrobe. That's why we have extended the size and scale of our "Holiday Shop" and brought forward the online launch to January.

SM Despite cost-of-living concerns, customers' focus on sustainability hasn't dipped. In fact, many have seen living more sustainably as an opportunity to save money. For instance, seven in ten UK adults are changing their behaviour, with 85% of those cutting back on food waste in particular, according to our latest Family Matters Index. In response, we launched our partnership with Tom Kerridge to provide families with inspiration for affordable, delicious recipes designed around "all taste, less waste", helping to reduce waste and use up leftovers. Last July, we also removed best before dates from over 300 fruit and vegetable products (85% of the produce we sell) to encourage families to throw away less edible waste at home by using their judgement.

Q What technology trends have influenced customer shopping habits?

KB Ease of payment is an increasingly important factor for customers in building a relationship with a retailer. Digital payments have grown exponentially in recent years, and Apple Pay, Google Pay and PayPal are three of the most widely used Apps globally today.

In October we launched Sparks Pay. Unique to M&S, it's a fully regulated digital credit account which gives Sparks customers a seamless, personalised, one-click payment experience on M&S.com and the App. This creates one definitive way to pay at M&S, making it easier for customers to purchase their favourites, and be rewarded for shopping with us.

The customer base in our Sparks loyalty programme gives us a strong platform to test and trial, and this year we have started experimenting with different subscription models – such as Sparks Delivery Pass – so we can make shopping with M&S an established part of customer routines.

SM Customer expectations for personalised experiences continues to grow and with the acquisition of fashion marketplace Thread's IP and source code in November, we have taken a "buy-not-build" approach to accelerating our capabilities in the space. We already know the incremental value personalisation can bring and we anticipate that personalisation will generate more than £100m of annualised incremental revenue for the business.

FAMILY MATTERS

The M&S Family Matters Index launched in 2021, in partnership with research specialists Yonder. Each quarter we undertake in-depth research with 5,000 UK adults to help us understand what really matters to families in the UK, and to track their feelings, priorities, and ambitions in the years to come. The quarterly findings include an overall index score, ranging from 0 to 100, specifically measuring family optimism. A score above 50 represents a positive, optimistic perspective.

REGULATION

Q How has M&S responded to new regulation this year?

SM We know that health is a priority for customers and 43% want to eat more healthily. We want to make this easier for them and this year we committed to a new target of 62% of sales coming from healthier products including our ***Eat Well*** ranges by 2025/26. As part of this, we have an ongoing reformulation programme to improve our products, and this includes reducing HFSS (High Fat, Salt, Sugar) within our ranges.

However, the implementation of the new HFSS regulation across England this year has placed additional operational complexity and cost on a sector already under huge inflationary and logistical pressure. Compliance with the new location requirements in England required extensive preparatory work across our stores and we remain uncertain about the impact it will have across the wider business, as we await consultation responses in both Wales and Scotland. Whilst we support the regulation's ambition to drive healthier choices, we are yet to see the influence it has on consumer behaviour.

Separately, we very much welcomed the decision within the Autumn statement to drop the proposal for an online sales tax which would have made it even harder for retailers to invest in the digital transformation required to survive and grow in the modern, digital era.

Over the past year we have seen family optimism fluctuate. Back in April 2022, the overall index score was 53, before dropping to 49 in October as cost-of-living concerns became the dominant force in families' day-to-day lives. With our most recent index, conducted in January 2023, the overall family index score has recovered slightly to 51 – an initial sign of cautious optimism returning.

Read the **Family Matters Index** here **corporate.marksandspencer.com/family-matters**

OUR BUSINESS MODEL

M&S operates as a family of businesses across Food, Clothing & Home and International, each led by its own integrated management team with accountability for their divisions, including marketing, supply chain and finance.

WHAT MAKES US M&S?

TRUSTED BRAND
A heritage of almost 140 years has built a unique relationship between M&S and the British public. M&S is a brand trusted to do the right thing by the people and communities it serves.

Read more on pages 14-17

CLOSER TO CUSTOMERS
Insight from the 30 million customers M&S serves each year and a company-wide culture that puts colleagues close to the front line, helps ensure we develop products and services that make M&S more relevant, more often.

Read more on page 29

CLOSER TO COLLEAGUES
Over 64,000 remarkable people all have a role in delivering change and great service at M&S. They bring extraordinary passion for the business and deep technical expertise in areas such as sourcing, fit and product development.

Read more on pages 28-31

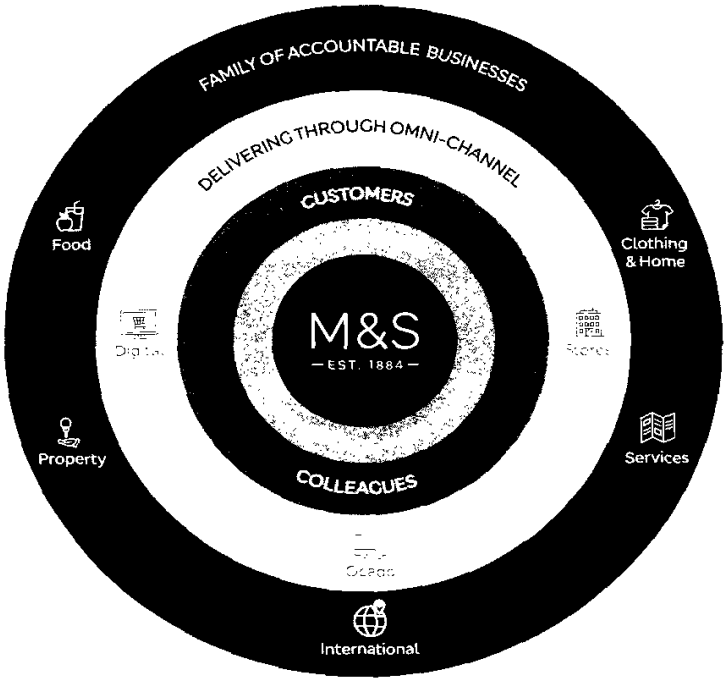
EXCEPTIONAL OWN-BRAND PRODUCT
Innovative and exclusive to M&S product, made and sourced with care by longstanding trusted supplier partners, with market leading animal welfare standards, ethical trading programmes and a sustainable approach to raw materials.

Read more on page 32

OMNI-CHANNEL ADVANTAGE
The scale and reach of our network of 1,064 UK-owned and franchise stores can connect the digital and physical shopping experience to make it easier for customers to shop the way they want. M&S has a 50% investment in Ocado Retail and a growing global presence in over 100 international markets.

Read more on pages 18-21

THE GROUP



OUR APPROACH TO SUSTAINABILITY
3

CREATING VALUE FOR ALL OUR STAKEHOLDERS

1 SHAREHOLDERS

Building shareholders' trust through continuous engagement helps secure their ongoing investment and support. Given the scale of our shareholder base, we operate a bespoke engagement programme for retail shareholders to enable them to make informed decisions. As the business generates an improved operating performance with investment grade credit metrics, the Board plans to restore a modest dividend to shareholders, starting with an interim dividend at the results in November.

48,000

2 COLLEAGUES

Reshaping M&S requires a high performance culture where delivering performance and driving change is everyone's accountability. We are committed to making M&S a great place to work; that is close to its colleagues and customers, where everyone has a voice, can be themselves and be their best. That starts with all our colleagues feeling fairly rewarded for the work they do and we have invested to provide a leading pay and benefits package to front-line colleagues.

£100m

3 CUSTOMERS

Put simply, without customers M&S would not exist. Maintaining and growing their loyalty ensures the enduring success of our business. We put customers at the heart of everything we do and provide great service and exceptional quality product, at remarkable value however they want to shop with us.

No. 1

4 COMMUNITIES

Community acceptance and mutual respect provides us with a licence to operate and ensures we are a force for good for the people and places we impact. This includes the wider environment, where considerate use of resources contributes towards our long-term sustainability.

M&S makes a difference to the causes that matter to our customers and colleagues through activity such as our Marks & Start employability programme, Neighbourly food redistribution scheme, Sparks charity partnerships and by making it easier to live sustainable lives with facilities such as shwopping clothes recycling and plastic take back schemes at our stores.

19.9m

5 SUPPLIERS

Trusted suppliers enable us to provide customers with the high-quality, ethically sourced and produced goods they expect. Long-term partnerships with M&S allows suppliers to create great products, build volume at equitable prices and gives them confidence to invest in sustainable solutions and new innovation. This year we invested further in third-party brand Nobody's Child, enabling them to scale the brand. We also fund specific innovation projects with our suppliers, such as Farming with Nature and international gender empowerment programmes.

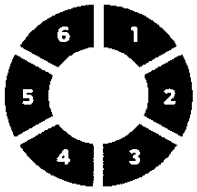
£400,000

6 PARTNERS

Our franchise and joint venture partners provide avenues to expand our reach and access new customers in the UK and internationally. These relationships provide our partners with benefits, including access to the M&S brand and distribution of our unique product.

27

OUR STAKEHOLDERS



S.172 STATEMENT

The directors confirm that, during the year, they have acted in good faith in a way that best promotes the success of M&S for the benefit of shareholders as a whole. In doing so they have had regard for the interest of all M&S stakeholders whilst preserving M&S reputation and ensuring our long-term sustainability.

Read more:
Stakeholder Engagement: pages 10-11
Our complete S.172 Statement: pages 80-82

HOW WE ENGAGE WITH OUR STAKEHOLDERS

Understanding what matters most to our key stakeholders.

1 SHAREHOLDERS

HOW WE ENGAGED

- Our Private Shareholder Panel, a group of shareholders selected from an annual ballot, attend meetings with our Board and senior management. This year's events included a sustainability session held at our Company Archive in Leeds and an introduction to Stuart to discuss the new leadership team's priorities.
- The AGM is our key engagement opportunity for two-way dialogue between the Board and shareholders. Our digital AGM format over the past three years has driven shareholder engagement, trebling participation levels. At the 2022 meeting, leading radio and television broadcaster, Anita Anand, put questions to the Board as shareholder advocate. Our drive to engage shareholders led to the launch of our "Share Your Voice" campaign.

Read more on pages 68-69

- Board members, alongside our Investor Relations team, regularly engaged with major shareholders to understand their views on our strategic performance. Our Investor Relations team met with over 120 institutional funds, engaging with investors who we estimate represent over half of our issued share capital. In October, we held a Capital Markets Day with shareholders, led by the CEO and Co-CEO, to communicate our strategic ambitions to reshape the business for growth.

PRIORITIES AND OUTCOMES IN 2022/23

- During the year, we have frequently heard from private shareholders that they are focused on receiving a return on their investment through the reinstatement of a dividend payment. While the Board agreed not to pay a dividend in 2022/23, it did so to retain and reinvest the funds in the business instead. The Board plans to restore a modest dividend to shareholders, starting with an interim dividend at the results in November.
- Our institutional shareholders have continued to tell us they are interested in our strategy and how this will ensure delivery of value and long-term, sustainable growth. Our transition to a low-carbon economy has also featured strongly in these conversations.

PRIORITIES FOR THE COMING YEAR

- Shareholders will want to see acceleration of our transformation plans to deliver long-term sustainable growth.

2 COLLEAGUES

HOW WE ENGAGED

- Our Business Involvement Group ("BIG") is the Board's key engagement method with colleagues. The Chair of BIG represents the collective colleague voice by attending one Board and one Remuneration Committee meeting during the year. Discussion at these meetings was focused on the cost-of-living crisis and its impact on our colleagues.
- Our colleague suggestion scheme, "Straight to Stuart", allows colleagues to submit their ideas and receive a response straight back from CEO, Stuart Machin. This year, we have introduced live sessions broadcast online, providing colleagues with the opportunity to have their ideas discussed and answered in real time by Stuart and the leadership team.

Read more on how we engage with colleagues in the People & Culture section on pages 28-31

PRIORITIES AND OUTCOMES IN 2022/23

- Managing the cost-of-living crisis and inflationary pressures has created many challenges for our colleagues. It is important to them that support provided by the Company is meaningful in reducing their uncertainty. As a result, two out-of-cycle pay reviews have been implemented to combat increasing financial pressures.

Read more on page 81

- Colleagues continue to tell us having their voice heard in Company decision-making is a priority for them. Numerous suggestions from our "Straight to Stuart" scheme have been approved, from providing sanitary items in women's toilets, to including the option to add stammer symbols to name badges.

PRIORITIES FOR THE COMING YEAR

- The cost-of-living crisis is not expected to improve dramatically, and colleagues will continue to expect our ongoing support over the coming year.

3 CUSTOMERS

HOW WE ENGAGED

- In 2022/23 we brought customers into our Support Centre for a series of focus groups reaching over 400 of our Clothing & Home colleagues. We have also conducted "Closer to Customer" events with Business Unit Leadership Teams on various topics from Sleepwear to Autograph.
- This year we launched the "Collective", an online community where 40,000 loyal customers are engaged by our Food colleagues on problems they are working on. This direct contact means customers can influence decision-making and see results first hand. Topics included seeking views on digital receipts and exploring future product ideas.
- This year we set up a quarterly reputation tracker. Run by Portland Communications, it surveys a robust sample of 20,000 nationally representative customers four times a year to give a view of how we are performing on ESG issues.

PRIORITIES AND OUTCOMES IN 2022/23

- As well as great quality, good product availability and an easy and enjoyable way to shop both in store and online, the cost-of-living crisis has put value firmly at the forefront of customers' minds. This has been a key driver for our "Remarksable" and "Price Lock" initiatives in Food.
- Our customers continue to be more conscious of their environmental impact and look for sustainable options. In February 2023 we stepped up our commitment to reduce plastic packaging through the roll out of our "BYOB" initiative; asking customers to bring their own bag when collecting online orders in store. We also campaigned for improved collection and recycling infrastructure in the UK for plastic packaging and textiles.

PRIORITIES FOR THE COMING YEAR

- With economic uncertainty and potential financial strains, our customers will continue to shop for value and style.
- We expect customers to be increasingly interested in personalisation, including product recommendations, loyalty rewards, and a seamless omni-channel experience.

4 COMMUNITIES

HOW WE ENGAGED

- M&S donated £5.8m to various charitable organisations in 2022/23, and through our customers, colleagues, and partners we were able to fundraise an additional £2.3m. Through our Sparks programme we donated £2.1m to our 35 Sparks charity partners in the UK.
- We helped create meaningful employment for those facing barriers to work through our Marks & Start Programme.

Read more on page 9

- We conducted widespread consultation with our community, sustainability experts and local government on our plans to redevelop the Marble Arch store, and how this will support our Plan A net zero goals.
- The M&S Archive shared our unique heritage through education workshops, public outreach programmes, online events and digital resources. The Archive, which is based on the University of Leeds campus and open to the public, has undergone a complete refurbishment this year.

archive.marksandspencer.com

PRIORITIES AND OUTCOMES IN 2022/23

- A priority this year was supporting those impacted by the conflict in Ukraine, and the earthquakes in Turkey and Syria, particularly important given our presence in Turkey. As a result, in February, M&S donated £100k to the British Red Cross earthquake appeal, in addition to supporting the UNICEF and Oxfam appeals through doubling our Sparks donations.
- Our community is focused on ESG issues and is looking for M&S to be a socially responsible company, that cares about its long-term impact on the communities and the environment it operates in. This has been a key feature in the ESG Committee's discussions.

Read more on pages 90-91

PRIORITIES FOR THE COMING YEAR

- Many communities are yet to recover from the impacts of the pandemic and are likely to continue to rely on companies to provide financial support and to invest in improving employability and job creation.
- Next year, we will be establishing a new *community strategy to address the* challenges that matter most to our communities.

5 SUPPLIERS

HOW WE ENGAGED

- We measure supplier satisfaction using the independent Advantage Report Mirror to survey a proportion of our supplier base each year. The annual Groceries Code Adjudicator survey also provides valuable insight on sector priorities and supplier perceptions.
- In 2022/23, we held three conferences to align supplier partners with our Food priorities. Suppliers were given *the opportunity to meet the new Food* leadership team. We also held a series of "Supplier Exchanges" focused on sustainability and human rights to set out our Plan A requirements, introducing tools available to suppliers to facilitate best practice sharing across our supply base.
- In September 2022, we completed the acquisition of our Food logistics provider, Gist. We engaged collaboratively with Gist throughout negotiations, to balance business as usual with working towards transaction completion.

Read more on the acquisition on pages 26-82

PRIORITIES AND OUTCOMES IN 2022/23

- Building and maintaining long-term, collaborative relationships and receiving fair payment terms has remained a priority. Our Payment Practice submissions in November 2022 and May 2023 show our average days to pay suppliers reduced by two days during the year.
- For our suppliers based in Turkey, recovery from the impacts of the earthquake is key. Shortly after the disaster, we partnered with VISMO Tracking to offer those on the ground in Turkey access to its Panic Button app.
- Ensuring sustainable practices is important to us, and as a result we worked with our renewable energy partner, Green Span, to model a renewable energy solution across our milk supply chain. We have also worked with Food suppliers to establish roadmaps on carbon reductions.

PRIORITIES FOR THE COMING YEAR

- Price will, of course, continue to be an important factor for suppliers to remain competitive. However, as customers become increasingly conscious of sustainability, we expect suppliers to look to us to support their sustainable innovations.

6 PARTNERS

HOW WE ENGAGED

- After three years of travel restrictions, we have returned to in-person strategic partner events, bringing our global franchise partners together to view future product and discuss the strategic direction of the business. This, combined with digital selling events, fully enhance the buying experience for our partners.
- Each of our non-executive directors met *the new CEO of Ocado Retail Limited*, Hannah Gibson, to be briefed on her plans for her first 100 days and the future of the joint venture. Hannah then attended the Board strategy away day in February 2023, to maintain a collaborative relationship between M&S and Ocado.

Read more on the Ocado joint venture on page 20

PRIORITIES AND OUTCOMES IN 2022/23

- Ensuring sustainable and socially responsible practices is a key priority *for M&S and our Partners. We have* worked closely with franchise partners to engage them on our ambition to become a net zero retailer by 2040. This has included developing local sourcing on Food with partner Al-Futtaim in the Middle East and Asia, as well as increasing the number of food products available to be shipped using a freeze defrost model, reducing our reliance on air freight.
- An exclusive agreement was signed with bp pulse as an existing franchise partner to expand its national charging network with high-speed electric vehicle charge points at around 70 M&S stores.

Read more on page 82

PRIORITIES FOR THE COMING YEAR

- Continuing to maintain a strong relationship between our business and its partners, unlocking further value and innovative ways of working.

OUR STRATEGIC PRIORITIES
RESHAPING FOR GROWTH AND VALUE CREATION

EXCEPTIONAL PRODUCT, TRUSTED BRAND
Protecting the magic customers love – driving quality, innovation and style at great value.

LEADING IN OMNI-CHANNEL INCLUDING OCADO
Becoming the UK's leading omni-channel retailer, offering a seamless experience.

EXPANDED GLOBAL REACH
Leveraging the M&S brand to drive capital light growth around the world.

Generating *profitable long-term* sales growth across channels and markets.

pages 14-21

DELIVER PROFITABLE SALES *growth*

Implementing capital investment programmes to shift volume into growth channels and reduce the cost base.

pages 24-26

DISCIPLINED INVESTMENT *choices*

ACCELERATING STORE ROTATION
Improving the productivity, profitability and quality of space to create a store estate fit for the future.

MODERNISED SUPPLY CHAIN
A faster and more agile M&S, reducing cost to serve in both Food and Clothing & Home.

COMPELLING CUSTOMER ECOSYSTEM
Connecting every customer engagement across M&S.

During the year the new leadership team set out plans to reshape M&S to deliver sustainable, profitable sales and market share growth, and improve operating margins over time. These plans include the creation of a high performance focused culture, prioritisation of structural cost reduction and disciplined investment in the areas that will deliver long-term shareholder returns.

STRUCTURALLY LOWER COST BASE
Permanently removing £400m from the underlying cost base across M&S.

HIGH PERFORMANCE CULTURE
Building a leaner, faster M&S that is closer to customers and colleagues.

IMPROVE OPERATING *margins*

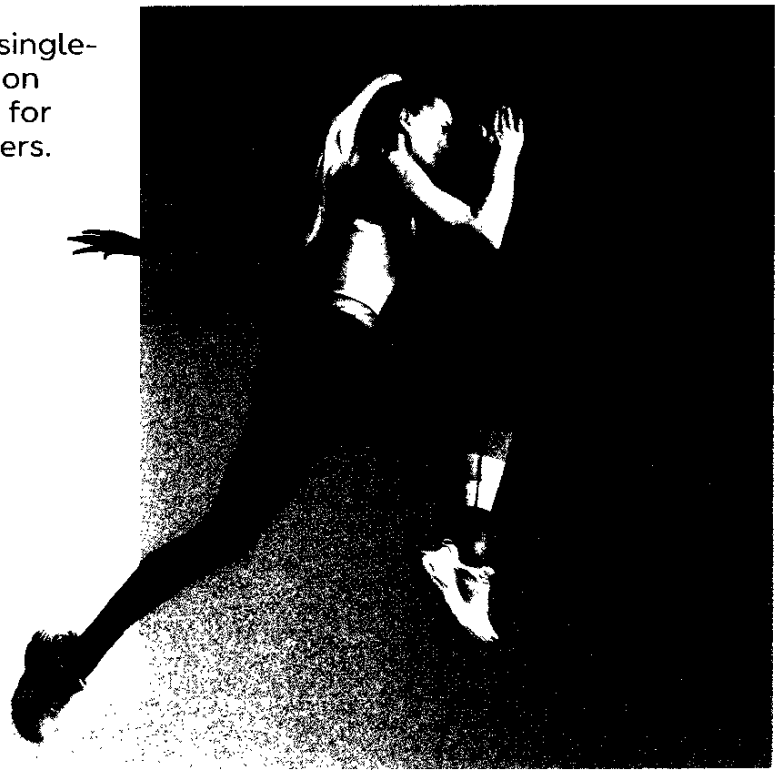
Building a more productive M&S with a culture of delivery.

Pages 20-23

DRIVE SHAHEHOLDER *returns*

Embedding a single-minded focus on value creation for our shareholders.

Page 27



DISCIPLINED CAPITAL ALLOCATION
Investing in growth opportunities with returns commensurate with risk.

OUR STRATEGIC PRIORITIES CONTINUED

DELIVERING PROFITABLE SALES *growth*

M&S' goal is to deliver profitable long-term sales growth through developing **Exceptional Product and a Trusted Brand**, offering a **Leading Omni-channel** *retail experience including through Ocado Retail and* **Expanding the Global Reach** of the business.

EXCEPTIONAL PRODUCT, TRUSTED BRAND

FOOD OUTPERFORMS DUE TO INVESTMENT IN INNOVATION AND TRUSTED VALUE

The objective for Food is to achieve 1% growth in market share and an adjusted operating margin of c.4% over the next five years. This will be delivered through "protecting the M&S magic" of trusted value and innovation in fresh, easy-to-cook food, while fixing the backbone processes of the supply chain and driving growth in the store estate.

Food grew sales 8.7% to £7.22bn with like-for-like sales up 5.4%, with particularly good growth in hospitality and franchise. Sales in core categories were up 5.0% and well ahead of pre-Covid levels, reflecting the strategy to broaden appeal. Grocery market share increased 20bps to 3.6%, with M&S outperforming all major full-line supermarkets. (source: Kantar 52 w/e 19 March 2023).

Operating Profit before adjusting items of £248.0m compared with £277.8m in the prior year (which included £24.6m of business rates relief), resulting in a net adjusted operating margin of 3.4%.

While investment in value reduced margin in the first half, as we did not pass through the full impact of cost inflation to customers, the resulting positive effect on customer volumes drove sales. Combined with an in-year contribution to operating profit from the Gist acquisition of £27m, this enabled an increase in second half adjusted operating margin to 4.5%, compared with 3.8% last year.

Growth underpinned by investment in trusted value: In recent years, Food has shifted to trusted value to broaden appeal, reducing the volume of promotions and become competitive at opening price points. At a time when customers' focus is on the cost-of-living, further investment was made early in the year, which meant that the business did not pass through the full impact of cost inflation on its margins.

This included:

- Sharpening the prices of over 100 'Remarksable value' lines which offer M&S quality at everyday prices, implementing locked prices across a range of c.150 everyday family favourites and moving the iconic *Dine-In* offer to Always On – offering an affordable, restaurant-quality alternative to eating out.
- As a result, the mix of value lines increased. For instance, Remarksable sales were up 40%, and featured in over 20% of customer baskets. *Dine-In* launches such as "steak and chips" also drove substantial sales growth in the offer.

VALUE GOES *viral*

Customers have really noticed our investment in value this year and have taken to social media to tell the world about it, with one TikTok post comparing M&S Remarksable ranges to a value competitor generating over 1.4 million views. To maximise the power of peer-to-peer recommendations, customer social media comments have been added to store window displays too. M&S store social channels across TikTok and Facebook reach up to 3 million customers every single week and the in-store social champions across the 600 accounts have been getting creative to make M&S value go viral, with M&S Devizes store topping 1.2 million views on its 'What £20 can get you in M&S' video.

3m

Customers reached every week via store social channels

REMARKSABLE VALUE

M&S quality.
Everyday low price.

"I saved so much I am now a loyal shopper"

"I bagged loads of great bargains and the quality was brilliant"

Raising WELFARE STANDARDS

We're determined to keep raising the bar when it comes to animal welfare standards. We offer more RSPCA Assured products than any other retailer and this year, took on our biggest challenge yet. In 2021, we announced our ambition to become the first major retailer to sell only slower-reared, higher welfare chicken across our fresh chicken products. In September, we met that goal – a move welcomed by RSPCA Assured as "the biggest positive change to chicken farming in a generation". Our Hubbard breed birds now have 20% more space, benefit from a multigrain diet, and have an enhanced environment, including pecking aids and perches, to encourage natural behaviours. The move, in line with the Better Chicken Commitment, builds on our long history of leading animal welfare standards. Customers can find our slower-reared, higher-welfare fresh Oakham™ Gold chicken across stores, alongside our free-range and Organic offering.

365

RSPCA Assured products

Performance fuelled by innovation and investment in basket building categories: The innovation pipeline helped to increase sales of fresh categories across the year and ambient products over Christmas, Valentine's and Mother's Day when event sales grew by an estimated 20%. Product launches included:

- A programme of quality upgrades with M&S winning c.200 "tried and tested" awards from titles such as Good Housekeeping. For instance, the introduction of Oakham™ Gold chicken means that all the fresh chicken sold is now slower-reared, British and RSPCA Assured.
- Strong seasonal launches such as the "Master Grill" range for summer barbeques and limited editions for key events.
- Reset and relaunched ranges aimed at driving market share in larger baskets including soft drinks, household cleaning, frozen desserts, and cereals.

Quality and value perceptions highest in six years: M&S continues to generate market-leading quality and sustainability perceptions in Food, while the continued strategy of investment in trusted value has driven improved perceptions of value.

STRATEGIC KPIs
FOOD

Market share

3.6%

Market share grew as M&S invested in trusted value and innovation.

Value for money perception

-3

Rising costs caused value perceptions across the market to fall this year. However, M&S investment drove improvements across the year and its position relative to the market is now its strongest in six years (Source: YouGov).

Quality perception

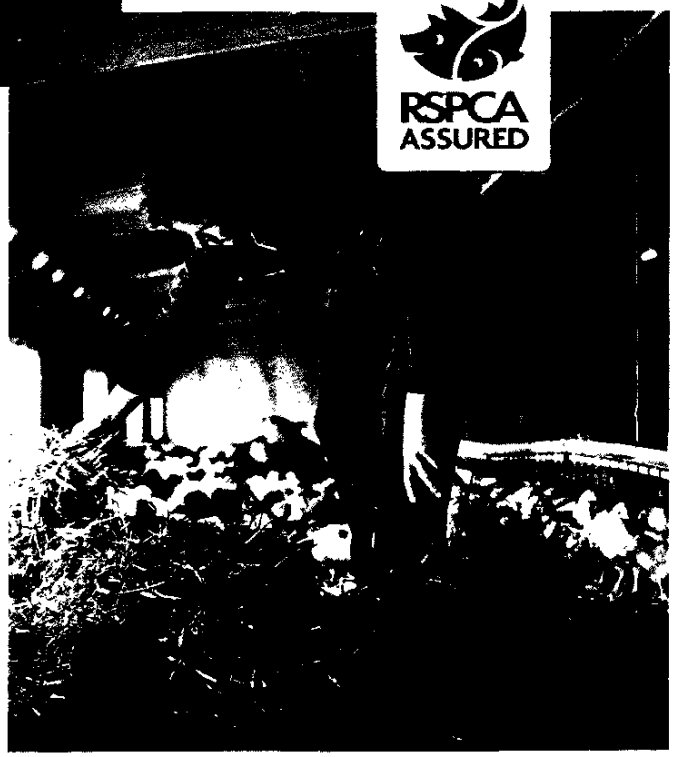
66

M&S grew its lead in quality as we continued to invest in upgrading our ranges (Source: YouGov).

Availability

94.5%

Against a backdrop of market wide supply chain challenges availability remained level. The acquisition of Gist will support future improvements.



OUR STRATEGIC PRIORITIES CONTINUED

DELIVERING PROFITABLE SALES *growth*

FINDING OUR *sweet spot in dresses*

Dresses are a key category in driving style perception and reducing the number of products across Clothing & Home has given us an opportunity to invest in category resets. Three years ago M&S ranked 6th in dress market share and now holds 3rd spot. This has been achieved by an overhaul of our pricing architecture, modernising our designs with forward-looking prints and taking a more confident trading approach with more open buys and testing earlier reactions in Spring and repeating. With a clearer and simpler strategy, we went after the consumer demand for versatile dressing – dresses that can be dressed down with a pair of trainers but equally dressed up for an occasion to really give our customers the cost per wear we know they are looking for. It was in FY2022/23, that we really established our sweet spot with the £39.50 price point – last year we sold more than 718,000 units, with the printed square neck midi dress (pictured to the right) our current best-seller, selling more than 9,000 units. As a result, casual dress sales have increased 40% vs. last year.

+40%

casual dress sales vs. last year

#3

UK market share

CLOTHING & HOME DELIVERING IMPROVED STYLE PERCEPTIONS AND SUSTAINING LEADING VALUE POSITION

The objective for Clothing & Home is to deliver a 1% increase in market share and an adjusted operating margin of c.10% over the next five years, by driving omni-channel growth of a stylish, quality, value for money M&S range, alongside a family of partner brands.

Clothing & Home grew sales 11.5% to £3.72bn with like-for-like sales up 11.2%. Full price sell-through at 88% was level with last year and well above historical levels. Clothing & Footwear market share increased 30bps to 9.3% (source: Kantar 52 w/e 2 April 2023).

Store sales increased 14.9% to £2.5bn with strength in city centre and shopping centre locations. Online grew 4.8% to £1.2bn, with strong growth in Click & Collect sales, which were up c.20%, with more than one third of orders now generated through the M&S App.

Operating Profit before adjusting items of £323.8m compared with £330.7m in the prior year (which included £35.2m of business rates relief), an increase of 9.6% excluding the impact of business rates. Adjusted operating margin of 8.7% is now c.170bps above 2019/20. Overall results reflected the leverage from sales growth offsetting cost pressures, particularly from sourcing and currency as we did not pass through the full impact of cost inflation to customers and from planned digital investments.

Style credentials improving with more confident buying: A more confident approach to buying, and focus on the modern mainstream customer, is starting to deliver increased value for money and style perceptions.

- Clothing & Home has focused on buying more deeply into core lines and offering clearer price points and better availability. For instance, women's denim sales have grown over several years, cementing M&S' leading market share in the category, which has increased to 13% from less than 10% two years ago.
- Greater investment has been made into categories which drive style perception. For example, casual dress sales grew 40% in 2022/23. As the strength of demand became apparent, increased purchases of popular lines were made using short lead-time supply routes, meeting demand while managing markdown risk.
- The improved range is supported by digital analytics to assess profitability per option more accurately. In addition, availability is being measured, and stock is being allocated on a demand weighted basis.

Strong performance of event related categories: In a year when customers were making the most of the return of events, weddings and holidays, growth was generated in top end 'Autograph' sales while making further progress in casual wear.

- Men's 'Autograph' sales increased c.60% while chino sales increased by c.25%, reflecting the strategy to build a 'smart separates' business for workwear. A focus in the current year is on the introduction of more regular newness.
- Kidswear and Home offer important potential for improvement in market share. However, growth in the year was modest, in a more difficult market, against pandemic related comparatives. Having established a stronger value position, the aim is to build increased awareness and appeal of the range. For instance, partnerships such as Fired Earth are being expanded across more categories.

Sustained, market leading value perception: As a result of improvements to the range and investment in trusted value, we have held a leading value perception in recent years, alongside Clothing & Home's lead for quality and sustainability. Encouragingly, style perception is also now improving.

STRATEGIC KPIs

CLOTHING & HOME

Market share

9.3%

M&S market share strengthened this year as it outperformed on a value and volume basis.

Value for money perception

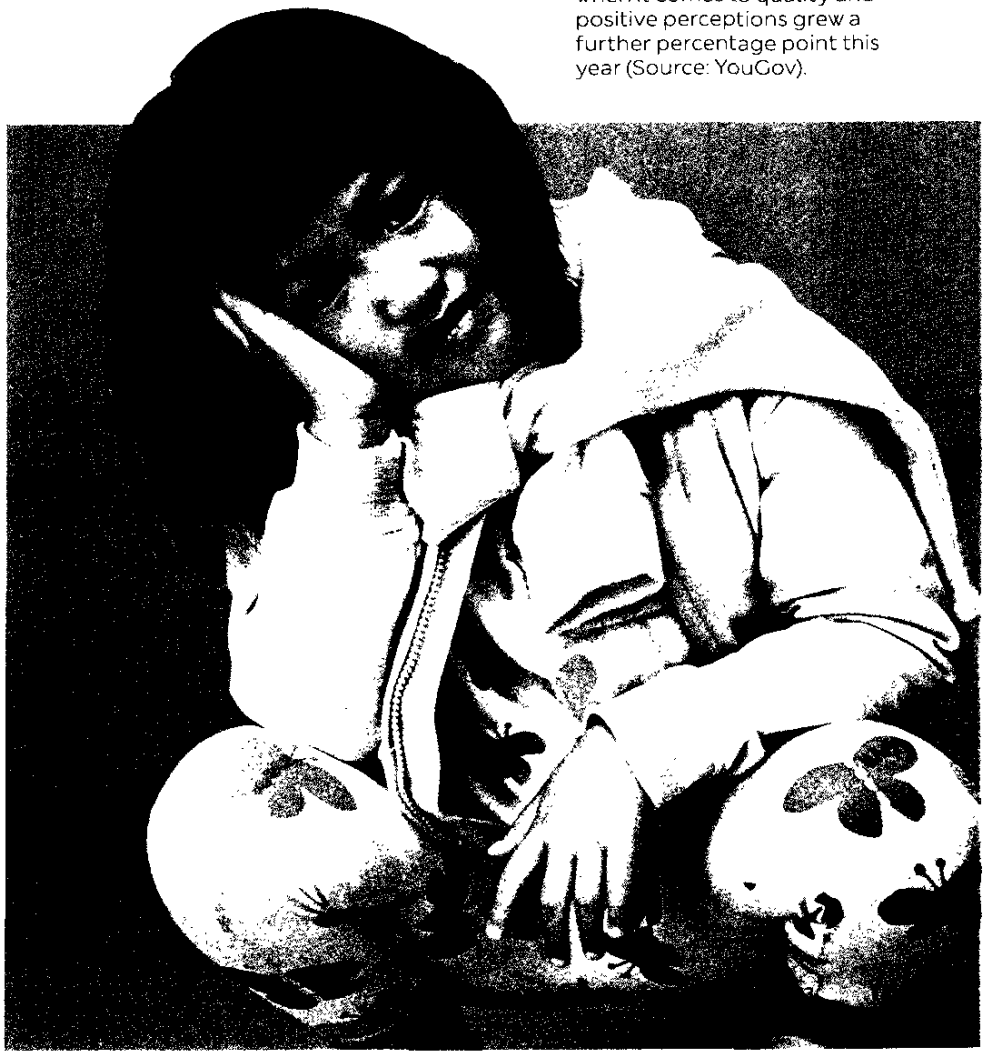
37

Customers continue to recognise M&S as a value for money clothing retailer and it has held its leading position this year (Source: YouGov).

Quality perception

55

Customers continue to rank M&S above the competition when it comes to quality and positive perceptions grew a further percentage point this year (Source: YouGov).



OUR STRATEGIC PRIORITIES CONTINUED

DELIVERING PROFITABLE SALES *growth*

BRING *your own bag*

Across Clothing & Home, we have removed 60m units of plastic since 2018, but we know we need to find new and better ways of doing things.

This year, we stepped up our commitment to reduce our use of plastic packaging, launching a new 'BYOB' – Bring Your Own Bag – Click & Collect initiative in 251 of our stores. More than 60% of our customers opt for Click & Collect – that's over 15 million orders annually and, of those orders, 9% are picked and packed in stores – the equivalent of four million parcels. By simply asking customers to bring their own bag when collecting these orders, we will reduce unnecessary packaging waste, saving 10 million units of plastic annually.

9%
Click & Collect orders packed in store

10m
units of plastic saved annually

LEADING IN OMNI-CHANNEL, INCLUDING OCADO

Omni-channel development, supporting growth in Clothing & Home online: Clothing & Home's objective is to increase online sales participation and achieve a better margin for online sales. We aim to drive online growth through increased frequency and spend and using the national store and distribution network to offer a convenient and consistent service.

Online sales grew 4.8%, driven by an improved omni-channel proposition, with strong growth in Click & Collect sales which were up 20%. Customer orders grew 12.6%, despite the effects of courier capacity constraints over peak trading. This was partly offset by the normalisation of returns rates post-pandemic. As expected, online adjusted operating profit margin reduced to 5.0% from 9.1%, this was due to sourcing cost pressures which reduced gross margin and planned investments in digital and omni-channel improvements to drive future growth.

Acquiring, converting and retaining customers: Customers who move from shopping in one channel to multiple channels and products typically spend more. An effective and profitable way to serve these omni-channel customers is through the M&S App.

- Use of the M&S App and associated Sparks memberships continued to grow with average active App users increasing by c.40% to 4.3m supported by sign up campaigns such as the '12 days of Sparks' in December when users could gain access to exclusive offers and rewards.
- The aim is that the App should provide a personalised "shop front" to the M&S brand and Sparks loyalty membership and connect the store and online worlds through services such as easy collection & returns and "Scan and Shop".
- Upgrades to the online experience have included "one click" checkout with digital receipts and improved functionality in the App. At the same time, development of automation has driven further growth in the volume of personalised interactions.

STRATEGIC KPIs
OMNI-CHANNEL

Percentage of UK Clothing & Homes sales online

32%

Whilst online sales grew, the percentage of Clothing sold online dipped marginally due to a strong store sales performance.

Active App users

4.3m

Investment in new App functionality helped drive strong growth in active App users.

Omni-channel NPS

-39

To align with our strategic priorities, Digital and Store NPS metrics have been replaced with a single Omni-channel NPS measure to track customer satisfaction as they shop across channels.

GROWING Nobody's Child

Nobody's Child was the first third-party brand to launch on M&S.com in November 2020 and a year later, M&S cemented the partnership by taking a c.25% stake in Nobody's Child.

Through our infrastructure and financial backing, M&S is continuing to support Nobody's Child to scale the business and its net sales have increased by 100% since the original investment.

In March 2023 we launched Nobody's Child pop-up shops across 30 M&S stores nationwide. Over two thirds of the brand's annual sales take place in the Spring/Summer months, providing the perfect season to raise the brand's profile within M&S.

It remains one of the most popular third-party brands on M&S.com, shopped by over 340,000 customers each year, with 1 in 10 being new to M&S. At the heart of our third-party brand strategy is careful curation – finding the right partners who complement and complete the core offer at M&S. When we get these partnerships right, as shown with Nobody's Child, everyone wins.

30
pop-up shops nationwide

1 in 10
new to M&S customers

Creating a convenient and consistent service across channels: The national store and distribution network provides an important customer service advantage with over 60% of orders collected at store and more than three quarters of returns processed through the store network.

- Digital Click & Collect is being rolled out to the estate enabling rapid collection and we have implemented self-service returns, reducing the cost of processing and turnaround time for resale.
- Using in-store fulfillment to expand capacity allowed 9% of items ordered online to be filled from store stock. We are also trialling the resale of Clothing & Home returns made to Simply Food stores through local hubs.
- A key goal over the next three years is to leverage the omni-channel store and warehouse network, further reducing costs and creating additional capacity.

Early stage growth of third-party brands: M&S now trades with over 140 partners, strengthening the customer offer where brands are important such as dresses, sports, home and beauty. Third-party brands help attract new shoppers, who also buy M&S products.

- Total sales of Clothing, Beauty and Home brands increased 67% to £158 m. Online brands sales now represent c.8% of total online sales.
- Launches during the year included Clinique and Benefit in beauty and an extended sports offer through The Sports Edit on M&S.com.
- Having grown rapidly from a standing start, investment is being made to simplify on-boarding for partners, to introduce "drop ship" capability to enable fulfilment from partner stock and to reduce the volume of split shipments, thereby lowering costs.

OUR STRATEGIC PRIORITIES CONTINUED

DELIVERING PROFITABLE SALES *growth*

Ocado Retail Reset Underway: The Ocado Retail joint venture combines the strength of M&S' brand, food quality and innovation with unique and proprietary technology to create a compelling offer. It has already generated significant volume growth and buying benefits for M&S Food with over £600m of M&S product sales through Ocado.com last year. During the year, new leadership was appointed, with Hannah Gibson taking the role of CEO.

Ocado Retail generated total revenue of £2.22bn, down 1.2%. While active customers grew, revenues reflected reduced volumes due to lower shopping frequency as a result of pandemic reversion and the impact of cost inflation on customers. The M&S share of Ocado Retail net loss was £29.5m compared with a net profit of £13.9m in 2021/22. The reduction was driven by the effects of higher fixed costs from new and underutilised capacity, increased marketing to drive new customer growth and energy related cost pressures.

Resetting the customer proposition: The team's focus is on improving customer experience including re-engaging lapsed and occasional customers with improved service including 'kitchen table' deliveries and investing in value to broaden appeal, through the Ocado Price Promise.

Improving operating costs: Alongside this, steps to reduce costs are underway. These include network optimisation, with the proposal to cease operations at the Hatfield site, shifting volume to more efficient Customer Fulfilment Centres including Luton – the first site with on-grid robotic pick, as well as marketing efficiencies and overhead reductions.

Deepening collaboration between Ocado Retail and M&S: The M&S core range available on Ocado.com has been increased by more than 300 lines to c.5,700 and we are starting to leverage the potential of the M&S customer base more broadly. Efficiencies are also being scoped from joint sourcing and logistics.

Substantial growth and profit potential: Ocado Retail has grown revenue by 40% since 2019 and has a large, addressable market and substantial invested capacity to grow sales and to recover profitability in the medium term.

300

EXPANDED GLOBAL REACH

M&S' objective is to grow International retail sales by leveraging its brand through capital light partnerships and a multi-platform online business with global reach.

International sales increased 11.2% at constant currency to £1.06bn, with partner retail sales growth of 8% driven by Clothing & Home. Sales were adversely impacted by c.5% by the exit from markets including Russia during the year.

Online sales were up 5% and are more than double pre-Covid levels now accounting for 22% of International Clothing & Home sales. Operating profit before adjusting items of £84.8m compared with £73.6m in 2021/22, which included a contribution in the prior year of £5.5m from Russia.

Excluding the Republic of Ireland, operating profit was £67.9m compared with £58.2m in the prior year.

Demand recovery across partner markets: In franchise and partner *markets, demand was robust as partners* restocked as footfall increased following emergence from Covid, with particular strength in India and the Middle East.

Investing in European operations: European online sales have grown rapidly in the past three years, and investment is being made to improve customer service and reduce cost to serve, including opening a new logistics hub in Croatia enabling the direct import of stock destined for EU markets.

Working to improve Food profitability in the Republic of Ireland: In the Republic of Ireland, while performance in Clothing & Home was robust, the Food business continues to be impacted by Brexit related costs. Steps include cost restructuring, increasing the proportion of locally sourced supply and assessing new routes to market with a franchise store trial underway with roadside retailer Applegreen.

Expanding THROUGH FRANCHISE

In October 2022, M&S Ireland launched a trial partnership with Applegreen, one of Ireland's leading roadside retailers, to offer the best of M&S Food, including Food for Now favourites such as sandwiches, salads and delicious prepared meals including the iconic *Dine In*. The project has been piloted across five Applegreen locations: Celbridge, Co. Kildare; Cullenmore, Co. Wicklow; and Mountgorry, Booterstown, Kinsealy, Co. Dublin, with our food offering delivered as a 'shop within a shop' in a renewal environment. Applegreen opened its first service station in 1992, and now operates almost 200 locations in the Irish market. The partnership has expanded the M&S footprint in Ireland and is helping bring our delicious, great value M&S Food to even more customers.

International NPS

+84

Customers' experience of M&S globally improved as NPS increased by 4 percentage points this year.

International revenue

£1.1bn

International operating profit before adjusting items

£84.8m

OUR STRATEGIC PRIORITIES CONTINUED

IMPROVE OPERATING *margins*

STRUCTURALLY LOWER COST BASE

IMPLEMENTING A PROGRAMME TO STRUCTURALLY REDUCE COSTS

In 2022/23, adjusted operating margins were 8.7% in Clothing & Home and 3.4% in Food, against a medium-term objective of improving these to c.10% and c.4% respectively. The purpose of the cost reduction programme is to structurally reduce costs by more than £400m over the next five years. Accelerated store rotation and driving profitable online growth will be an important driver to increase margins. At the same time, we will aim to offset annual inflation with productivity improvements.

To deliver this, investment is being made in technology to increase retail efficiency and reduce energy costs, embarking on a multi-year programme in the supply chain and simplifying and streamlining digital, technology and support centre functions. Examples of programmes include:

- The roll out of a further c.800 self-checkout tills (including within Clothing & Home) and further developments to scan and pay. As a result, in these stores over 70% of Food transactions are now self-serve. Alongside the effects of sales leverage, this has enabled the business to reach its target of 10% retail staff costs as a percentage of sales, ahead of plan.
- Warehouse rationalisation and investment in automation at the Bradford warehouse in Clothing & Home, alongside changes to returns processing.
- Simplified structures within the support centre, which in 2022/23 included bringing together the digital and technology teams in data science, digital product development and enterprise systems.

In the year ahead, inflation from colleague pay of more than £100m and c.£50m in additional energy costs is expected. Investments are planned in store service, accelerating store rotation and new technology such as the Clothing & Home order planning system and the roll out of a new Food forecasting and ordering system. These headwinds will be partly offset by cost savings of over £150m, resulting overall in a slight increase in costs.

HIGH PERFORMANCE CULTURE

CREATING A CULTURE OF DELIVERY

A key element of the plan to reshape M&S is the creation of a high-performance culture. The aim is to raise the "bench strength" of M&S talent and create a simpler, faster, digitally enabled organisation. This requires a culture that is closer to colleagues, closer to customers, and a place where everyone can be themselves and be their best. Key elements of the programme include:

- Building a simpler, faster, digitally enabled organisation; for instance, digital leadership has been reset, including the introduction of a new online and omni-channel director role. The technology, digital product and data teams have been brought together as one function and M&S Connect created, putting M&S Bank & Services and Sparks under one leadership.
- Creating a culture that is closer to colleagues and closer to customers, including a substantial investment in colleague pay and reward and the requirement for support centre colleagues to spend seven days per year working in store, bringing them close to the front-line.
- Raising the bar on talent; with fast-track learning and future leaders' programmes introduced developing skillsets at all levels. At the same time, robust goals linked to delivery of the nine priorities have been implemented.
- Building the skills for tomorrow; The data science and AI apprenticeship group has expanded to over 200 colleagues and the M&S BEAM Academy, which develops technical skillsets, continues to grow. Alongside this the Product Academy has equipped over 25,000 colleagues with selling and service skills for modern omni-channel retailing.

This is supported by a set of core expectations and behaviours of how the business operates from day to day.

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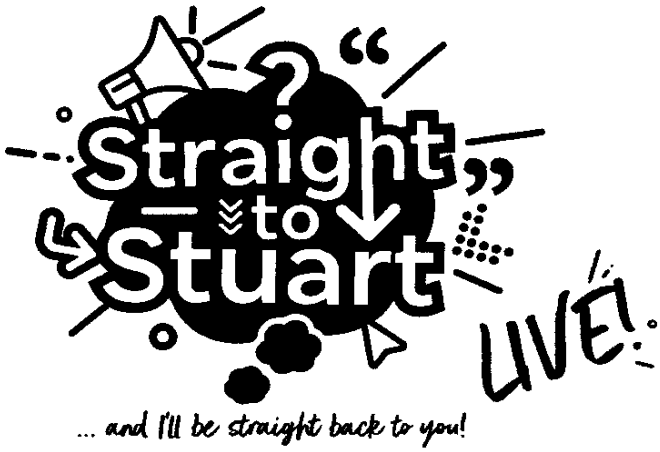
680

colleagues took part in the 24 hour hackathon



IT'S A *yes!*

Since launch, the Straight to Stuart colleague suggestion scheme has generated over 8,000 ideas from colleagues and grown engagement by over 270% versus the previous scheme. More than 200 suggestions have been implemented in year one: ranging from transformational ideas like raising awareness of the symptoms of bowel cancer on our toilet roll packaging, suggested by Cara Hoofe (opposite) which instigated a sector wide 'Get on a roll' campaign, to simple but effective ideas like adding Air Fryer cooking instructions to Food packaging, or adding Café opening times to M&S.com. *Straight to Stuart* LIVE was introduced in August giving colleagues the opportunity to discuss their ideas in a live webcast with Stuart and the relevant leadership. Each session has been focused on a specific deep dive theme – including a "Cost Saving Challenge" and "Making M&S a great place to work".

270%

increase in colleague engagement

200

[illegible]

OUR STRATEGIC PRIORITIES CONTINUED

DISCIPLINED INVESTMENT *choices*

M&S' capital investment programme is focused on increasing volume in growth channels and on structural reductions of the cost base. Appraisal of investments applies hurdle rates commensurate with risk, with a primary focus on cash payback on store investments.

Total investment during the year was over £500m, up from £300m in 2021/22. This included the £103m net initial payment for the acquisition of Gist and just over £400m of capital expenditure. The increase in capex largely related to store renewals, the resumption of property asset replacement following the pandemic and improvements to the technology infrastructure. In the coming year, we expect to maintain a similar level of capital expenditure.

Capital expenditure is focused on three programmes:

ACCELERATING STORE ROTATION

Accelerating store rotation and renewal to create a high productivity brand defining estate of c.180 full-line and c.400 Food stores positioned in growth locations. Over five years this is expected to reduce Clothing & Home selling space by c.20% and increase Food space by c.10-15%

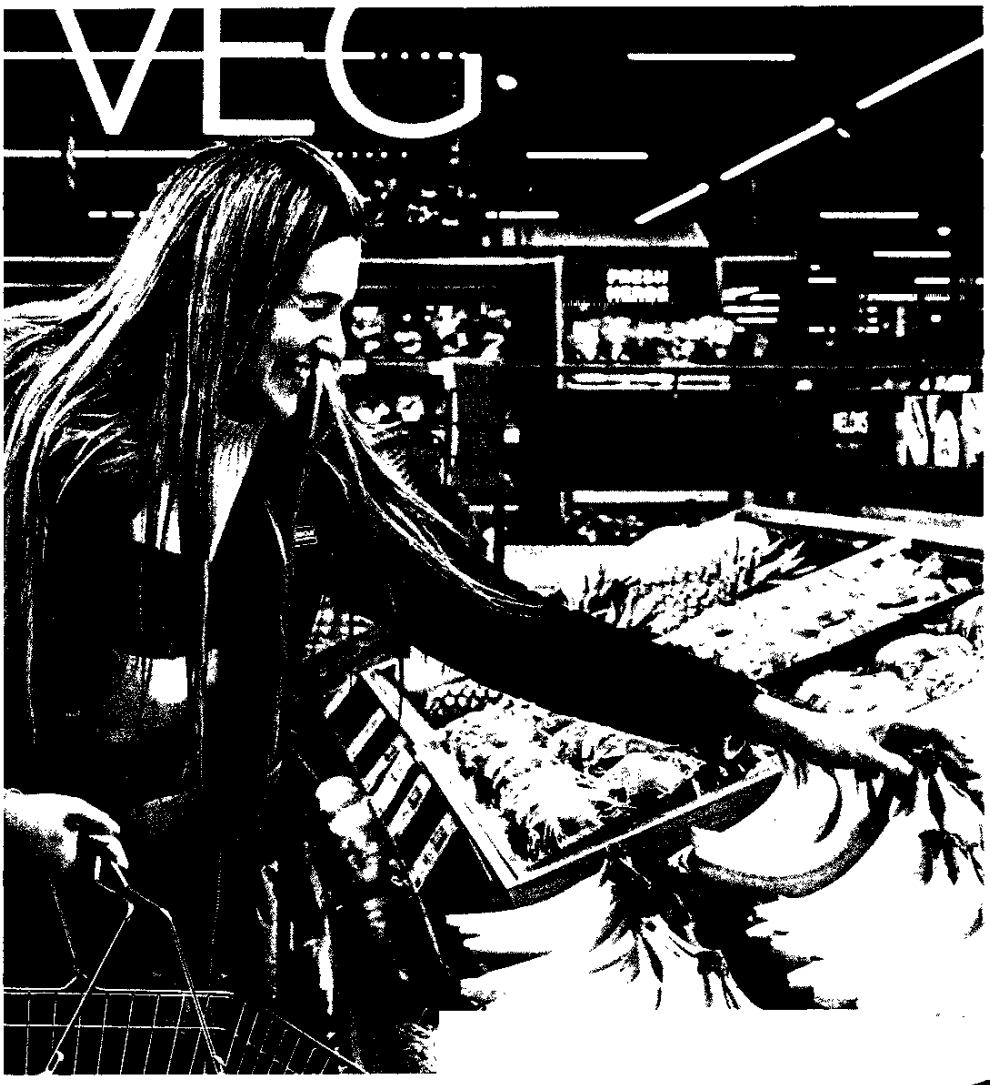
- In 2022/23, the full-line estate reduced by three stores, while the owned Simply Food estate increased by five. In some cases, we are on track to double sales and pay back the capital invested in c.3-4 years, including closure costs for relocations. A good example of this is the Chesterfield High Street store, which was closed and the business relocated to the nearby retail park.
- This year the plan is to open 8 full-line and 10 Food stores while closing c.20, of which 10 will be closed for relocation. The relocations include opening five new 'flagship' properties in Liverpool, Leeds, Manchester, Birmingham and Thurrock.
- Over 80 stores are now in a renewal format including a new full-line store at Stevenage. In full Food renewals these add capacity in areas catering to the larger family shop. Paybacks currently average c.4 years and in the next phase the plan is to refine space allocation, range and service to further increase returns.

Bigger, better STORES

In November 2022, M&S moved from an ageing town centre site in Chesterfield to a new 46,000 sq ft store in a former Debenhams site at Ravenside Retail Park just 0.5 miles away. The new store has a market-style Foodhall, a spacious Clothing, Home and Beauty department, and over 400 parking spaces to make shopping more convenient for customers. Since the relocation, sales are on track to double year on year. The entire existing store team transferred across, and 100 new jobs were created for the local community. The opening was welcomed by the leader of the Chesterfield Borough Council – who called out M&S' commitment and confidence in the town's future, as complementary to its wider regeneration plans.

100
new jobs created

5
new flagship stores



MODERNISED SUPPLY CHAIN

Modernising the Clothing & Home and Food supply chains to create a lower cost network which prioritises the timely flow of products over storage and stock holding.

Clothing & Home is planning a five-year programme of investment which includes:

- Consolidation, to focus on fewer, more strategic clothing and fabric suppliers.
- Systems upgrades to create greater visibility, improve replenishment and reduce excess stock commitment and storage.
- Creating a logistics network to support the omni-channel offering, largely using existing assets, and investing in automation and new capacity to improve availability and speed up delivery and returns

In Food last year the acquisition of Gist was completed, taking control of the logistics network.

- The H2 contribution from the acquisition was c.£27m, from the elimination of management fees, operational savings and improved service over peak.
- There is the potential to drive productivity improvements from shared transport across Clothing & Home and Food and a plan for network modernisation is being developed.
- A new forecasting, ordering and allocation system is being implemented, with the planned benefit of helping to reduce waste.

Footfall (average per week)

15m

Store transactions (average per week)

10.8m

Clothing & Home space

-0.8%

As we target an estate of c.180 high productivity, brand defining stores, we reduced Clothing & Home space this year.

OUR STRATEGIC PRIORITIES CONTINUED

DISCIPLINED INVESTMENT *choices*

COMPELLING CUSTOMER ECOSYSTEM

Creating a more engaging digital customer experience *which brings* together loyalty and payment, supported by an effective technology *infrastructure.*

In 2022/23, the teams working on omni-channel and Sparks were combined with those responsible for commercial and enterprise planning systems to optimise use of technology resources across the Group.

- Investment in the year included *technology improvements in stores* and the initial implementation of the food forecasting and ordering system, *personalisation developments and the* trial of Sparks Pay.
- Steps are being taken to upgrade core systems including enterprise resource and new payroll applications and the supply chain improvements outlined above.
- The opportunity to create a more effective payment and loyalty proposition through a unified single sign on across all M&S products is also being evaluated.

TAKING *control* OF OUR FOOD SUPPLY CHAIN

During the year, M&S acquired Gist, our principal Food logistics provider for more than 40 years, which operates via a network of 16 distribution centres across the UK and Republic of Ireland.

The acquisition provides a platform to accelerate our plans to modernise our supply chain and support growth, whilst building on the successful implementation of the Vangarde supply chain optimisation programme.

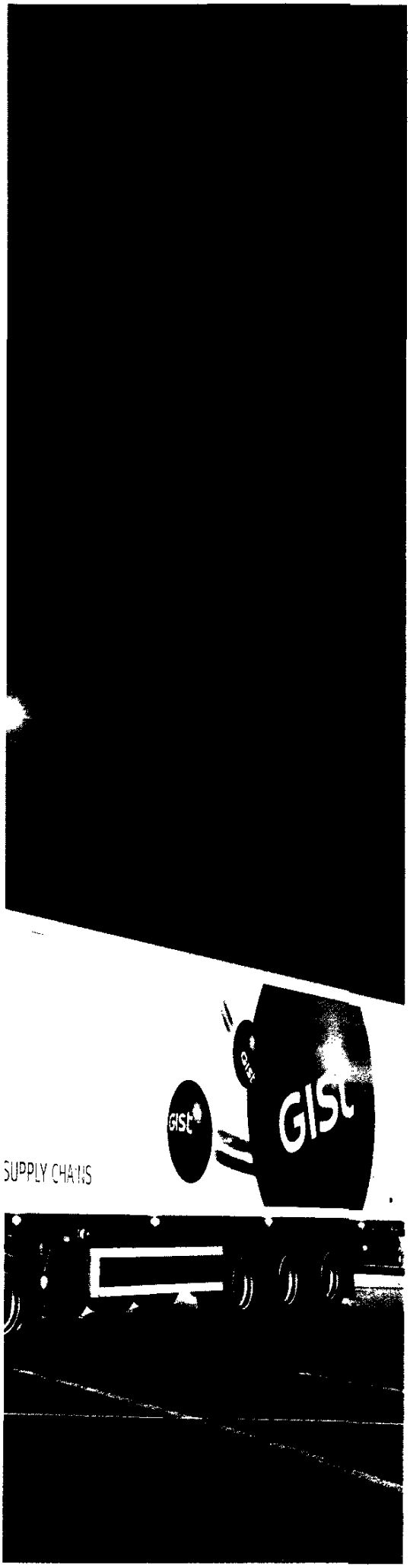
Ownership allows us to take closer control of key decisions relating to property and technology, as we seek to reduce costs to serve through a more efficient supply chain operating model.

£27m
initial contribution from acquisition

16
distribution centres in the UK and ROI

TRANSFORMING

SP RKS PAY



DRIVING SHAREHOLDER *returns*

DISCIPLINED CAPITAL ALLOCATION

The Group's ability to invest is driven by its capital allocation framework, which focuses on the generation of free cashflow from operations. In 2022/23, this was £170m and after the initial consideration for the acquisition of Gist, net debt excluding lease liabilities reduced by a further c.£64m to £356m, with the group continuing to have substantial cash balances of £1,068m. After recent improvements to the balance sheet, ratios of net debt to EBITDA and cashflow to net debt are now at levels consistent with an investment grade credit rating which balances the *needs of shareholders and creditors* while providing a robust "sponsor covenant" to pension trustees. In 2023/24, we will continue to focus on free cashflow, prioritised investment and look to achieve an investment grade credit rating during the year.

RESTORING THE DIVIDEND

With the business generating an improved operating performance and having a strengthened balance sheet with credit metrics consistent with investment grade, the Board plans to restore a modest annual dividend to shareholders starting with an interim dividend with the results in November.

NET DEBT CONTINUING TO REDUCE

Net Debt

£2.6bn

22/23	**2.6**
21/22	2.7
20/21	3.5
19/20	4.0

Net Debt excluding leases

£0.4bn

22/23	**0.4**
21/22	0.4
20/21	1.1
19/20	1.4

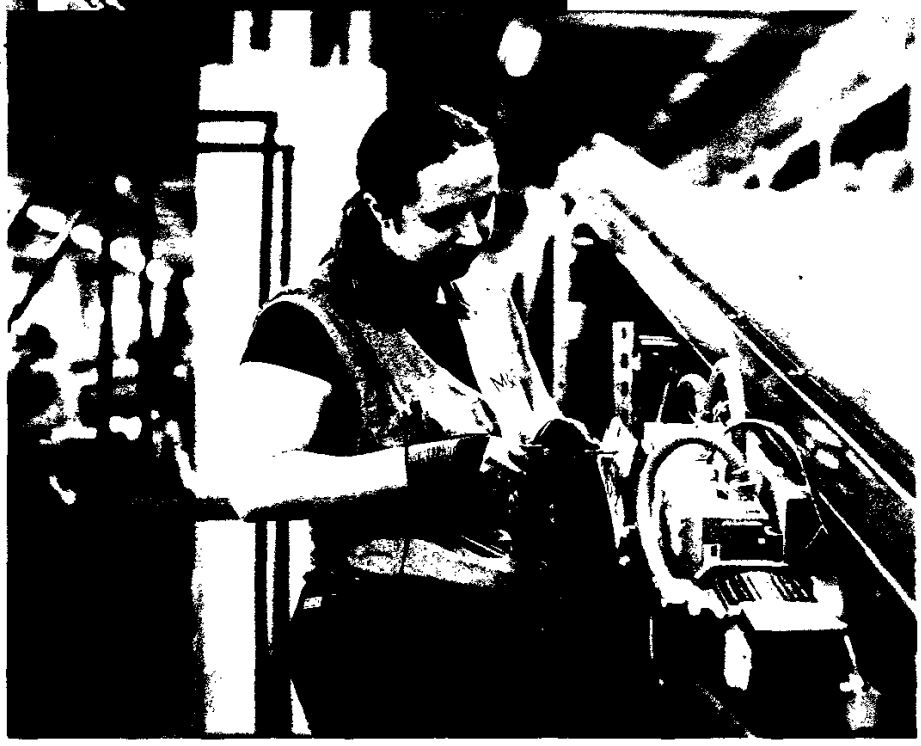
Free cash flow from operations

£170.4m

22/23	**170.4**
21/22	739.6
20/21	273.7
19/20	203.9

PEOPLE & CULTURE

The new leadership team has made high performance culture a core pillar of the strategic plan to reshape M&S for growth (see page 13). The aim is to raise the 'bench strength' of M&S talent and create a simpler, faster, digitally-enabled organisation. This requires a culture that is closer to colleagues, closer to customers, and a place where everyone can be themselves and be their best.



1 - BUILDING A SIMPLER, FASTER, DIGITALLY ENABLED ORGANISATION

As set out earlier in the strategic report, the priority has been creating a simpler organisation that is focused on the right things, with more empowered roles and a sustainably lower cost base.

Whilst the programme helps mitigate the rising costs of doing business, through a reduction in planned support centre staffing costs, it also enables reinvestment in the capabilities that will drive growth – particularly in data and digital. Refinements have also been made to the accountable business operating model to deliver the right structure to support M&S' strategic plans. For example, in October, Katie Bickerstaffe reset her leadership team to bring together the capabilities and skills required for M&S to become a world-class omni-channel retailer with data at the heart. This included the introduction of an online and omni-channel director to improve how digital channels interact with stores, uniting the technology, digital product and data teams as one function and the creation of M&S Connect, which brings together the accountability for M&S Bank and Services and Sparks under one leadership – supporting the ambition to create a single digital identity.

To build a more empowered Retail team, spans of control across store leadership – from Team Manager to Regional Manager - have been reset to create clearer accountabilities. Alongside this, the regional boundaries have been redrawn to drive greater ownership amongst regional managers.

2 - CREATING A CULTURE THAT IS CLOSER TO COLLEAGUES AND CLOSER TO CUSTOMERS

CLOSER TO COLLEAGUES

It matters that every colleague at M&S can share their ideas, be listened to with respect, and - together - help make M&S a great place to work. M&S has a long heritage of working closely with its colleagues, and over the past year the business has taken steps to reinvigorate a culture of two-way communication:

Straight to Stuart:
As one of his first actions, Stuart Machin relaunched the colleague suggestion scheme as 'Straight to Stuart' giving every colleague across M&S a direct line to share ideas and feedback with the CEO. Over 8,000 suggestions were submitted during 2022/23 and over 200 ideas were put into action including game-changing community initiatives such as the "Get on a Roll" campaign (see page 23). A faster response time and the introduction of a new quarterly hot topic themed 'Straight to Stuart Live' format, which gives colleagues the chance to discuss their ideas live, has helped boost engagement by over 270% on the previous scheme.

CommUnity:
Adoption rate of Microsoft Teams is very high at over 93% and is an excellent functional tool that allows colleagues to do their day-to-day job by allowing them to check shifts and access policies. However, it did not provide a singular community channel for all colleagues.

To make colleague communication truly two-way, M&S launched CommUnity, in May 2022; an internal social platform designed for open and honest interaction and connection for all colleagues. It drives transparent communication as colleagues respond publicly to leaders' posts and leaders' reactions are published for all to see. Post launch there was an immediate 50% increase in 'reactions' to content. CommUnity is now the main route to reach the entire colleague base – with posts often achieving over 30,000 audience views.

BIG Network:
BIG – the M&S colleague representative group –forms the foundation of an engaging and involving culture. This year, M&S has provided further investment in the elected BIG representatives and focused on driving increased leadership accountability for working effectively with BIG. The National BIG Chair has regular meetings with ExCo (Executive Committee) and the Board and the role BIG has played this year in ensuring colleague support during the cost-of-living crisis is set out in the governance section (see page 10). Supplementary to this, CEO Stuart Machin meets regularly with National BIG and Co-CEO Katie Bickerstaffe leads engagement with Support Centre BIG.

Retail Voice:
In November, M&S held its first Shop-a-thon. Taking inspiration from the success of Hack-a-thon formats, this ran as a 48-hour working session for over 60 Retail and Support Centre Colleagues to focus on identifying solutions to build more efficient retail operations. Outputs of the session included the introduction of a new simplified morning checklist for stores and a reset of the weekly 'Store Voice' call to reduce time requirements for managers.

COLLEAGUE REWARD
Since the start of 2022/23, we have announced investments of over £100m in colleagues' pay and benefits. This has increased the national hourly rate to a minimum of £10.90, rising to £12.05 for London, meaning all colleagues are paid at or above the real living wage. In combination with health & wellness benefits, generous pension and colleague discount, M&S continues to offer one of the best all-round reward packages in retail.

Alongside this, over 44,000 colleagues - equivalent to over 70% of headcount - took part in two global Colleague Voice surveys this year. This was slightly down on last year's relaunched survey participation rate, but the overall engagement index increased 2ppts to 64%.

The findings made clear that colleagues' primary concern was to see positive action taken following any survey. As a result, M&S reset its approach in February to give greater accountability to line managers to engage with their teams and local BIG representatives and implement clear and meaningful action plans to address issues. Every manager must show evidence of leading this process in their annual review. Rather than relying on two surveys per year, the new approach aims to drive more regular in-depth and action-orientated conversations that will deliver positive change.

CLOSER TO CUSTOMERS

The Closer to Customers programme launched in September to bring support centre colleagues closer to the front line with a new requirement to spend seven days per year working in store built into everyone's objectives. Shifts are planned to allow managers to allocate tasks and ensure training happens in advance – so colleagues can support on tills and with specific processes such as Click & Collect. Colleagues are asked to complete four of the seven days over the peak trading period and this Christmas over 75,000 hours of support were given to stores.

PEOPLE & CULTURE CONTINUED

3 - RAISING THE BAR ON TALENT

Talent development has moved up the people agenda and there is a regular cadence of talent discussion at an ExCo level. There has been increased focus on succession planning and more regular assessment of the internal talent pipeline to identify critical gaps and high potential candidates. In response, a 'Fast-track' learning programme is in development for 2023/24 to accelerate the highest potential candidates and provide more bespoke development exposure to the skills and experiences needed for pipeline roles.

In May 2022, M&S relaunched its broader Future Leaders programmes, featuring two module stages; Build, for new to line management colleagues, and Evolve, for new to leadership colleagues. Over 200 colleagues completed the Build programme this year, which is designed to help newer managers develop their readiness to lead. Almost 70% of participants in the four-month programme were women, helping to support female career progression at M&S. Evolve is a more advanced module to help leaders enhance their leadership skills and style, with a focus on interpersonal relationships and capacity for strategic and complex thinking. 47 colleagues completed the six month Evolve programme this year and over 60% reported that their role, remit, or responsibilities had expanded as a result.

Both programmes involve a mix of classroom learning, external speakers, group and individual coaching and include a longer-term impact evaluation between nine and 18 months post completion to assess colleague progression.

Managing performance
The foundation of a high-performance culture is robust goal setting. Objectives are now clearly linked to our nine strategic priorities and are monitored throughout the year via open and honest conversations between colleagues and line managers.

End-of year ratings are assigned to 100% of salaried colleagues and tracked in the MyHR system. This reporting database is used to identify performance trends and improve transparency. It enables better identification and recognition of high performers and supports effective performance improvement plans.

Last year, the performance programme for Customer Assistants was reset to include clear outlines of what is expected in their role. The expectations have been refreshed this year to focus on priority areas including digital essentials, efficiency, customer service, product knowledge and stock loss. The expectations provide colleagues with greater clarity on the part they play in delivering the store plan and support line managers to have more robust performance conversations.

4 - SKILLS FOR TOMORROW

The last 12 months has seen significant investment in the skills that will drive future growth. This reflects the strategic requirement but also direct feedback that showed, whilst colleagues understood the importance of a digital mindset, they did not believe M&S had invested enough in the capabilities to do their job better.

The 2022/23 intake for the Data Science and AI apprenticeship, a 15-month Level 7 course, has been doubled and 200 colleagues have now been enrolled into a data-upskilling apprenticeship. M&S' BEAM Academy has grown the number of learning sessions from 14,000 to 26,000 – ranging from longer-term courses, to bite-sized sessions, interactive expos and hackathons.

The programme of activity has included upskilling over 3,000 colleagues from Waterside, Chester and Salford Quays support centres through a half-day in-person workshop 'Digital Essentials'. All store and Castle Donington colleagues will be receiving in-person foundational digital and data upskilling throughout April, May and June 2023.

Digital enablement must be underpinned by exceptional product knowledge. Since launch, M&S' dedicated Product Academy has trained over 40,000 colleagues - equipping them with selling and service skills. The specialist skills in-store training sits alongside the online Product Academy platform, which features all the latest product information on M&S unique innovations and quality to help colleagues sell better.

5 - A PLACE WHERE EVERYONE CAN BE THEMSELVES, AND BE THEIR BEST

As an employer of over 65,000 people, M&S is committed to building a culture where everyone is listened to, has a voice and feels they can be their best.

To help colleagues perform at their best, M&S provides a range of benefits and tools that promote and support a healthy lifestyle, healthy mind, healthy finances and increasingly a healthy work life balance.

WORKLIFE:
Working as a retail manager is a hands-on job spanning budget management, leading large teams and serving thousands of customers, which is why historically it's always been challenging to introduce flexible working across stores. However, to keep its retail employment offer competitive, M&S designed and successfully trialled Worklife - a new flexible working programme – with over 800 managers across 100 stores. Feedback was overwhelmingly positive, with 75% of managers agreeing it had a positive impact on their family life. Worklife launched nationwide in January, giving over 3,000 retail managers the option to choose different working patterns, such as a nine-day compressed fortnight or a four day compressed week, giving them greater flexibility.

Following an idea at the 2022 International Women's Day Hackathon, a new Job Finder App was launched in October to further support colleagues and line managers exploring flexible working options, such as a job share, to access information in a central hub and help them identify potential job share partners.

WELLBEING:
In recent years, M&S has invested in new wellbeing benefits – such as its Virtual GP service – to make it easier for colleagues to live healthy lifestyles and strengthen its overall reward package. As outlined on page 6, with cost-of-living the top concern for colleagues this year, M&S has tried to alleviate some of the strain, with its biggest ever investment in front-line colleague pay. In addition, M&S has promoted the financial tools and advice available to colleagues during its Wellbeing Week and introduced new practical support – such as the introduction of free sanitary products to all sites and stores.

GROWING INCLUSION & DIVERSITY NETWORKS

To help colleagues bring their whole self to work M&S operates a number of colleague led networks - spanning racial, family, cultural, sexual and gender identities - designed to bring diverse communities together. Each network has an ExCo sponsor and has its own designated site within the colleague intranet offering the latest news and information.

M&S supports the networks to celebrate and recognise relevant events in the inclusion and diversity calendar. For example, on International Women's Day, M&S celebrated Remarkable Women with a LinkedIn Live panel discussion attended by almost 900 colleagues and external participants and hosted an 'Ideathon' with over 150 colleagues to tackle challenges and come up with new initiatives to drive gender equality forwards at M&S. Former rugby player, Gareth Thomas, was invited to share his experiences as part of M&S' Pride events, and proved to be the most popular Inspiring Speaker of the Year, with over 1,000 live views.

The increased profile of network events has contributed to a 70% increase in network membership over the last 12 months. Over 7,000 colleagues now belong to a network and a new Cancer Network was launched to provide peer to peer support for colleagues.

SHAPING OUR I&D STRATEGY:

Over the course of the year, M&S has undertaken a deep-dive review to better understand the experience of diverse colleagues across the business. Over 350 colleagues with a disability took part in a listening activity to shape the discovery stage of a new accessibility strategy and over 500 female colleagues participated in activity to help validate and shape M&S' plans as a leading employer of women.

80%

TEN YEARS OF MOVEMENT TO WORK

M&S was a founding member of Movement to Work in 2013; a voluntary collaboration of UK employers committed to tackling youth unemployment through high quality vocational training. In partnership with The Prince's Trust, M&S' Marks & Start programme offers young people who face barriers to employment a four-week placement to gain practical experience, alongside structured employability and skills training. Since launch, M&S has supported over 10,000 disadvantaged young people aged between 16-30 and over 80% of participants who completed the programme have been offered a contract with M&S.

COLLEAGUE REPRESENTATION MEASUREMENTS

Total employees

- Female **44,035** 21/22: 48,484
- Male **20,226** 21/22: 20,726

Total Senior Managers

- Female **64** 21/22: 69
- Male **79** 21/22: 92

Total Board

- Female **6** 21/22: 5
- Male **5** 21/22: 6

Senior Managers from Ethnic Minorities

5.4%

21/22: 6.8%

Whilst representation levels have dipped slightly following colleague changes, M&S is making progress in attracting more colleagues from diverse backgrounds into the business. This is helping build a more diverse talent pipe line and we have strong representation of colleagues from ethnic minorities participating in this year's Future Leaders programmes.

Engagement (Your Voice Survey)

64%

21/22: 62%

Over 70% of colleagues participated in the Your Voice surveys giving M&S an insight into how engaged colleagues are feeling in their roles. This year, engagement levels increased by 2% following the initiatives set out within the people chapter.

Gender Pay Gap

12.5%

21/22: 12.5%

The Gender Pay Gap, the average difference in hourly earnings between male and female colleagues, has remained level. We remain focused on making M&S a great place to work for women and expanding talent development opportunities. Around 70% of participants in our Build programme – designed to develop the leadership skills of new line managers – were women and this year, following the appointment of Cheryl Potter in February, we now have a female majority Board.

Read more in the **Remuneration** section on page 107

OUR APPROACH TO SUSTAINABILITY

Our Sustainability Report gives a full update on our progress marksandspencer.com/sustainabilityreport2023

The ESG Committee Report can be found on page 90

Since its inception, M&S has built trust by doing the right thing by its people and the communities it serves, and this remains one of its core values today. The unique relationship of trust between M&S and its customers runs much deeper than its community impact - it runs right through our entire value chain and the trusted value promise made to its customers.

M&S' founders knew that value means much more than price; it means giving customers assurance that raw materials are sourced responsibly to protect the planet for tomorrow, providing confidence that the people who make and sell products are treated fairly, and it means setting the standards that others follow, whether that's animal welfare or product traceability. Over the years, M&S' approach to doing business has been increasingly codified into what became one of the first fully integrated sustainability programmes, launched in 2007 as Plan A.

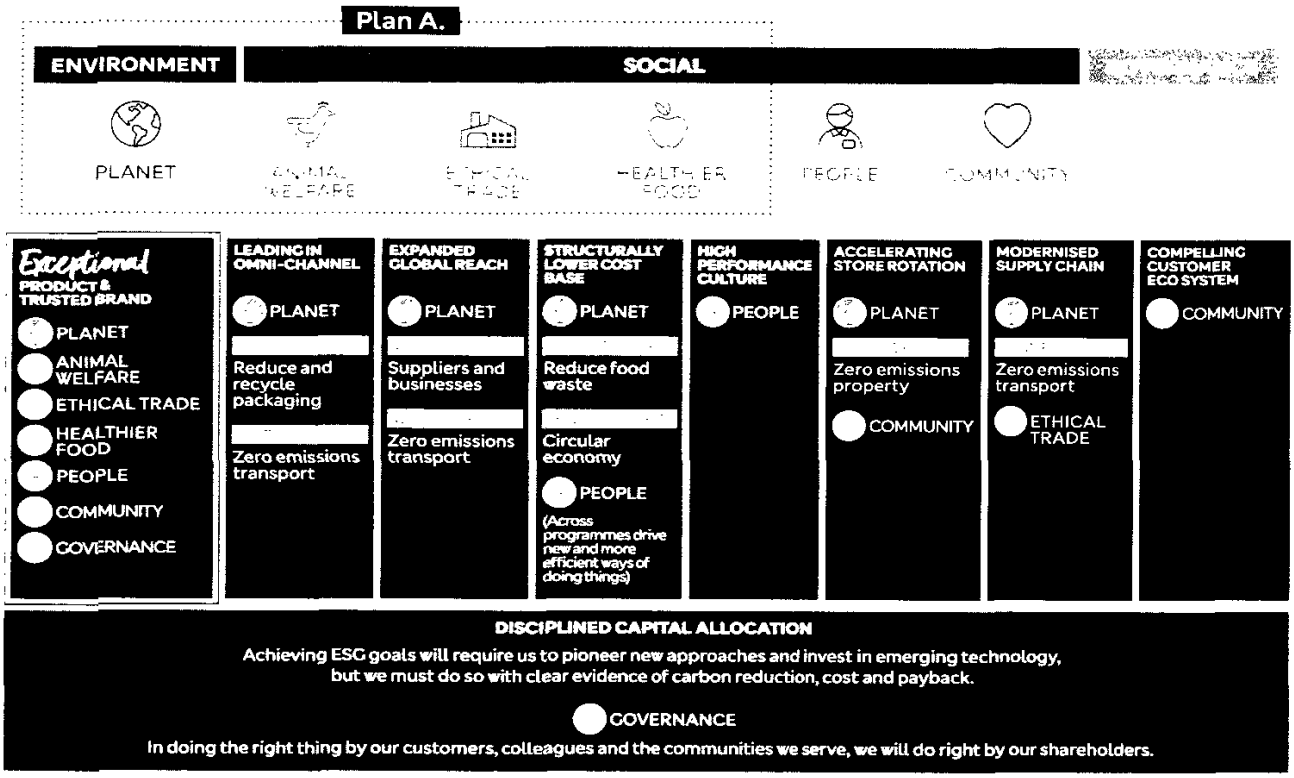
In building a business in this way, M&S has created competitive advantage by offering exceptional quality products at remarkable value; products that are made and sourced with care so that they're simply too good to go to waste. It's for this reason that Exceptional Product and Trusted Brand is at the heart of our strategic priorities to reshape M&S.

As we grow our business, how we source, make, sell and serve our customers will impact our business carbon footprint. However, as an own-brand retailer, we are uniquely positioned to innovate in partnership with our long-standing suppliers and business partners to reduce emissions in our Food, Clothing & Home, Property and International businesses and ultimately be a net zero business by 2040.

Today, Plan A is not a separate programme but rather sits within the business, with accountability for its delivery devolved to each of the Managing Directors. Our approach to sustainability encompasses the critical issues and concerns of our stakeholders with clear governance and oversight by the Board and ExCo as outlined on page 70.

OUR ESG PROGRAMME

Building & maintaining trust and upholding our product point of difference is dependent on the delivery of our full ESG programme

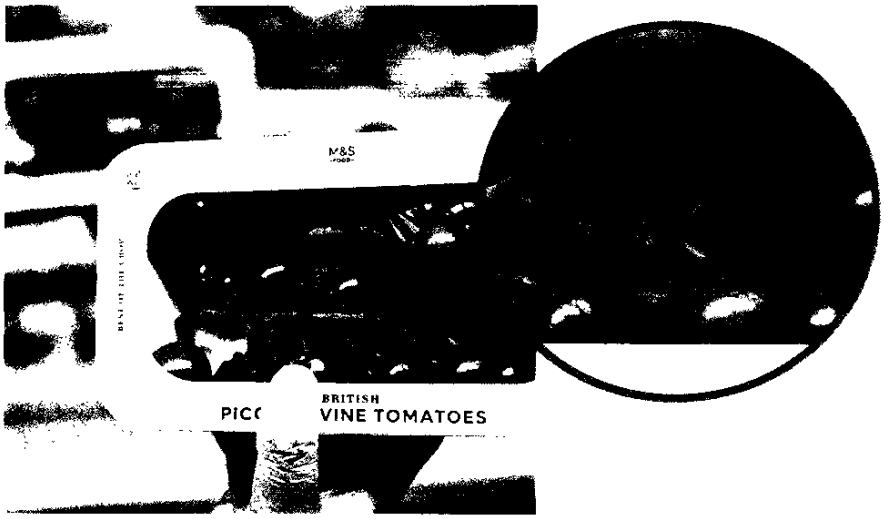


This approach is underpinned by our ESG metrics and targets which we report transparently in our 2023 Sustainability Report. We have reset the operating model and ways of working to more deeply devolve Plan A into the business with higher level of oversight. The ESG Business Forum meets quarterly chaired by the Corporate Affairs Director.

While M&S' approach to sustainability starts with Exceptional Product and Trusted Brand, it runs through all the strategic priorities to provide the foundation for its plans to reshape M&S for growth that is sustainable in every sense.

RESHAPING M&S FOR SUSTAINABLE GROWTH OUR PROGRESS THIS YEAR:

- Our **Exceptional Product and Trusted Brand** are core to what makes us M&S. This year M&S raised the bar again by becoming the first retailer to only sell slower-reared higher welfare chicken across fresh products. In Clothing we stepped up our sourcing due diligence, with the introduction of new technologies that can trace our cotton right back to its region and farm of origin – giving us and our customers increased confidence in our Responsible Cotton Sourcing Policy (Read more on page 22 of our Sustainability Report).
- True **leadership in Omni-channel** includes leading the way in sustainable operations as more sales transition into growth channels. For example, in 2022/23 there was a 20% growth in Click & Collect sales, with 9% of orders picked and packed in stores. As set out in detail on page 18, M&S became the first major retailer to introduce a Bring your Own Bag initiative for Click & Collect orders, which will save 10 million pieces of plastic annually.
- A **high-performance culture** is about making M&S a place where everyone can be their best and be themselves. That starts with everyone feeling fairly rewarded and recognised for the work they do. As set out on pages 6 and 81, with the rising cost-of-living, the priority this year has been to support front-line colleagues with a significant investment in front-line pay.
- **As M&S expands its global reach,** the challenge is to do so without compromising the delivery of its net zero goals or the trust in its brand. This year the international team has delivered a 75% increase in the adoption of 'freeze defrost' delivery methods. This approach enables M&S to reach its international customers using a lower carbon transport method, such as shipping, whilst retaining exceptional product quality.
- **Structurally lowering the cost base** means finding new and better ways of doing things. But better can mean more efficient and more sustainable. In Food, M&S has reduced waste by a further 24% on last year through new interventions such as the removal of best before dates on over 300 fruit and vegetables – helping extend the shelf life of 85% of the fresh produce we sell.
- **Accelerating store rotation** helps build an estate that's fit for the future; this means a more efficient, lower energy and lower carbon M&S estate. To support this goal, M&S has invested in new metering and data capture technology to help better plan emission reductions into the ongoing store investment programme. Alongside this, in December, M&S announced a new 10 year agreement with bp pulse, which includes the roll-out of 900 electric vehicle charging points to M&S stores over the next two years.
- **Modernising the supply chain** will be a key contributor to reaching M&S' net zero target. The acquisition of Gist – M&S' primary food logistics provider – gives M&S full control of the food supply chain for the first time and the ability to lead decision making in sustainable investments and innovation. Overall, M&S has seen a 3% reduction in Scope 1 & 2 emissions (our property and logistics network) in 2022/23
- A **compelling customer ecosystem** connects every customer engagement across M&S to deliver a personalised, rewarding experience. One aspect of personalisation is supporting the causes that matter to customers. Through Sparks they can select from 35 charities from Macmillan to WWF and M&S will donate every time they shop with us. It's the most popular feature of Sparks and this year M&S has donated £2.1m to its Sparks charity partners.
- **Disciplined capital allocation** requires a single-minded focus on delivering value creation for shareholders. This means investing in growth opportunities that are commensurate to risk. Achieving its sustainability goals will require M&S to pioneer new alternatives and invest in emerging technologies. To test the business case for such investment, M&S has relaunched its Plan A Accelerator Fund – a £1m annual fund to support projects tackling climate related challenges across our value chain. This approach allows M&S to innovate, whilst building clear evidence of carbon reduction, costs and payback rates to inform any decision to invest at scale.



ROADMAP TO NET ZERO – PROGRESS HIGHLIGHTS

- Our 2030 corporate greenhouse gas emissions reduction target has been approved by the Science Based Target initiative (SBTi) (see official science based target on **page 55**).
- We now have clear line of sight to 62% of the 2.1 million emissions reduction we are committed to deliver in 2025/26
- We rolled out an ESG data performance platform (Sphera) to better track and manage our Scope 1 & 2 emissions across our property estate and logistics network (including Gist).
- As part of our SBTi approval process and after the acquisition of Gist, we restated our base year (2016/17) emissions.
- A summary of changes of our base year and current greenhouse gas emissions can be found on page 15 of our Sustainability Report.

Read more in **our Task Force on Climate-related Financial Disclosure Report on page 44**

OUR KEY PERFORMANCE INDICATORS

FINANCIALS

GROUP REVENUE

£11.9bn

21/22 +9.6%

22/23	**11.9**
21/22	10.9
20/21	9.0
19/20	10.2

Group statutory revenue was £11.9bn, an increase of 9.6% vs. 2021/22. This was driven by Clothing & Home revenue up 10.6%, Food revenue up 8.7% and International revenue up 12.6%.

RETURN ON CAPITAL EMPLOYED (ROCE)

APM

10.6%

21/22 -1.6ppt

22/23	**10.6**
21/22	12.2
20/21	3.8
19/20	10.0

Return on capital employed decreased 1.6ppt largely driven by the decrease in earnings before interest, tax and adjusting items.

GROUP PROFIT BEFORE TAX AND ADJUSTING ITEMS

APM

£482.0m

21/22 -7.8%

22/23	**482.0**
21/22	522.9
20/21	41.6
19/20	403.1

Group profit before tax and adjusting items was £482.0m, down 7.8% vs 2021/22, largely due to declines in Food, Clothing & Home and Ocado Retail, offset by an increase in International operating profit and reduced interest.

GROUP PROFIT BEFORE TAX

£475.7m

21/22 +21.4%

22/23	**475.7**
21/22	391.7
20/21	(201.2)
19/20	67.2

Group profit before tax was £475.7m, up 21.4% on 2021/22.

ADJUSTED EARNINGS PER SHARE (EPS)

APM

18.1p

21/22 -16.6%

22/23	**18.1**
21/22	21.7
20/21	1.1
19/20	16.7

Adjusted basic earnings per share was 18.1p due to lower adjusted profit year on year.

BASIC EARNINGS PER SHARE

18.5p

21/22 +17.8%

22/23	**18.5**
21/22	15.7
20/21	(9.8)
19/20	1.3

Basic earnings per share was 18.5p, up from 15.7p in 2021/22, due to the increase in profit year-on-year. The weighted average number of shares in issue during the period was 1,963.5m (2021/22: 1,958.1m).

DIVIDEND PER SHARE

Nil

21/22 Nil

22/23	**Nil**
21/22	Nil
20/21	Nil
19/20	3.9

As stated elsewhere, the Board plans to restore a modest dividend to shareholders starting with an interim dividend with the results in November.

FREE CASH FLOW FROM OPERATIONS

APM

£170.4m

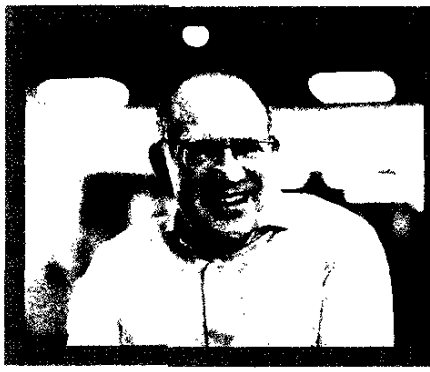
21/22 -77.0%

22/23	**170.4**
21/22	739.6
20/21	273.7
19/20	203.9

The business generated free cash flow from operations of £170.4m, reducing year on year. This was driven by lower operating profit as a result of business rates relief in 2021/22, prior year working capital inflows, increased capital expenditure, and tax payments.

APM Read more about our alternative performance measures on **page 1**

FINANCIAL REVIEW



"A focus on cost reduction and cash generation is enabling investment in growth and a stronger balance sheet."

Jeremy Townsend
Chief Finance Officer

FINANCIAL SUMMARY

52 weeks ended	1 Apr 23 £m	2 Apr 22 £m	Change vs 2021/22 %
Group statutory revenue	**11,931.3**	**10,885.1**	**9.6**
Group sales	**11,988.0**	**10,909.0**	**9.9**
UK Food	7,218.0	6,639.6	8.7
UK Clothing & Home	3,715.0	3,332.2	11.5
International	1,055.0	937.2	12.6
Group operating profit before adjusting items	**626.6**	**709.0**	**-11.6**
UK Food	248.0	277.8	-10.7
UK Clothing & Home	323.8	330.7	-2.1
International	84.8	73.6	15.2
M&S Bank and Services	(0.5)	13.0	-103.8
Share of result in associates and joint ventures	(29.5)	13.9	-312.2
Interest payable on lease liabilities	(111.1)	(115.6)	-3.9
Net financial interest	(33.5)	(70.5)	-52.5
Profit before tax & adjusting items	**482.0**	**522.9**	**-7.8**
Adjusting items	(6.3)	(131.2)	-95.2
Profit before tax	**475.7**	**391.7**	**21.4**
Profit after tax	**364.5**	**309.0**	**18.0**
Basic earnings per share	18.5p	15.7p	17.8
Adjusted basic earnings per share	18.1p	21.7p	-16.6
Net debt	**2.64bn**	**2.70bn**	**-2.2**
Group capex and disposals	**409.2**	**213.5**	**91.7**
Free cash flow from operations	**170.4**	**739.6**	**-77.0**

Notes:
There are a number of non-GAAP measures and alternative profit measures ("APMs") discussed within this announcement, and a glossary and reconciliation to statutory measures is provided at the end of this report. Adjusted results are consistent with how business performance is measured internally and presented to aid comparability of performance. Refer to the adjusting items table below for further details.

FINANCIAL REVIEW CONTINUED

GROUP RESULTS

Group sales were £11,988.0m. This was an increase of 9.9% versus 2021/22, driven by Clothing & Home sales up 11.5%, Food sales up 8.7% and International sales up 12.6%. UK Food sales growth also reflects the impact of third party sales by Gist Limited of £84.2m following its acquisition, which had a positive effect of c.1.3% in the year. Like-for-like sales were unaffected by the acquisition of Gist.

Statutory revenue in the period was £11,931.3m, an increase of 9.6% versus 2021/22.

The Group generated profit before tax and adjusting items of £482.0m, compared with £522.9m in the prior year.

The Group benefited from Covid-related UK business rates relief of £59.8m in 2021/22, which was not repeated in 2022/23.

Adjusting items were a net charge of £6.3m, compared with a charge of £131.2m in the prior year. The reduction was largely a result of a credit of £108.0m representing the revaluation of the contingent consideration payable for the investment in Ocado Retail Limited.

As a result the Group generated a statutory profit before tax of £475.7m, compared with £391.7m in the prior year.

Adjusted basic EPS were 18.1 pence, down 16.6% on 2021/22 reflecting business rates relief in the prior year. Basic EPS were 18.5 pence, up 17.8% on 2021/22, reflecting the reduced net charge for adjusting items.

For full details on adjusting items and the Group's related policy, read more on notes 1 and 5 to the financial information.

UK: FOOD

UK Food sales increased 8.7%, with like-for-like sales up 5.4%, underpinned by strong performance of hospitality and franchise sales, following Covid restrictions in the prior year.

Change vs 2021/22 %	Q1	Q2	Q3	Q4	FY
Food[1]	6.6	4.5	10.2	13.2	8.7
Food like-for-like sales	3.4	2.5	6.3	9.2	5.4

1 UK Food sales growth in Q3 and Q4 reflect the impact of third party sales by Gist Limited, which had a positive effect in the FY of c.1.3%. UK Food sales are equal to statutory revenue.

M&S Food has an online grocery presence with Ocado Retail and these sales are reported through Ocado Retail and are not contained within these numbers.

52 weeks ended	1 Apr 23	2 Apr 22	Change vs 2021/22 %
Footfall, m (average/week)	10.5	10.2	2.9
Transactions, m (average/week)	9.0	8.0	12.5
Basket value inc VAT (£)	15.2	15.9	-4.4
Total sales ex VAT £m[1]	**7,218.0**	**6,639.6**	**8.7**

1 Includes M&S.com

Transactions increased, driven by the growth in hospitality and franchise sales which are typically smaller value and which were reflected in a reduction in overall basket value. However, larger basket transactions continued to grow.

52 weeks ended	1 Apr 23 £m	2 Apr 22 £m	Change vs 2021/22 %
Sales	7,218.0	6,639.6	8.7
Operating profit before adjusting items	248.0	277.8	-10.7
Adjusted operating margin	*3.4%*	*4.2%*	*-80bps*

Operating profit before adjusting items was £248.0m compared with £277.8m in 2021/22, with last year's result benefiting from £24.6m of UK business rates relief.

The overall Food adjusted operating margin decreased by 80bps (40bps excluding rates relief). Within this, gross margin declined 110bps, largely as a result of investment in trusted value, while operating costs improved 70bps as sales grew faster than costs.

Total adjusted operating costs grew c.7%, with growth of c.4% excluding business rates relief and the acquisition of the Gist third-party business. This included pay and inflation related cost increases such as energy of c.7%, new space and volume of c.1.5%, and investments such as in-store technology improvements. However, this was partly offset by efficiencies of c.6%, predominantly in store staffing and benefits from the Gist management fee saving, following acquisition.

The table below sets out the resulting movement in Food adjusted operating margin by key cost driver:

- Store staffing costs decreased 50bps. Colleague pay increases were largely offset by retail efficiencies and sales growth.
- Other store costs increased 10bps, with a 40bps adverse impact from the receipt of business rates relief in the prior year, and additional energy cost headwinds.
- Distribution and warehousing costs increased 10 bps. The increase largely reflects pay and inflation increasing faster than sales, although these were partly offset by Gist management fee savings in H2.
- Central costs decreased 10bps due to sales leverage, despite additional technology investments in store and trials of the new forecasting, ordering and allocation system.

Operating profit margin before adjusting items	%
2021/22	**4.2**
Cross margin	(1.1)
Store staffing	0.5
Other store costs	(0.1)
Distribution and warehousing	(0.1)
Central Food costs	0.1
2022/23	**3.4**

UK: CLOTHING & HOME

Clothing & Home sales increased 11.5% with continued recovery of store sales, which are now above pre-Covid levels, and a robust performance by the online business.

Change vs 2021/22 %	Q1	Q2	Q3	Q4	FY
Clothing & Home sales	18.2	10.3	8.8	10.2	11.5
Clothing & Home like-for-like sales	17.6	10.2	8.6	9.6	11.2
Clothing & Home stores sales	24.3	14.0	12.8	9.8	14.9
Clothing & Home online sales	7.0	2.9	0.7	11.1	4.8
Clothing & Home statutory revenue	*16.7*	*9.6*	*7.1*	*10.8*	*10.6*

To enable greater insight into these movements, further detail is provided on the performance of each channel.

ONLINE

52 weeks ended	1 Apr 23	2 Apr 22	Change vs 2021/22 %
Traffic (m)[1]	446.5	405.7	10.1
Conversion (%)[2]	6.7	7.0	-30bps
Average order value incl. VAT pre returns (£)	58.6	55.4	5.8
Returns rate (%)[3]	29.5	25.6	390bps
Sales ex VAT £m	**1,176.4**	**1,122.7**	**4.8**

1 Traffic the number of site visits to M&S.com and the app
2 Conversion: the number of orders as a % of the number of site visits
3 Prior year number restated due to basis of calculation Returns rate represents returns on despatch sales.

Following strong performance last year, online sales remained solid with growth throughout the year despite a tough market backdrop. Average order value grew almost 6% reflecting higher average selling prices, partly driven by mix.

The online returns rate increased year-on-year due to the growth of third-party brands which have a higher returns rate and a reversion in product mix and customer behaviour. Store returns rates reduced, with fitting rooms now reopened post pandemic.

STORES

52 weeks ended	1 Apr 23	2 Apr 22	Change vs 2021/22 %
Footfall, m (average/week)	4.5	4.0	12.5
Transactions, m (average/week)	1.8	1.7	5.9
Average basket value inc VAT pre returns (£)	37.4	34.9	7.2
Sales ex VAT £m	**2,538.6**	**2,209.5**	**14.9**

UK Clothing & Home store sales increased 14.9%, with all clothing store formats seeing an improvement in sales year-on-year, also supported by higher average selling prices and mix. Average weekly footfall was up 12.5% following Covid restrictions lifting during Q1 last year, contributing to an increase in transactions.

TOTAL CLOTHING & HOME

Operating profit before adjusting items was £323.8m compared with £330.7m in 2021/22, with last year's result benefitting from £35.2m of UK business rates relief.

52 weeks ended	1 Apr 23 £m	2 Apr 22 £m	Change vs 2021/22 %
Statutory revenue	3,658.3	3,308.3	10.6
Sales	3,715.0	3,332.2	11.5
Operating profit before adjusting items	**323.8**	**330.7**	**-2.1**
Adjusted operating margin	*8.7%*	*9.9%*	*-120bps*

The overall Clothing & Home adjusted operating margin decreased by c.120bps (20bps excluding rates relief). Within this, gross margin decreased 290bps, although this was partly offset by lower operating costs as a percent of sales, as sales grew faster than costs.

Within gross margin, bought-in margin declined c.200bps. Sourcing, freight and in-year currency related cost pressures, particularly in H2, were not fully offset by pricing activity. In addition, as expected, promotional mix normalised and, third-party brands grew, diluting margin by c.30bps.

Total adjusted operating costs increased 7.6%, with growth of 5.2% adjusted for business rates relief. Pay and inflation related costs such as energy contributed 4% to cost growth, while space, volume and channel mix contributed 3% and investments were made in digital development, the growth of third-party brands and marketing. These were partly offset by efficiencies of c.3%, including store staffing.

The table below sets out the drivers of the movement in Clothing & Home operating profit before adjusting items for the total segment and by channel.

- Store staffing costs decreased 60bps. Colleague pay increases were more than offset by retail efficiencies and sales growth.
- Other store costs were level. There was a 100bps adverse impact from the receipt of business rates relief in the prior year, which was offset by the effects of sales growth.
- Distribution and warehousing costs improved 110bps due to sales growth and channel mix, which more than offset pay inflation.
- Central costs were level as a percentage of sales despite significant additional digital investments including website front end development and increased personalisation.

Operating profit margin before adjusting items	Total %	Stores %	Online %
2021/22	**9.9**	**10.3**	**9.1**
Cross margin	(2.9)	(2.1)	(4.5)
Store staffing	0.6	0.9	0.4
Other store costs	0.0	0.4	0.1
Distribution and warehousing	1.1	0.8	0.9
Central Clothing & Home costs	0.0	0.1	(0.9)
2022/23	**8.7**	**10.4**	**5.0**

As outlined above, store margin increased, largely due to strong sales growth. Online margin was adversely impacted due to slower sales growth, product mix and digital investments.

INTERNATIONAL

Total International sales increased 11.2% at constant currency. Store sales grew 14% as the business recovered from lockdown in several markets in Q1 of the prior year. Online sales were up 5% led by India and growth through European marketplaces in H2.

Sales excluding the Republic of Ireland were up 15.1% at constant currency, driven by Clothing & Home sales in India and continued robust demand from partners in the Middle East. Trading in Europe was adversely impacted by the closure of operations in Russia and France. Sales growth in the Republic of Ireland was robust despite continuing EU border related headwinds in Food.

52 weeks ended	1 Apr 23 £m	2 Apr 22 £m	Change vs 2021/22 %	Change vs 2021/22 CC %
Total sales	1,055.0	937.2	12.6	11.2
Memo: Sales excl. Republic of Ireland	*741.0*	*637.8*	*16.2*	*15.1*
Operating profit before adjusting items	84.8	73.6	15.2	16.2
Adjusted operating margin	*8.0%*	*7.9%*	*10bps*	*30bps*
Memo: Operating profit before adjusting items excl. Republic of Ireland	*67.9*	*58.2*	*16.7*	*18.6*

FINANCIAL REVIEW CONTINUED

Total International operating profit before adjusting items was up 15.2% to £84.8m, with adjusted operating margin up 10bps to 8.0%. This was largely driven by growth in markets excluding the Republic of Ireland.

Gross margin decreased by 20bps, driven by a reduced Clothing & Home gross margin in the Republic of Ireland. Operating costs increased 11.6% but reduced as a percent of sales. The increase in operating costs was largely driven by the business returning to a fully operational state following Covid related lockdowns in Q1 last year. In addition, pay and energy related cost inflation was absorbed in owned markets.

OCADO RETAIL LTD

The Group holds a 50% interest in Ocado Retail Ltd ("Ocado Retail"). The remaining 50% interest is held by Ocado Group plc ("Ocado Group"). Full Year Results are consistent with the quarterly results reported by Ocado Group on behalf of Ocado Retail for the quarterly periods ended 29 May 2022, 28 August 2022, 27 November 2022 and 26 February 2023.

	Q1	Q2	Q3	Q4	FY
Revenue growth (%)	-9.8	2.6	0.3	3.4	-1.2
Active customers (k)	867	947	942	957	957
Average orders per week (k)	385	374	382	381	380

Notes: Retail revenue comprises revenues from Ocado.com and Ocado Zoom. Average orders per week refers to results of Ocado.com

Revenue declined 1.2% over the 52 weeks to 26 February 2023. While active customers grew 14.6% and order numbers increased 3.9%, basket sizes have continued to decline due to the near-term pressures of the pandemic unwind and cost-of-living crisis. Revenue performance in the last three quarters was ahead of last year.

52 weeks ended	26 February 2023 £m	27 February 2022 £m	Change %
Revenue	2,222.0	2,248.8	-1.2
EBITDA before exceptional items	(15.1)	104.8	-114.4
Exceptional items[1]	21.2	(14.4)	247.2
Depreciation and amortisation	(69.4)	(41.3)	68.0
Operating (loss)/profit	**(63.3)**	**49.1**	**-228.9**
Net interest charge	(14.3)	(16.4)	-12.8
Taxation	18.6	(4.9)	479.6
(Loss)/profit after tax	(59.0)	27.8	-312.2
M&S 50% share of (loss)/profit after tax	**(29.5)**	**13.9**	**-312.2**

1 Exceptional items are defined within the Ocado Group plc Annual Report and Accounts 2022

Ocado Retail EBITDA before exceptional items was down, reflecting smaller baskets, lower gross margins, under-utilised CFC capacity and higher fulfilment and delivery costs.

Ocado Retail recognised £21.2m of exceptional income before tax, predominantly relating to the insurance income for Andover and Erith CFCs, offset by costs relating to the development and introduction of new IT systems as Ocado Retail transition away from Ocado Group IT services, tools and support.

As a result of lower EBITDA, partly offset by exceptional profits, M&S Group share of Ocado Retail loss after tax was £29.5m.

M&S BANK AND SERVICES

M&S Bank and Services generated a loss before adjusting items of £0.5m, as compared with profit of £13.0m in 2021/22. Deterioration of the forward macro-economic environment guidance drove the need for higher bad debt provision resulting in insufficient profits to generate a profit share payment.

NET FINANCE COST

52 weeks ended	1 Apr 23 £m	2 Apr 22 £m	Change vs 2021/22 £m
Interest payable	(76.3)	(85.1)	8.8
Interest income	23.8	9.6	14.2
Net interest payable	**(52.5)**	**(75.5)**	**23.0**
Pension net finance income	28.7	13.2	15.5
Unwind of discount on Scottish Limited Partnership liability	(4.3)	(4.4)	0.1
Unwind of discount on provisions	(5.4)	(3.8)	(1.6)
Net financial interest	**(33.5)**	**(70.5)**	**37.0**
Net interest payable on lease liabilities	**(111.1)**	**(115.6)**	**4.5**
Net finance costs before adjusting items	**(144.6)**	**(186.1)**	**41.5**
Adjusting items included in net finance costs	105.2	5.6	99.6
Net finance costs	**(39.4)**	**(180.5)**	**141.1**

Net finance costs before adjusting items decreased £41.5m to £144.6m. This was driven by higher average interest rates on cash balances and higher pension finance income from a larger opening pension surplus balance. In addition, interest expense reduced as a result of the partial buy-back of 2023 and 2025 bonds.

Adjusting items within net finance costs reflect a credit relating to the remeasurement of Ocado Retail contingent consideration of £108m and a charge of £2.8m reflecting the discount unwind on deferred consideration and revaluation of contingent consideration on the acquisition of Gist Limited.

GROUP PROFIT BEFORE TAX AND ADJUSTING ITEMS

Group profit before tax and adjusting items was £482.0m, down 7.8% on 2021/22. The profit decrease was largely due to declines in Food, Clothing and Home and Ocado Retail, offset by an increase in International operating profit and reduced interest. UK profits in the prior year benefitted from £59.8m business rates relief.

GROUP PROFIT BEFORE TAX

Group profit before tax was £475.7m, up 21.4% on 2021/22.

ADJUSTING ITEMS

The Group makes certain adjustments to statutory profit measures in order to derive alternative performance measures (APMs) that provide stakeholders with additional helpful information and to aid comparability of the performance of the business. For further detail on these (charges)/gains and the Group's policy for adjusting items, please see notes 1 and 5 to the financial information. These (charges)/gains are reported as adjusting items on the basis that they are significant in quantum in current or future years and to aid comparability from one period to the next.

52 weeks ended	1 Apr 23 £m	2 Apr 22 £m	Change vs 2021/22 £m
Strategic programmes – UK store estate	(51.3)	(161.4)	110.1
Strategic programmes – Structural simplification	(16.4)	–	(16.4)
Strategic programmes – Organisation	(10.7)	14.3	(25.0)
Strategic programmes – UK logistics	(10.5)	21.9	(32.4)
Strategic programmes – International store closures and impairments	–	0.4	(0.4)
Store impairments, reversals and other property charges	15.1	60.0	(44.9)
Acquisition of Gist Limited	(22.1)	–	(22.1)
Amortisation and fair value adjustments arising as part of the investment in Ocado Retail Limited	(14.0)	(32.5)	18.5
M&S Bank charges incurred in relation to the insurance mis-selling provisions	(2.0)	(16.0)	14.0
Franchise restructure	0.4	(41.3)	41.7
Directly attributable gains resulting from the Covid-19 pandemic	–	17.8	(17.8)
	(111.5)	**(136.8)**	**25.3**
Included in net finance income/(costs)			
Remeasurement of Ocado Retail Limited contingent consideration	108.0	5.6	102.4
Net finance costs incurred in relation to Gist Limited deferred and contingent consideration	(2.8)	–	(2.8)
	105.2	**5.6**	**99.6**
Adjustments to profit before tax	**(6.3)**	**(131.2)**	**124.9**

Adjusting items recognised were a net charge of £6.3m. These include:

A charge of £51.3m in relation to UK store estate rotation plans. This reflects a revised view of latest store exit routes, assumptions, estimated closure costs, charges relating to the impairment of buildings, fixtures and fittings, and accelerated depreciation.

A non-cash charge of £10.7m within organisation relating to updated assumptions regarding the sub-let of previously closed Merchant Square offices.

A charge of £16.4m for structural simplification of the organisation, which has resulted in a reduction of c.700 roles across support centres, management and stores, with the charge reflecting the associated redundancy and exit costs.

A net charge of £10.5m for UK logistics, reflecting estimated costs of closure relating to the announced closure of a further distribution centre in 2023/24, as part of the previously announced programme to transition to a single-tier UK distribution network.

A non-cash net credit of £15.1m in relation to UK and International store impairments, driven by revised future cash flow projections in relation to the carrying value of stores.

A charge of £22.1m relating to the acquisition of Gist to transform the supply chain. Within this, £18.2m of charges relate to the settlement of our pre-existing relationship with Gist Limited.

A non-cash charge of £14.0m with respect to the amortisation of intangible assets acquired on the purchase of our share in Ocado Retail partly offset by the related deferred tax credit.

Charges of £2.0m have been incurred relating to M&S Bank, primarily due to the insurance mis-selling provision.

In 2021/22, the Group announced the restructure of its franchise operations in France. Following finalisation of costs, £0.4m of the provision has been released, with no future costs currently expected.

A credit of £108m representing the revaluation of the contingent consideration payable for the investment in Ocado Retail Limited to £64.7m.

TAXATION

The effective tax rate on profit before tax and adjusting items was 25.9% (2021/22: 18.2%). This was higher than the UK statutory tax rate primarily due to the impact of the recapture of tax relief on distributions to the Scottish Limited Partnership (SLP), which have resumed in the year, and non-taxable Ocado Retail losses.

The effective tax rate on statutory profit before tax was 23.4% (2021/22: 21.1%). This is lower than the effective tax rate on profit before adjusting items due to the impact of non-taxable adjusting items.

In 2023/24 we expect the effective tax rate on profit before tax and adjusting items to increase to c.31-32%, largely as a result of the increase in the UK corporation tax rate.

EARNINGS PER SHARE

Basic earnings per share was 18.5p (2021/22: 15.7p), due to the increase in profit year-on-year. The weighted average number of shares in issue during the period was 1,963.5m (2021/22: 1,958.1m).

Adjusted basic earnings per share was 18.1p (2021/22: 21.7p) due to lower adjusted profit year-on-year.

FINANCIAL REVIEW CONTINUED

CASH FLOW

52 weeks ended	1 Apr 23 £m	2 Apr 22 £m	Change vs 2021/22 £m
Operating profit	**515.1**	**572.2**	**(57.1)**
Adjusting items within operating profit	111.5	136.8	(25.3)
Operating profit before adjusting items	**626.6**	**709.0**	**(82.4)**
Depreciation and amortisation before adjusting items	523.2	510.7	12.5
Cash lease payments	(353.8)	(344.3)	(9.5)
Working capital	(10.1)	239.7	(249.8)
Defined benefit scheme pension funding	(36.8)	(36.8)	–
Capex and disposals	(409.2)	(213.5)	(195.7)
Financial interest	(66.5)	(79.9)	13.4
Taxation	(70.6)	(7.7)	(62.9)
Employee-related share transactions	37.9	39.1	(1.2)
Share of (profit)/loss from associate	29.5	(13.9)	43.4
Adjusting items in cashflow	(69.9)	(61.8)	(8.1)
Loans to Associates	(30.0)	(1.0)	(29.0)
Free cash flow from operations	**170.4**	**739.6**	**(569.2)**
Acquisitions, investments, and divestments	(106.8)	(40.4)	(66.4)
Free cash flow	**63.6**	**699.2**	**(635.6)**
Dividends paid	–	–	–
Free cash flow after shareholder returns	**63.6**	**699.2**	**(635.6)**
Opening net debt excluding lease liabilities	**(420.1)**	**(1,110.0)**	**689.9**
Free cash flow after shareholder returns	63.6	699.2	(635.6)
Exchange and other non-cash movements excluding leases	0.9	(9.3)	10.2
Closing net debt excluding lease liabilities	**(355.6)**	**(420.1)**	**64.5**
Opening net debt	**(2,698.8)**	**(3,515.9)**	**817.1**
Free cash flow after shareholder returns	63.6	699.2	(635.6)
Decrease in lease obligations	231.8	216.0	15.8
New lease commitments and remeasurements	(249.4)	(100.6)	(148.8)
New leases from acquisitions	(21.3)		(21.3m)
Exchange and other non-cash movements	36.9	2.5	34.4
Closing net debt	**(2,637.2)**	**(2,698.8)**	**61.6**

The business generated free cashflow from operations of £170.4m, reducing year on year. This was driven by lower operating profit as a result of business rates relief in 2021/22, prior year working capital inflows, increased capital expenditure (detailed below), and tax payments.

Prior year working capital inflows were partly a result of changes to payment terms for Clothing & Home suppliers during the pandemic, which are partially reversing as Clothing & Home shifts back towards pre-Covid terms. The outflow was lower than anticipated due to the phasing of payables over year end.

Defined benefit scheme pension funding of £36.8m reflects the agreed SLP interest distribution to the pension scheme.

Increased taxation was principally due to the resumption of UK corporation tax payments in the period.

Adjusting items in cashflow includes £26.4m relating to the exit of the Russian franchise business, £22.8m relating to the UK store estate strategy, £8.9m related to structural simplification, £6.7m for costs related to the Gist acquisition and £2.0m relating to the M&S Bank insurance mis-selling provisions.

Loans to associates reflects drawdown of the shareholder loan facility by Ocado Retail, with an outflow of up to £70m anticipated in 2023/24.

Acquisitions, investments and divestments were driven principally by the payment of £102.8m relating to the acquisition of Gist, net of cash received.

The business generated free cashflow of £63.6m, resulting in a further reduction of net debt.

CAPITAL EXPENDITURE

52 weeks ended	1 Apr 23 £m	2 Apr 22 £m	Change vs 2021/22 £m
UK store remodelling	70.5	50.1	20.4
New UK stores	55.0	49.9	5.1
International	28.9	18.2	10.7
Supply chain	36.8	28.6	8.2
IT and M&S.com	109.5	68.2	41.3
Property asset replacement	102.1	85.2	16.9
Capital expenditure before property acquisitions and disposals	**402.8**	**300.2**	**102.6**
Property acquisitions and disposals	(1.1)	(43.9)	42.8
Capital expenditure	**401.7**	**256.3**	**145.4**
Movement in capital accruals and other items	7.5	(42.8)	50.3
Capex and disposals as per cash flow	**409.2**	**213.5**	**195.7**

Group capital expenditure before property acquisitions and disposals increased £102.6m to £402.8m due to increased investment in technology, store remodelling and property asset replacement.

UK store remodelling costs reflects 31 Food renewals and upgrades to Clothing & Home space in several full line stores.

Spend on new UK stores primarily related to the opening of 3 full line and 6 Food stores and one Food extension.

Supply chain expenditure reflects investment in the underlying base food infrastructure together with spend on upgrading vehicles.

IT and M&S.com spend includes technology replacement and upgrades in stores, continued investment in website development and investment in Food planning systems.

Property asset replacement has increased in the current year, primarily driven by the resumption of investment following the pandemic. This includes roof works and replacement of fridges, freezers, boilers, lifts and escalators.

Prior year disposals include receipts from the sale of two warehouses.

The movement in capital accruals and other items is driven by landlord contributions partially offset by an increase in capital accruals as capex spend normalises post pandemic.

NET DEBT

Group net debt decreased £61.6m driven by free cashflow from operations of £170.4m, and a net cash outflow of £102.8m relating to the acquisition of Gist.

New lease commitments, remeasurements (including from acquisitions) in the period were £270.7m, largely relating to 14 new UK leases, the consolidation of Gist Limited lease liabilities, lease additions in India, and UK property and logistics liability remeasurements. This was offset by £231.8m of capital lease repayments.

The composition of Group net debt is as follows:

52 weeks ended	1 Apr 23 £m	2 Apr 22 £m	Change vs 2021/22 £m
Cash and cash equivalents	1,067.9	1,197.9	(130.0)
Medium Term Notes	(1,346.4)	(1,529.5)	183.1
Current financial assets and other	44.8	99.4	(54.6)
Partnership liability	(121.9)	(187.9)	66.0
Net debt excluding lease liabilities	**(355.6)**	**(420.1)**	**64.5**
Lease liabilities	(2,281.6)	(2,278.7)	(2.9)
– Full-line stores	(909.2)	(919.5)	10.3
– Simply Food stores	(673.1)	(712.8)	39.7
– Offices, warehouses and other	(494.6)	(449.5)	(45.1)
– International	(204.7)	(196.9)	(7.8)
Group net debt	**(2,637.2)**	**(2,698.8)**	**61.6**

The Medium Term Notes include five bonds, with maturities out to 2037, and the associated accrued interest. During the period part of the 2023 and 2025 bonds were repurchased, reducing near-term liquidity draws. The USD 300m 2037 bond is valued by reference to the embedded exchange rate in the associated cross currency swaps. During the year these swaps were reset and the embedded mark to market value realised resulting in an increased value of the debt. The full breakdown of maturities is as follows:

Bond and maturity date	Value (£m)
Dec 2023, GBP	185.3
Jun 2025, GBP	330.0
May 2026, GBP	298.9
Jul 2027, GBP	248.6
Dec 2037, USD	251.8
Total principal value	**1,314.6**
Other	31.8
Total carrying value	**1,346.4**

Full-line store lease liabilities include £192.2m relating to stores identified as part of the UK store estate strategic programme. Of the remaining full-line stores lease liability, the liability-weighted average lease length to break is c.21 years. However, these average lease lengths are skewed by five particularly long leases on stores which are trading well in locations where the Group intends to remain. Excluding these five leases, the average term to break of leases outside the programme is c.16 years.

Simply Food store lease liabilities include £26.3m relating to stores identified as part of the UK store estate strategic programme. Of the remaining lease liability, the average lease length to break is c.10 years.

Within offices, warehouses and other lease liabilities, £143.0m relates to the sublet lease on the Merchant Square offices in central London, which is part of the strategic programme, organisation. Average lease length of all other offices and warehouses to break is c.8 years.

International leases relate primarily to India (c.£99m) and Ireland (c.£62m). Average lease length to break in India is close to nil, as the majority of these leases are past the break point, and so we have the flexibility to exit these at any time on several months' notice. Average length to lease break or expiry in Ireland is c.8 years.

PENSION

At 1 April 2023, the IAS 19 net retirement benefit surplus was £477.4m (2021/22: £1,038.2m). There has been a decrease of £560.8m from the start of the year largely driven by an increase in gilt yields.

The pension scheme is fully hedged for movements in gilt yields. However, on an IAS 19 basis there is an inherent basis risk to the scheme valuation, with the pension assets moving with underlying movements in rates and scheme liabilities exposed to the movement in corporate bonds yields. In a normal period, this always results in some dislocation between movements in the scheme assets and liabilities. However, the increase in gilt yields in the year led to a larger dislocation. Nevertheless, there has been no material worsening of the scheme's overall funding position and the scheme remains fully funded on a technical provisions basis.

The most recent actuarial valuation of the Marks & Spencer UK Pension Scheme was carried out as at 31 March 2021 and showed a funding surplus of £687m. This is an improvement on the previous position at 31 March 2018 (funding surplus of £652m), primarily due to lower assumed life expectancy.

MARKS AND SPENCER SCOTTISH LIMITED PARTNERSHIP

Marks and Spencer plc is a general partner of the Marks and Spencer Scottish Limited Partnership, with the UK defined benefit pension scheme, which is a limited partner. The Partnership holds £1.3bn (last year: £1.3bn) of properties at book value which have been leased back to Marks and Spencer plc. The first limited Partnership interest held by the scheme entitles it to receive £73.0m in 2023 and £54.4m in 2024 and is included as a financial liability in the financial statements as it is a transferable financial instrument. The second Partnership interest held by the scheme, entitles it to receive a further £36.4m annually from June 2017 until June 2031. It is not a transferable financial instrument, so the associated liability is not included on the Group's statement of financial position, rather the annual distribution is recognised as a contribution to the scheme each year.

LIQUIDITY

At 1 April 2023, the Group held cash and cash equivalents of £1,067.9m (2021/22: £1,197.9m). In the period, as part of its approach to liability management, the Group bought back c.£190m of bonds due for maturity in 2023 and 2025.

The Group currently has an unused £850m revolving credit facility which is due to expire in June 2026 on terms linked to delivery of its net zero roadmap. With the facility undrawn, the Group has liquidity headroom of £1.9bn.

DIVIDEND

With the business generating an improved operating performance and having a strengthened balance sheet with credit metrics consistent with investment grade, the Board plans to restore a modest annual dividend to shareholders starting with an interim dividend with the results in November.

STATEMENT OF FINANCIAL POSITION

Net assets were £2,814.9m at the period end, a decrease of 3.5% since the start of the year, largely due to the decrease in the IAS 19 pension surplus, partially offset by profits.

NON-FINANCIAL AND SUSTAINABILITY INFORMATION STATEMENT

The statements below reflect our commitment to, and management of, employees, communities, the environment, human rights, anti-bribery and anti-corruption in the last 12 months as required by sections 414CA and 414CB of the Companies Act 2006.

Policies on these matters can be found at corporate.marksandspencer.com.

Our Business Model can be found on pages 8 to 9.

Our Commitment	Relevant policies, documents, or reports that set out our approach	Sections within the Annual Report to read more about the outcomes and related non-financial KPIs of Our Commitment
EMPLOYEES We are committed to providing our colleagues with a safe and healthy working environment and an organisational culture which promotes inclusivity, diversity, equal opportunities, personal development and mutual respect. We want people to enjoy coming to work and for the workplace to be free from discrimination, harassment and victimisation. Dedicated corporate website area: – Sustainability: Our People Go to corporate.marksandspencer.com/sustainability/our-people	– Code of Conduct – Inclusion, Diversity & Equal Opportunities Policy – People Principles	– CEO and Co-CEO Q&A, on **page 6** – Stakeholder engagement, on **pages 9 and 10** – People & Culture, on **pages 28 to 31** – S.172 Statement, on **pages 80 to 82** – Board Diversity, on **page 88**

ENVIRONMENTAL MATTERS
M&S is committed to becoming a net zero business across the entire value chain by 2040. An ambitious roadmap has been established and will ensure M&S plays its part in limiting global warming to 1.5°C. This year, to support us on our journey to net zero, we had our 2030 corporate greenhouse gas emissions reduction target approved by the SBTi (see official science based target on **page 55**).
M&S is a supporter of the Task Force on Climate-Related Financial Disclosures ("TCFD") which provides a framework for our approach to identifying, assessing and managing our climate-related risks and opportunities.
 	
Dedicated corporate website area:
– Plan A: Our Planet
Go to corporate.marksandspencer.com/sustainability/plan-a-our-planet
 	
– Look Behind the Label hub
Go to www.marksandspencer.com/c/look-behind-the-label
	– Climate & Energy Policy
	– Food Waste Policy
	– Sustainability Report 2023
		– Our TCFD Report, on **pages 44 to 55**
		– S.172 Statement, on **pages 80 to 82**
		– ESG Committee Report, on **pages 90 to 91**
		– Climate-related ("CR") financial disclosures:
		  – (a) governance arrangements, on **pages 45 and 46**;
		  – (b) how CR risks and opportunities are identified, assessed and managed, on **pages 47 to 53**;
		  – (c) how processes for identifying, assessing and managing CR risks are integrated within the Group's overall risk management framework, on **page 54**;
		  – (d) description of:-
		  (i) principal CR risks and opportunities, on **pages 48 to 50**;
		  (ii) time periods to which these are assessed, on **page 47**;
		  – (e) actual and potential impacts of the principal CR risks and opportunities on the business model and strategy, on **page 47**;
		  – (f) resilience of the business model and strategy, taking into consideration different CR scenarios, on **pages 52 to 53**;
		  – (g) targets used to manage CR risks and realise CR opportunities and performance against targets, on **page 55** and in the Sustainability Report on **pages 57 to 65**; and
		  – (h) KPIs used to assess (g) targets above and calculations on which these are based, on **page 54** and in the Sustainability Report on **pages 57 to 65**.

Our Commitment	Relevant policies, documents, or reports that set out our approach	Sections within the Annual Report to read more about the outcomes and related non-financial KPIs of Our Commitment
COMMUNITIES AND SOCIAL MATTERS M&S has been committed to supporting local communities throughout its 139-year history. We aim to take a progressive approach to our community engagement and actions that make a big difference on some of the most pressing causes in many parts of the world. Dedicated corporate website area: – Our Communities Go to corporate.marksandspencer.com/sustainability/our-communities – Our Products Go to corporate.marksandspencer.com/sustainability/our-products	– Charity Partnerships & Fundraising Policy – Trading Standards & Consumer Protection Policy – Food & Product Safety & Integrity Policy – Farm Animal Health & Welfare Policy – Groceries Supply Code of Practice ("GSCOP") Compliance Report – Responsible Marketing Principles – Sustainability Report 2023	Our contributions towards, and consideration of, communities is integrated throughout the report and can also be found in: – Stakeholder engagement, on **pages 9 and 11** – S.172 Statement, on **pages 80 to 82** – ESG Committee Report, on **pages 90 to 91**
HUMAN RIGHTS M&S is committed to respecting human rights in the UK and internationally; ensuring people in our business and supply chain are always treated fairly. To support this, we are committed to continuous improvement by building knowledge and awareness on human rights for all of our colleagues and suppliers, as well as ensuring there are methods of speaking up through our improved "Worker Voice" technology platform. Dedicated corporate website area: – Human Rights & Our Supply Chain Go to corporate.marksandspencer.com/sustainability/human-rights-our-supply-chain	– Modern Slavery Statement – Human Rights Policy – Code of Conduct – M&S Global Sourcing Principles – Child Labour Procedure – M&S grievance procedure for Food and Clothing & Home supply chains	– Stakeholder Engagement, on **page 11** – ESG Committee Report, on **pages 90 to 91**
ANTI-BRIBERY AND ANTI-CORRUPTION M&S is committed to the highest standards of ethics, honesty and integrity. We have a zero-tolerance approach to any form of bribery and corruption and operate a compliance programme to prevent bribery and corruption in our business and supply chain. We set expected standards of conduct that colleagues, contractors, suppliers, business partners and any other third parties who act for or on behalf of M&S are obliged to follow.	– Anti-Bribery & Corruption Policy – Code of Conduct	– Audit & Risk Committee Report, on **page 95**
PRINCIPAL RISKS We are committed to maintaining an agile approach to risk management with effective processes in place to proactively identify and manage risks that may impact the achievement of our business strategy and objectives.	– Risk Management Policy	– Risk Management Framework, on **pages 56 to 57** – Overview of Principal Risks and Uncertainties, on **pages 58 to 65** – TCFD: Climate-related risks, **on pages 44 to 55**

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES REPORT

This section sets out our climate-related financial disclosures, aligned to the Task Force on Climate-related Financial Disclosures ("TCFD") recommendations and LR 9.8.6R.

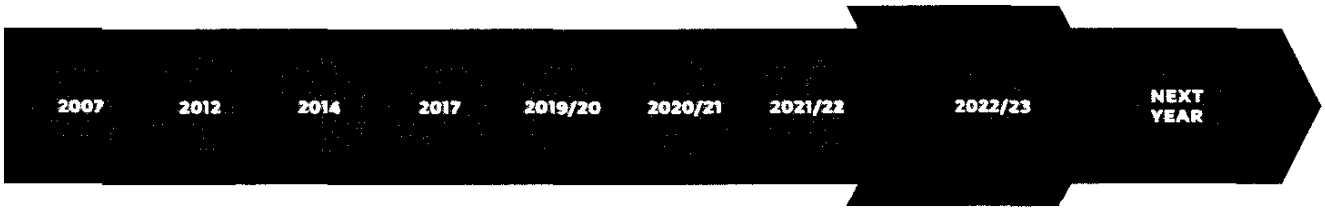
Marks and Spencer Group plc has complied with the requirements of LR 9.8.6R by including climate-related financial disclosures consistent with the TCFD recommendations and recommended disclosures, save for our work on financial quantification which will continue over the next year, expanding to other risk and opportunities currently identified as"not yet quantified". This will enable us to provide fuller disclosure of resilience and of the financial impacts of all climate-related risks and opportunities in line with strategy B & C. Financial quantification work to date has focussed on the areas provisionally identified as potentially having the most material impacts.

For ease, the index provides a guide to the disclosure including where information is set out elsewhere in this report. Further information can also be found in our separate Sustainability Report providing more comprehensive reporting of our climate strategy and progress. The Sustainability Report was published on 6th June and is available at **marksandspencer.com/sustainability report2023**

TCFD DISCLOSURES INDEX

TCFD PILLARS	TCFD RECOMMENDATION	REFERENCE
Governance	A) Describe the board's oversight of climate-related risks and opportunities.	Read more on pages 45-46
	B) Describe management's role in assessing and managing climate-related risks and opportunities.	Read more on page 52 in the Sustainability Report
Strategy	A) Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.	Read more on pages 47-53
	B) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.	Read more in the Sustainability Report
	C) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	
Risk Management	A) Describe the organisation's process for identifying and assessing climate risk.	Read more on page 54
	B) Describe the organisations processes for managing climate-related risks.	Read more on pages 56-65 in the Risk Management section
	C) Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management.	
Metrics and Targets	A) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	Read more on pages 54-55
	B) Disclosure scope 1, 2 and, if appropriate scope 3 greenhouse gas emissions and the related risks.	
	C) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	Read more in the Sustainability Report

OUR TCFD JOURNEY



2007
- Launched Plan A, our sustainability programme
- Set an ambition to be carbon neutral in operations by 2012

2012
- Achieved carbon neutrality in UK own operations

2014
- Achieved carbon neutrality in International operations

2017
- Signed up as a TCFD supporter

2019/20
- Signed up to British Retail Consortium's Climate Action Roadmap

2020/21
- Began preparations for the future adoption of TCFD reporting
- Strengthened governance with the creation of our ESG Committee

2021/22
- Published our Roadmap towards Net Zero
- Started quantitative scenario analysis
- Disclosed scope 3 footprint
- Issued first compliant disclosure against the recommendations of TCFD

2022/23
- Undertook climate-related business wide risk and opportunity review
- Published quantitative scenario analysis
- Enhanced governance with the introduction of an ESG *Business Forum*

NEXT YEAR
- Develop detailed financial framework
- Work towards plan for transition in line with TPT guidance
- Enhance scope 3 reporting

* Transition Plan Taskforce: https://transitiontaskforce.net/

GOVERNANCE

A) DESCRIBE THE BOARD'S OVERSIGHT OF CLIMATE-RELATED RISKS AND OPPORTUNITIES.

The Board has ultimate responsibility for both risk management and ESG matters, including those risks and opportunities related to climate change. The Board is also responsible for reviewing and guiding significant strategic programmes and expenditure and, as set out below, relies on the support and advice of the ESG and Audit & Risk Committees in doing so.

Responsibilities in relation to ESG matters are discharged to the ESG Committee. The ESG Committee is responsible for ensuring the Company's ESG strategy and associated governance, including management of climate-related issues, is fit for purpose and appropriate metrics and targets are in place and reported on. The ESG Committee oversees progress against these targets via a quarterly ESG report. Responsibilities in relation to risk management are discharged to the Audit & Risk Committee, who review the principal risks twice a year, of which climate change and environmental responsibility is one.

However, as the ESG Committee has oversight of activities addressing our climate change and environmental responsibility risks, it supports the risk management process by reviewing and providing the Audit & Risk Committee with recommendations on all ESG-related risks. All members of both the ESG and Audit & Risk Committees are Non-Executive Directors (Committee membership and meeting attendance is outlined in the respective Committee Reports on page 90 for the ESG Committee and page 92 for the Audit & Risk Committee).

An overview of our risk management governance, including that relating to climate change, is set out on page 57.

B) DESCRIBE MANAGEMENT'S ROLE IN ASSESSING AND MANAGING CLIMATE-RELATED RISKS AND OPPORTUNITIES.

As outlined in our risk management process (see page 56), ESG risks, including those climate change risks identified via our business-wide risk and opportunities review, are considered as part of each business' risk register. Each business area considers the capital expenditure required for projects to mitigate the likely short term climate-related risks within the annual budget.

Executive Committee (ExCo) members are individually responsible for reviewing and confirming risks in their own areas and subsequently reviewing the Group's principal risks at the half year and year end. This process provides the Audit & Risk Committee with assurance that significant risks are appropriately monitored and managed throughout the year.

This year, we have enhanced our ESG governance process with the introduction of an ESG Business Forum, to replace the Plan A (Net Zero) Steering Group. This forum, which is chaired by a member of the ExCo, meets on a quarterly basis and is made up of the accountable business leaders for ESG related issues. Quarterly updates from these meetings are provided to the ExCo and the ESG Committee.

TCFD REPORT CONTINUED

GOVERNANCE STRUCTURE

BOARD

Ultimate responsibility for both Risk Management and ESG matters, including those risks and opportunities related to climate change. Approves the Company's ESG strategy, including the group-wide target to become net zero.

EXECUTIVE COMMITTEE

- The CEO/Co-CEO are responsible for overseeing the development of group-wide ESG strategic goals and are accountable for the delivery of the Company's group-wide ESG programme (including the roadmap towards net zero). The Executive Committee members are individually responsible for setting ESG strategy in their respective areas of the business to achieve group-wide strategic goals (overseen by the ESG Committee and for ultimate approval by the Board) and putting in place mechanisms to deliver their strategy, in turn managing the climate-related risks and opportunities impacting their business areas.
- The Executive Committee members are individually responsible for reviewing and confirming risks in their own areas as part of our risk management process, including climate risks.

BOARD COMMITTEES

ESG COMMITTEE

- Responsible for ensuring the Company's ESG strategy and associated governance is fit for purpose, and that plans are in place and reported on.
- Advises the Audit & Risk Committee on ESG-related risks and opportunities, including climate-related issues.

AUDIT & RISK COMMITTEE

- Responsible for ensuring the effectiveness of the risk management process.
- Receive updates from the business leadership on how principal risks and uncertainties of the business are being appropriately addressed.
- Reviews the principal risks twice a year, of which climate change and environmental responsibility is one.

MANAGEMENT FORUMS

BUSINESS AND FUNCTIONAL LEADERSHIP TEAMS

- Responsible for their business' risk register, and for managing and resourcing mitigating activities.
- Responsible for ensuring climate-related risks are considered as part of the business' risk register.
- Responsible for ensuring climate-related opportunities are realised as part of their ESG strategy.

ESG BUSINESS FORUM

- Accountable for driving progress against the workstreams/targets of the Company's ESG programme, which mitigate our climate risks. Meets quarterly to review progress and agree the right metrics and targets on a forward-looking basis.
- Updates the Executive Committee and ESG Committee on a quarterly basis on progress against targets.
- Accountable for managing climate-related risks and opportunities. Includes representatives from Group Finance and Group Risk to ensure ESG considerations are being appropriately reviewed and considered within risk management and financial planning.

STRATEGY

A) DESCRIBE THE CLIMATE-RELATED RISKS AND OPPORTUNITIES THE ORGANISATION HAS IDENTIFIED OVER THE SHORT, MEDIUM, AND LONG TERM.

We know physical and transition climate-related risks and opportunities can manifest themselves to different proportions over a longer-term time horizon. To ensure we have a resilient organisation fit for the future, it is important that the management of our climate-related risks and opportunities is not only integrated into our existing three-year strategy and planning processes as an ongoing consideration but also that we supplement current processes with reviews focused on an extended time horizon. This process better informs our assessment of emerging risks and opportunities and identifies the appropriate actions to strengthen business resilience.

We have used the following definitions of time horizons for the purposes of identifies and managing our climate risks and opportunities. These time horizons are informed by the Paris Agreement which influences global policy responses, the UNFCC data on physical risks and our own company's science aligned net zero targets.

TIME HORIZONS

● Short <3 years

Aligned to our risk management and financial planning processes.

Medium 3-10 years

Captures transition risk and opportunities, linked to both our science-based target and the emerging risks included in our risk management disclosure.

Long > 10 years

Captures physical risks and opportunities over the long term. Linked to our long-term net zero goals and the emerging risks included in our risk management disclosure.

Processes used to determine which risks and opportunities could have a material financial impact on the organisation.
This year, we supplemented our risk management process with a detailed business-wide review of climate risks and opportunities over the short, medium and long term. This review included workshops with risk, finance and sustainability leads across the accountable businesses to identify key risks and opportunities. As part of this review, we utilised this groups insight to map potential impact and likelihood over the different time horizons to determine relative materiality.

Determining materiality
The business determines the severity of a risk by considering two factors: the likelihood of the risk materialising in a given timeframe and the potential impact(s) such as financial, reputational, operational or regulatory. A combination of these two factors provides an overall risk severity score of either 'minor', 'moderate', 'major' or 'critical' which aids the business in determining the materiality of a risk. We applied this approach to our climate focused business-wide reviews to determine the materiality of risks and opportunities identified.

The review considered two scenarios:

- **A low-carbon transition scenario** focusing on the rapid policy, regulatory, technological and market changes that will be required by 2030 to restrict emissions to a level which limits global warming to 1.5°C.
- **A physical climate impact scenario** assuming limited policy or regulatory support for emission reduction, leading to a world with increasing physical climate change impacts.

A summary of this review can be found in Table 1. Table 1 categorises the risks and opportunities in line with TCFD Guidance Table A1.1 and A1.2. We agreed that our business risks and opportunities are most appropriately considered from a sectoral perspective. For M&S that is predominately agricultural, food and clothing & home and property. We built up a group wide view following individual workshops with our businesses. We have highlighted the relevance of our risks and opportunities in Table 1. Given this sectoral focus is of most relevance to our organisation, this year we have not felt it appropriate to break risks and opportunities down geographically.

B) DESCRIBE THE IMPACT OF CLIMATE-RELATED RISKS AND OPPORTUNITIES ON THE ORGANISATION'S BUSINESSES, STRATEGY, AND FINANCIAL PLANNING.

This year, our workshops across the business identified potential implications of climate risks and opportunities on our products and services, our supply chain, our adaptation and mitigation activities and own operations. Climate-related risks and opportunities specifically associated with the acquisition of Gist have been considered (more information can be found on page 32 of our Sustainability Report) and, other acquisitions are in line with our sectoral risks of clothing and home. Our focus on research and development is embedded in our Food and Clothing & Home businesses. During the year our innovation teams have included a focus on climate-related opportunities as part of their horizon scanning processes and investment, and we have also relaunched our climate focused innovation fund, the 'Plan A Accelerator Fund' (see Sustainability Report page 16). We know having an automated system in place to manage and report on our greenhouse gas (GHG) emissions data is key to managing risks on a ongoing basis. This year, we have implemented Sphera, a system that we are now using to collect, analyse and report data on Scope 1 and 2 GHG emissions.

In addition to summarising the risks and opportunities identified, Table 1 outlines our business response to the impact on our businesses, strategy, and financial planning in line with the considerations outlined above. We have also mapped our targets to the impact areas to highlight how we are building resilience into our business strategy.

The above actions are reflected in the inclusion of net zero in our corporate strategy and transformation priorities, in the strengthened governance now in place for ESG and net zero and in the roadmap towards net zero influence on our financial planning processes of our budget and three-year plan.

TCFD REPORT CONTINUED

■ Quantified
Immaterial
Not yet quantified

● Short-term: <3 years
Medium-term: 3-10 years
Long-term: > 10 years

TABLE 1: BUSINESS WIDE RISK AND OPPORTUNITY SUMMARY

RISK/OPPORTUNITY & CLASSIFICATION	SECTOR	TIME HORIZON	POTENTIAL FINANCIAL IMPACT ON THE BUSINESS[1]	BUSINESS RESPONSE[2] Icons relate to Net Zero Priorities – see page 51	TARGETS
TRANSITION RISK – Policy and Legislation 1. Current and new environmental compliance including legislation and tax. Examples include the introduction of a carbon tax to M&S or our supply chain sectors (agriculture, food production, clothing & home) and the decarbonisation of our estate and fleet driven by legislation.	Group wide Agriculture Foods Clothing & Home Property Fleet	● Immaterial	Increase in operating costs to manage environmental compliance such as carbon tax. *Summary of relevant quantitative scenario analysis which looked at the impact across different sectors (Food, Clothing and Home and Property) can be found in Table 2.* ■ Increase in capital expenditure required to address emissions areas in M&S owned assets such as refrigeration, energy consumption and diesel fleet. *Capital expenditure on LED lighting, store controls upgrades, voltage optimisation, fridge doors, electric vehicles and other areas can be found in page 179 of the Financial Statement.* ■	**Group – mitigation** - Validated our science-based target, for 2030 which guides our goal setting process for net zero targets as part of our business transformation. **Supply Chain – mitigation** - Built net zero as a consideration into our sourcing strategy for Food and Clothing & Home. - Identified the suppliers who have greatest impact on emissions in our supply chain as a key focus for engagement. - Communicated our expectations – measure and report emissions, develop net zero plans and switch to renewable energy sourcing. - Continued our partnership with the HIGG Index to support the management of supply chain emissions in Clothing & Home. Foods have signed up to Manufacture 2030 to support the management of supply chain emissions. *See Sustainability Report pages 23 to 25.* **Our operations – capital investment** - Planned asset replacement process in place and integrated into our 3-year financial plan to phase out our F gas refrigeration systems.	- 55% reduction in absolute Scope 1 & 2 emissions by 2029/30 from 2016/17 base year. - 55% reduction in absolute Scope 3 emissions by 2029/30 from 2016/17 base year.
TRANSITION RISK – Market and Reputation **OPPORTUNITY – Products and Services** 2. Ability to keep pace with customer trends and behaviours as we see an increase in consumer preferences towards more sustainable product choices.	Foods Clothing & Home	● Medium	Short/Medium Term – Revenue opportunity from climate conscious customers who want to choose low carbon products. *Sales from plant-based protein found in the Sustainability Report (page 47).* ■ Medium Term – Revenue loss if we do not keep pace with customer trends and develop suitable low carbon product offerings.	**Our own brand food and clothing & home products and services** - Sustainable preferences and perceptions are integrated into our customer insights tracker. - Ongoing investment in innovation and new product and proposition development to ensure we develop suitable low carbon products to maximise customer preferences. - Current focus areas are alternative protein in Food, and alternative raw materials in Clothing & Home. We are testing and trialling new business models such as clothing rental and resale however we have identified this as a medium term opportunity and therefore does not appear as a revenue stream. *See Sustainability Report pages 31 and 47.*	- Increase sales of plant-based products to £75m by 24/25. - 100% of cotton used in C&H products from more sustainable sources by 25/26. - 100% of polyester used in C&H products from more sustainable sources by 25/26. - 100% of MMCF used in C&H products from more sustainable sources by 25/26.

1 Quantification of financial impact will focus on short term risks and opportunities in line with our current financial planning process.
2 *More information on specific programmes can be found in our Sustainability Report.*

■ Quantified
Immaterial
Not yet quantified

● Short-term: <3 years
Medium-term: 3-10 years
Long-term: > 10 years

RISK/OPPORTUNITY & CLASSIFICATION	SECTOR	TIME HORIZON	POTENTIAL FINANCIAL IMPACT ON THE BUSINESS[1]	BUSINESS RESPONSE[2] Icons relate to Net Zero Priorities – see page 51	TARGETS
TRANSITION RISK – Technology 3. Availability of technological solutions and infrastructure to support low carbon activities for example low and zero carbon fleet options.	Group wide Property Fleet		Increase in capital and operational expenditure required to source the necessary low carbon technology and infrastructure to achieve our net zero goals.	**Group – mitigation** - Short term rapid decarbonisation target for 2025/26, to focus on investigating the need for new low carbon technological solutions and infrastructure to support our journey to net zero. **Our operations** - Through our acquisition of Gist, we are able to work more closely with the wider logistics industry and manufacturers to ensure we have a transition plan for a net zero fleet. This year, we have expanded our LNG fleet to 35 vehicles. *See Sustainability Report page 34.*	– 2.1 million tonne reduction in carbon emissions in 2025/26. – 55% reduction in absolute Scope 1 & 2 emissions by 2029/30 from 2016/17 base year. – 55% reduction in absolute Scope 3 emissions by 2029/30 from 2016/17 base year.
TRANSITION RISK – Market **OPPORTUNITY – Resource Efficiency and Energy Source** 4. Energy efficiency and resilience in our operations and supply chain.	Group wide Property Foods Clothing & Home		Increase cost of fuel caused by climate-related market disruption. Potential risk of blackouts and brownouts which in turn impact trade and waste. Reduction in operational costs if energy consumption is effectively managed. Opportunity to reduce reliance of grid electric by facilitating on-site renewable energy generation.	**Supply chain – mitigation** - Working with suppliers to reduce energy consumption and move to the use of renewable energy. Examples of this include our participation in the Carbon Leadership Programme and the use of the HIGG Facility Environmental Module. *See Sustainability Report page 25.* **Our operations** - Continue to integrate energy efficiency measures such as improved metering across property estate and investment in energy efficiency projects to lower energy consumption in lighting and fridges. *See Sustainability Report page 33.*	– 55% reduction in absolute Scope 1 & 2 emissions by 2029/30 from 2016/17 base year. – 55% reduction in absolute Scope 3 emissions by 2029/30 from 2016/17 base year.
TRANSITION RISK – Reputation 5 Failure to meet our public climate change commitments.	Group wide		Reputational impact due to failure to meet our net zero targets. Leads to lower sales and makes it harder to attract and retain customers and colleagues.	**Group** - Net zero goal has been incorporated into the strategic pillars of our Business Transformation with a set of clear metrics for accountable business leaders. - Enhanced ESG governance process with the introduction of an ESG Business Forum. See Governance Structure on page 46 for more information. - Relaunch of our climate focused innovation fund, the 'Plan A Accelerator Fund'	– 2.1 million tonne reduction in carbon emissions in 2025/26. – 55% reduction in absolute Scope 1 & 2 emissions by 2029/30 from 2016/17 base year. – 55% reduction in absolute Scope 3 emissions by 2029/30 from 2016/17 base year.

1 Quantification of financial impact will focus on short term risks and opportunities in line with our current financial planning process.
2 More information on specific programmes can be found in our Sustainability Report.

TCFD REPORT CONTINUED

■ Quantified
Immaterial
Not yet quantified

● Short-term: <3 years
Medium-term: 3-10 years
Long-term: > 10 years

TABLE 1: BUSINESS WIDE RISK AND OPPORTUNITY SUMMARY CONTINUED

RISK/OPPORTUNITY & CLASSIFICATION	SECTOR	TIME HORIZON	POTENTIAL FINANCIAL IMPACT ON THE BUSINESS[1]	BUSINESS RESPONSE[2] Icons relate to Net Zero Priorities – see page 51	TARGETS
TRANSITION RISK – Market **OPPORTUNITY – Policy** 6. Reliance on third parties, local government and broader infrastructure to achieve our mitigation actions.	Group wide		Increase capital and *operational expenditure* required to meet our net zero goals e.g. increased cost in renewable energy procurement if grid decarbonisation is not delivered.	**Group** - *Collaborate closely with the industry to ensure* we are working towards the same goals. As part of this, we are on the Steering Committee of the British Retail Consortium's Climate Action Roadmap and lead on the Logistics Pathway. - Proactively engage with government to ensure that broader policy and infrastructure will support us on our net zero journey. Examples include input into the Independent Review of Net Zero led by Chris Skidmore, and signatories on a letter to support the decarbonisation of the grid in line with our operational net zero target.	
TRANSITION RISK – Reputation **PHYSICAL RISK – Acute & Chronic** 7. Failure to meet the requirements of our franchise partners based on the impact of climate change on our supply chain.	International		Reputational impact due to failure to meet the requirements of our partners. Loss of revenue from not being able the provide necessary stock to partners.	**Our operations** - *Apply learnings from both the COVID-19* pandemic and the invasion in Ukraine as to how we are able to adapt our supply chain to ensure we are able to meet partner requirements, irrelevant of the cause of the distribution.	
PHYSICAL – Acute & Chronic 8. Volatility in the supply of raw materials caused by the impact of climate change.	Agriculture Foods Clothing & Home	●	Increase in sourcing costs based on supply chain disruption caused by increased likelihood of extreme weather. *Summary of relevant quantitative scenario analysis can be found in Strategy c).* Loss of revenue if we are not able to source specific products due to the impact *of physical climate risks.*	**Supply chain – adaptation** - Strengthened our focus on supporting producers as they transition to net zero. We're putting a greater emphasis on resilience in our standards and partnerships like Fairtrade. - Increased focus on regenerative agriculture, through our Farming with Nature programme and work with the Better Cotton Initiative. *See Sustainability Report pages 19 and 21*	Maintain 100% fairtrade-certified tea and coffee. 100% of cotton used in C&H products from more sustainable sources by 2025/26.
PHYSICAL – Acute 9. Managing *infrastructure and* operations (both owned and supply chain) in extreme weather.	*Group wide* Property Fleet	●	*Loss of revenue from increased* likelihood of extreme weather events (e.g., flooding, extreme temperatures) leading to closures of shops, distribution centres and key transport hubs. *Summary of relevant quantitative scenario analysis can be found in Strategy c).*	**Our operations** - To support with the management of extreme weather events in stores, distribution centres and key transport hubs such as Chittagong port, Bangladesh, we have in place robust business continuity procedures.	

How climate-related issues serve as an input to our financial planning process
Where required, the spend associated with certain projects linked to climate-related risks and opportunities is incorporated into the FY2023/24 budget and the three-year financial planning process, both approved by the Board. We have done so by including the capital *expenditure required to manage the* impact of our climate-related risks in our operations and the profit impact from climate-linked products and services.

For example our capital investment in replacing fridges and freezers to become compliant with the F gas Regulation, as well as other operational efficiencies included in our 3 year budget.
This financial planning process form the cash flow projections within our going concern and impairment assessments (see page 157 for more details). The *financial framework will be developed* during 2023/24 to align with the overall climate strategy and net zero target.

For required spend in years subsequent to FY2023/24 to meet interim and 2029/30 targets, this is currently included within capital expenditure and operating cost increase assumptions in the three-year financial plan rather than being included specifically. This spend will be built into future budget specifically each year. This is due to the *three-year financial plan being built from* the FY2023/24 budget as a base year with years 2 and 3 being built on assumptions.

Our Transition Plan
Since its launch in 2007, Plan A, our sustainability programme, has underpinned the resilience of our organisation's strategy, ensuring that we are proactively managing the environmental and ethical risks and opportunities we face as a business, including climate-related issues. In 2021, we reinvigorated our approach to sustainability and outlined our ambition to become a net zero business across our entire value chain by 2040.

This ambition is supported by a set of interim targets that align with climate science to limit global warming to 1.5°c (see roadmap below). This year, to support us on our journey to net zero, we had our 2029/30 reduction target validated by the Science Based Targets initiative.

Our initial transition plan is focussed on the short term to mobilise the organisation, reduce emissions across key hotspots and start to build capability to address the opportunities identified.

Our roadmap towards net zero contains the key milestones which are reflected in our group strategy and transformation priorities. This is supported by enhanced governance, improved tracking and measurement, collaboration and innovation funding.

The 10 roadmap workstream icons can be found on Table 1 to highlight how the specific priority areas support the impacts identified.

OUR TRANSITION ROADMAP

OUR BASELINE
6.2m
tonnes of carbon emitted in 2016/17[1]

Short-term: <3 years
2025/26 TARGET
2.1m
tonnes (34%) reduction in carbon emissions

Medium-term: 3-10 years
2029/30 TARGET
55% reduction
in carbon emissions versus our baseline
SBTi APPROVED[2]

Long-term: >10 years
2024/25 TARGET
Net zero
across our own business

2039/40 TARGET
Net zero
across entire value chain

TEN IMMEDIATE PRIORITY AREAS FOR TRANSFORMATION

PLANET

HOW WE SOURCE OUR PRODUCTS

Zero deforestation
- 100% of soy to be sourced from verified deforestation and conversion-free regions by 2025/26.
- 100% segregated responsibly sourced palm oil by 2025/26.

Sustainable sourcing
100% verified recycled polyester by 2025/26.

Low-impact farming
We support our farmers to enable them to grow low carbon, responsible food, use fewer pesticides, enhance their soil, protect natural resources and drive innovation.

HOW WE MAKE OUR PRODUCTS

Increasing the range of plant-based protein
Double the sales of vegan and vegetarian products by 2024/25.

Suppliers and business partners on net zero journey
Looking beyond our own operations to spark change and support decarbonising across our full value chain.

HOW WE ARE REDUCING WASTE AND PROTECTING RESOURCES

Circular economy
Enhancing our clothes recycling scheme with new incentives for Sparks members.

Reduce food waste
- 100% of edible surplus to be redistributed by 2025/26.
- Food waste reduced by 50% by 2029/30.

Reduce and recycle packaging
- 100% of packaging to be recyclable by 2025/26.
- Remove 1bn units of plastic packaging by 2027/28.

DRIVING EFFICIENCY ACROSS OUR STORE ESTATE

Zero emissions property
Deliver a more efficient store estate.

Zero emissions transport
Moving to low-carbon logistics with reduced dependency on diesel and increased use of new technologies and cleaner fuels. Contributing to cross-industry action through collaboration.

[1]Restated in line with methodological changes and Gist acquisition. [2]See Metrics and Targets C) for official science based target wording.

TCFD REPORT CONTINUED

C) DESCRIBE THE RESILIENCE OF THE ORGANISATION'S STRATEGY, TAKING INTO CONSIDERATION DIFFERENT CLIMATE-RELATED SCENARIOS, INCLUDING A 2°C OR LOWER SCENARIO.

Quantitative scenario analysis
Quantitative scenario analysis is a valuable tool to explore the potential impact of risks and opportunities identified by the business. Last year we undertook scenario analysis on three areas of our business, Property, Protein and Cotton. These areas were selected following a materiality assessment which considered both the potential climate-related impact and the impact on financial performance to M&S, whilst ensuring fair and balanced reporting across the accountable businesses. The analysis looked at the impact of two plausible future states – a low-carbon transition scenario (average global temperature increases of 1.5°C due to climate change by 2100) and a physical climate impact scenario (average global temperature increases of 4°C due to climate change by 2100).

This year's business-wide review of climate-related risks and opportunities endorsed the selection of specific areas for quantitative scenario analysis, highlighting the policy and legislation risk of environmental compliance on both our operations and our supply chain in a transition scenario (Table 1 – Risk 1). In last year's disclosure we identified carbon pricing mechanisms as the greatest environmental compliance risk we face in the medium term. The acquisition of Gist during the year resulted in us reviewing our Scope 1 and 2 emissions to include those previously excluded from M&S operational emissions. As this increased Scope 1 and 2 emissions by c.20%, we extended our existing quantitative scenario analysis of this transitional risk from financial year 2021/22 to include the non-dedicated elements of Gist (dedicated elements previously included), and expanded our analysis to cover M&S (including Gist) fleet.

We ratified our scenario analysis for cotton and protein and this year have disclosed the potential financial impact to the business if no actions were taken to mitigate the risks. The results of the scenario analysis are included in Table 2. We have aligned our financial impact criteria to our group risk assessment criteria as follows:

FINANCIAL IMPACT

● Critical	>5% impact on sales >10% impact on PBT
◐ Major	3-5% impact on sales 5-10% impact on PBT
● Moderate	1-3% impact on sales 1-5% impact on PBT
Minor	<1% on sale and PBT

TABLE 2: QUANTITATIVE SCENARIO ANALYSIS SUMMARY

AREA & SCOPE	RISK/OPPORTUNITY CATEGORY (AS IDENTIFIED IN TABLE 1)	RISK MODELLED	IMPACT OF CLIMATE RISK ON OUR ORGANISATION'S FINANCIAL PERFORMANCE IN 2030, ASSUMING NO MITIGATION ACTIONS	QUANTIFICATION OF IMPACT	TARGETS IN PLACE TO MANAGE THESE RISKS
PROPERTY (Updated following Gist acquisition) UK Property Estate (including Gist properties)	**TRANSITION RISK – Policy and Legislation** Current and new environmental compliance including legislation and tax.	Carbon tax on Scope 1 and 2 emissions	Potential operating profit impact of £20m to £30m	●◐	55% reduction in absolute Scope 1 and 2 emissions by 2029/30 from 2016/17 base year.
	PHYSICAL – Acute Managing infrastructure and operations (both owned and supply chain) in extreme weather.	Flood risk	Immaterial		N/A
FLEET (Added following Gist acquisition) UK fleet	**TRANSITION RISK – Policy and Legislation** Current and new environmental compliance including legislation and tax.	Carbon tax on Scope 1 and 2 emissions	Potential operating profit impact of £15m to £25m	●◐	55% reduction in absolute Scope 1 and 2 emissions by 2029/30 from 2016/17 base year.

TABLE 2: QUANTITATIVE SCENARIO ANALYSIS SUMMARY CONTINUED

AREA & SCOPE	RISK/OPPORTUNITY CATEGORY (AS IDENTIFIED IN TABLE 1)	RISK MODELLED	IMPACT OF CLIMATE RISK ON OUR ORGANISATION'S FINANCIAL PERFORMANCE IN 2030, ASSUMING NO MITIGATION ACTIONS	QUANTIFICATION OF IMPACT	TARGETS IN PLACE TO MANAGE THESE RISKS
PROTEIN UK and Ireland sourced beef, lamb, pork, chicken and turkey products	**TRANSITION RISK – Policy and Legislation** Current and new environmental compliance including legislation and tax.	Carbon tax on agricultural emissions (to the farm-gate)	Potential operating profit impact of £35m to £50m		55% reduction in absolute Scope 3 emissions by 2029/30 from 2016/17 base year. Increase sales of plant-based products to £75m by 2024/25.
	PHYSICAL – Acute & Chronic Volatility in the supply of raw materials caused by the impact of climate change.	Extreme weather events and chronic climate change impact on agricultural production	Immaterial		N/A
COTTON Globally sourced raw material used in our clothing	**TRANSITION RISK – Policy and Legislation** Current and new environmental compliance including legislation and tax.	Carbon tax on agricultural (seed to farm-gate) and manufacturing (all steps in cotton production) emissions	Potential operating profit impact of £45m to £60m		55% reduction in absolute Scope 3 emissions by 2029/30 from 2016/17 base year. 100% of C&H Tier 1 & Tier 2 suppliers with Level 1 Higg FEM module result by second annual audit.
	PHYSICAL – Acute & Chronic Volatility in the supply of raw materials caused by the impact of climate change.	Extreme weather events and chronic climate change impact on agricultural production	Immaterial		N/A

Resilience of our business

Our scenario analysis identified transition risks as material in 2030, with a potential operating profit impact across Property, Fleet, Protein and Cotton associated with the introduction of a carbon tax of between £115m and £165m assuming no mitigation.

Identification of such risks in the medium term highlights the continued importance of meeting our 2029/30 science-based target. As an own brand retailer with in excess of 94% of our emissions in our value chain it is important we focus on supply chain emissions reduction. It is with this focus that we are ensuring that our 2029/2030 target is influencing our strategic sourcing strategy to ensure we are working with suppliers who have the capability to reduce emissions.

We have strengthened our governance approach and internal tracking as well as investing in a system to digitally capture Scope 1 and 2 GHG data. Finally, to support the requirement for greater collaboration and research and development we have relaunched a climate focused innovation fund, the 'Plan A Accelerator Fund'. These actions in the short term all play a role in strengthening the resilience of our organisation's strategy to the climate-related risks and opportunities we have identified.

Moreover, even if there were to be significant issues that meant we were unable to deliver on our mitigations such as lack of technological solutions, given the health of our balance sheet, we would be able to absorb the impact a carbon tax as calculated in Table 2.

We also quantified the physical risks outlined in the table above and the analysis has identified the financial exposure to 2030 to be immaterial. Our business-wide review did highlight volatility in the supply of raw materials caused by climate change and the management of infrastructure and operations (both owned and supply chain) in extreme weather as key physical risks. Therefore we will consider focusing further quantitative scenario analysis on these areas next year to better understand the implication of this beyond the current risk of volatility in supply chains that we have been managing for other issues e.g. Covid, Brexit, the invasion in Ukraine.

TCFD REPORT CONTINUED

RISK MANAGEMENT

A) DESCRIBE THE ORGANISATION'S PROCESS FOR IDENTIFYING AND ASSESSING CLIMATE RISK.

We consider risks relating to climate change as part of the group risk management process. To further understand our business-wide climate-related risks at a more granular level, we supplemented our group risk management process by undertaking a detailed business-wide review of climate risks and opportunities with risk, finance and sustainability leads across the accountable businesses to identify key risks and opportunities over the short, medium and long term as outlined on page 47. We utilised stakeholder insight to assess the potential size and scope of the climate risks. The summary of these risks can be found in Table 1.

B) DESCRIBE THE ORGANISATIONS PROCESSES FOR MANAGING CLIMATE-RELATED RISKS.

The business-wide reviews of climate risks and opportunities used the TCFD Guidance Table A1.1 and A1.2 to ensure a comprehensive view of the issues impacting our business. Prioritisation of risks was then assessed based on materiality and time horizon. Due to the recognised uncertainty of longer term climate-related risks we prioritised our scenario analysis on the short-term risks – details regarding the financial impact criteria and the outputs can be found on pages 52 and 53.

The businesses have considered how climate-related issues may impact their strategy both in the short term and beyond, and therefore will continue to design and implement the required mitigating controls to manage these. Ongoing management of these climate risks forms one of the accountabilities of the ESG Business Forum. Alignment with the group risk management process ensures that each climate-related risk at a business/function level, has a designated risk owner and oversight from the leadership team, as well as using the risk assessment criteria (including parameters for risk scoring) and actions tracking to ensure risks are treated appropriately. More information on our risk management process can be found on page 56, which includes the consideration of climate-related risks.

C) DESCRIBE HOW PROCESSES FOR IDENTIFYING, ASSESSING AND MANAGING CLIMATE-RELATED RISKS ARE INTEGRATED INTO THE ORGANISATION'S OVERALL RISK MANAGEMENT.

The process for managing climate-related risks is integrated into our group risk management process. Climate change and environmental responsibility continues to be called out as a principal risk see page 64, as the Audit & Risk Committee and accountable businesses/key functional areas have considered risks relating to climate change, and more broadly the delivery of our net zero commitment, as part of the group risk management process.

METRICS AND TARGETS

A) DISCLOSE THE METRICS USED BY THE ORGANISATION TO ASSESS CLIMATE-RELATED RISKS AND OPPORTUNITIES IN LINE WITH ITS STRATEGY AND RISK MANAGEMENT PROCESS.

Our Sustainability Report outlines all of our metrics used to assess our ESG performance. Those relevant to assessing our climate-related risks and opportunities have been identified in the data tables on pages 57 to 69 of the Sustainability Report.

Having undertaken a review of the cross-industry, climate-related metrics, this year we have continued to focus our metrics disclosure on our GHG emissions which can be found in our data tables referenced above. Tables include performance across this year, last year and where appropriate our base year (2016/17). We do not currently use an internal carbon price but continue to investigate its potential application to our business.

Details of the methodologies used to calculate performance against targets and metrics can be found in the 2023 Basis of Reporting **https://corporate.marksandspencer.com/basis-of-reporting-2023**.

Integrating sustainability metrics in remuneration
Information on the current position of inclusion of sustainability metrics in remuneration can be found in the Remuneration Committee Report on page 100.

B) DISCLOSURE SCOPE 1, 2 AND, IF APPROPRIATE SCOPE 3 GREENHOUSE GAS EMISSIONS AND THE RELATED RISKS.

This year we have implemented Sphera, a system that we are now using to collect, analyse and report data on Scope 1 and 2 GHG emissions. Our Scope 1 and 2 carbon emissions, reported in line with the Greenhouse Gas Protocol are on page 55 as part of response to the Streamlined Energy and Carbon Reporting requirements.

These are verified by DNV Business Assurance Services UK Limited – more information can be found in the Sustainability Report Independent Assurance Statement.

SCOPE 3 EMISSIONS

This year we have included our FY2022/23 Scope 3 emissions data (see page 55). More information on the evolution of our Scope 3 emissions can be found on page 15 of our Sustainability Report. In line with our transformation, growth in our business has increased the scope of our emissions, which has been offset by emissions reductions programmes we are able to quantify in our total reported emissions. However, due to the modelling approach for supply chain carbon emissions (which uses industry average benchmarks), a number ofprogrammes that we have in place to deliver emissions reductions cannot yet be seen in our disclosed emissions. This is something we are looking to address through the implementation of new systems and measurement processes to get access to and manage primary data collected from our supply base. For our Foods business, we expect to have these systems (Mondra and Manufacture 2030) fully operational in the next Financial Year. For our Clothing & Home business we are currently working with our Digital and Technology Team to establish how we integrate data from the HIGG Index into our Clothing & Home footprint. Management is monitoring progress towards our carbon reduction targets via our ESG Business Forum on a quarterly basis. More information can be found on page 52 of our Sustainability Report.

STREAMLINED ENERGY AND CARBON REPORTING

Energy consumption (GWh)

	2022/23	2021/22^	% change
UK Operations	1,402	1,382	1%
International Operations	74	62	20%
Group	**1,477**	**1,445**	**2%**

^ Performance for last year has been re-stated, in line with the GHG Protocol and M&S' emissions re-statement policy, to account for the acquisition of Gist in 2022 and data improvements identified through the implementation of a new digital ESG reporting platform. Previously, following the operational control reporting boundary, Gist's secondary logistics operations (which account for the majority of energy use and reported emissions) were reported on, since these operations were dedicated to M&S. Gist's primary logistics operations, which were previously not reported on, have now come into M&S' reporting boundary, and figures have been re-stated accordingly.

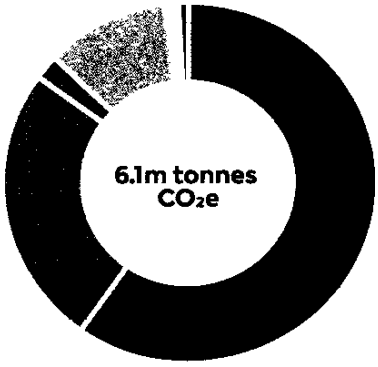
ENERGY EFFICIENCY INITIATIVES IMPLEMENTED THIS YEAR

- LED Lighting: Continued investment in installation of LED lighting, with 24 schemes implemented in UK stores in 2022/23, and installations now complete across all Gist retail distribution operations.
- Automated Meter Readers: Now installed in 80% of UK stores (project started February 2022).
- Initiatives implemented in Q4, with savings to be realised from next year, included trials of adding doors to fridges, moves to 100% electric stores using heat pumps to reduce gas usage, voltage optimisation projects and implementation of aerofoils.
- Behaviour change: Energy efficiency has been a focus in our communications to colleagues this year, reminding colleagues to use night blinds, switch off lights, and review bakery schedules. At Gist, all drivers have completed SAFED training on fuel efficient driving.

Greenhouse gas emissions (000 tonnes CO2e)

	2022/23	2021/22^	% change
Scope 1 emissions	226	234	-3%
of which UK	218	228	-4%
Scope 2 emissions (location-based)	137	142	-3%
of which UK	113	120	-6%
Total location-based scope 1&2 emissions	**363**	**376**	**-3%**
of which UK	332	348	-5%
GHG intensity per 1,000 sq ft of salesfloor	17.3	18.2	-5%
Scope 2 emissions from procured renewable electricity (location-based)	117	125	-6%
Total market-based scope 1&2 emissions	**246**	**250**	**-2%**
of which UK	219	229	-4%

CURRENT SCOPE 3 EMISSIONS



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

C) DESCRIBE THE TARGETS USED BY THE ORGANISATION TO MANAGE CLIMATE-RELATED RISKS AND OPPORTUNITIES AND PERFORMANCE AGAINST TARGETS.

This year, we had our 2030 corporate greenhouse gas emissions reduction target approved by the Science Based Targets initiative:

> Marks and Spencer PLC commits to reduce absolute Scope 1 and Scope 2 GHG emissions 55% by 2030 from a 2017 base year. Marks and Spencer PLC also commits to reduce absolute Scope 3 GHG emissions 55% within the same time frame.

Our net zero ambition builds on our absolute science-based target, aligned to the UN ambition to limit global warming to 1.5°C:

2034/35 target
– Net zero across our own business.

2039/40 target
– Net zero across our entire value supply chain.

To support our net zero ambition we included a short term rapid decarbonisation target to reduce emissions by 34% by 2025/26. Based on our revised baseline, management have translated this into a 2.1 million tonne reduction target. We now have clear line of sight, based on projects that are resourced and underway, to 62% of the 2.1 million emissions reduction we are committed to deliver in 25/26.

2025/26 target
2.1 million tonne (34%) reduction in carbon emissions.

It is important to note that we will, on an ongoing basis, continue to review our externally communicated carbon targets. This will allow us to reflect ongoing business change (similar to the approach taken this year following the acquisition of Gist), the evolution of carbon measurement techniques and guidance and the impact of emerging technologies over the coming years.

Our Sustainability Report outlines all of our targets used to manage our ESG performance. Those relevant to managing our climate-related risks and opportunities have been identified in the data tables on pages 57 to 69 of the Sustainability Report. We have also mapped these targets to the risks and opportunities identified in Tables 1 and 2.

RISK MANAGEMENT

Maintaining a dynamic and effective risk management process is vital to support and strengthen business operations as we reshape the company and manage the impact of a challenging external environment.

APPROACH TO RISK MANAGEMENT
Our approach to risk management remains consistent with previous years. The Audit & Risk Committee, under delegated authority from the Board, is accountable for overseeing the effectiveness of our risk management process. This includes identification of the principal risks facing M&S, monitoring compliance with the risk management policy and periodically reviewing risk appetite. To support this, underlying processes are in place which remain aligned to the M&S operating model, with each business and function responsible for the identification, tracking and management of specific risks. In addition, risk activities at our joint ventures are captured as part of the monitoring processes in place.

Our risk management process is underpinned by the Group Risk Management Policy which is subject to periodic review to ensure it remains appropriate for our business needs and delivers against our governance responsibilities. The Policy was last reviewed and approved by the Audit & Risk Committee in September 2022.

The key activities captured by the Policy include:

- the development and maintenance of Board approved **risk appetite statements** which align with the business strategy, three-year plan, core operating activities and the business purpose and values. Our risk appetite statements include strategic and transformational priorities, operational activities and core policy areas. The statements are used to define and set appropriate risk-taking parameters for business activity;
- **identification, measurement and reporting of risks** against a consistently applied criteria considering both the likelihood of occurrence and potential impact to the Group, with clear ownership allocated to relevant members of the leadership team;
- maintenance of **detailed risk registers and mitigation plans**. These are completed by each business and function, approved by their leadership teams and the appropriate Executive Committee members. The output is also incorporated into other related governance processes. For example climate related risks are reported at the Environmental, Social and Governance (ESG) committee and fire, health and safety risks at the Group Safety Committee;
- **proactive monitoring of emerging risks** by each business and function where the full extent and implications may not be fully understood but need to be tracked. This is an integrated element of the processes outlined above;
- swift action to evaluate changes to the risk profile triggered by **new or unexpected events**, working in conjunction with support functions such as the business continuity and legal teams;
- **ongoing assessment of the overall risk profile** to reflect changes in the business operating model, accountabilities and reporting – for example to incorporate the acquisition of our logistics business, Gist;
- a formal **half-yearly review** of all risk registers by the Group Risk team to provide independent challenge and support cross-business alignment;
- **direct reporting to the Audit & Risk Committee** by each of our business and functional leadership teams on a rolling, scheduled basis – flexed to respond to changes or potential emerging issues; and
- the compilation of an overarching view of group risks, combining both **top-down and bottom-up** perspectives which consider the impact of changes in the external environment, our business strategy, transformation programme, core operations and our engagement with external parties.

The output from the above process is subject to periodic review and challenge with the executive directors as part of our interim and year-end reporting processes. Following this, the **principal risks and uncertainties** are submitted to the Audit & Risk Committee for review and approval prior to being recommended to the Board for approval.

An overview of this process is presented in the diagrams on the following page. Details of how the principal risks and uncertainties interact with the strategic priorities of the business are shown on page 59.

The directors' assessment of the long-term viability of M&S is also reviewed annually, mindful of the principal risks faced. The approach for assessing long-term viability, incorporating scenarios based on the principal risks and uncertainties is set out on pages 66 to 67 and on page 134.

RISK MANAGEMENT PROCESS AND GOVERNANCE OVERVIEW

The diagrams below provide an overview of the risk management process and activities that allow the business to maintain an appropriate risk culture to support operations and support the Board in complying with obligations under the Corporate Governance Code 2018.

INTERNAL REPORTING

GROUP-LEVEL RISKS
- Consolidation of significant risks from underlying risk registers
- Overlay of Group-level risks
- Review and agreement of the principal risks by the executive directors
- Review and approval by the Audit & Risk Committee

BUSINESS AND FUNCTIONAL RISK REGISTERS
- Development and ongoing maintenance of risk registers, including consideration of emerging risks, by business owners and leadership teams
- Review and challenge of risk content and the quality of mitigation plans by the Group Risk team
- Monitoring of risks associated with our joint ventures
- Review and challenge of risks at leadership forums

EMERGING RISKS AND ISSUES
- Monitoring emerging areas of change or issues that may become significant at a Group level

TOP-DOWN

Parties involved:
- M&S Board
- Audit & Risk Committee
- Executive Committee
- Group Risk team

Parties involved:
- Group Risk team
- Business and functional leadership teams
- Policy and process owners

BOTTOM-UP

EXTERNAL REPORTING

PRINCIPAL RISKS AND UNCERTAINTIES
- Review and approval by the Board and Audit & Risk Committee
- Full disclosure of principal risks and uncertainties

MAINTAINING AN EFFECTIVE RISK FRAMEWORK

In complying with the process and policy described above, examples of how risk management has kept pace with change during the year include:

- Evolving the Audit Committee to be formally designated as the 'Audit & Risk Committee', strengthening the profile of risk management in our governance framework.
- Completing a review and refresh of risk appetite statements, with full Audit & Risk Committee and Executive team participation, to maintain alignment with strategy and the ongoing transformation activities, as well as meeting the core requirements of business operations.
- Refining the suite of underlying business and functional risk registers to mirror today's operating model such as the acquisition of Gist.
- Integrating a new risk management tool across the business to enhance risk reporting capabilities and provide greater transparency and consistency across business level and Group-wide risks.

PRINCIPAL RISKS AND UNCERTAINTIES

Our principal risks and uncertainties have been assessed in accordance with the methodology outlined on the previous pages which allows the business to remain flexible and respond to a dynamic risk landscape.

OVERALL RISK ENVIRONMENT

At an overarching level, a complex set of external factors continue to have a *pervasive impact across the business.* These include the ongoing cost-of-living challenges, the continued consequences *of Russia's invasion of Ukraine, and whilst* diminishing, the legacy of Covid-19. In addition, the associated economic *uncertainties triggered by these* combined events add a further risk dimension.

These factors form the basis of our first principal risk, **'An uncertain trading environment'**, which captures the aggregated consequences of this suite of events, such as:

- cost of goods inflation (including the impact of sterling's value against the US dollar);
- energy price volatility;
- increasing interest rates;
- the impact of industrial action;
- structural instability in the global financial system;
- *a potential decline in consumer* spending;
- supplier resilience and viability;
- labour constraints;
- supply chain pressures and disruption to the supply of materials and products (including concerns from animal disease);
- *further global socio-political tensions* and fragility;
- the risk of recession;
- changes in central government and/ or regional policies; and
- the threat of new Covid-19 variants and/or other widespread health events.

All of these factors, individually or in aggregate, may negatively impact future trading performance and have an overarching affect across our suite of principal risks and uncertainties.

KEY CHANGES TO OUR RISK PROFILE

The following key changes have been made to our risk profile during the year:

- We acquired the **food logistics business, Gist**. The impact of the acquisition has been reflected in a number of our existing principal risks. Most significantly this includes:
  - Business transformation;
  - Business continuity and resilience;
  - Talent, culture & capability;
  - Information security;
  - Corporate compliance and responsibility; and
  - Climate change and environmental responsibility.
- The previous 'Ocado Retail' risk which focused solely on our online food retail investment with Ocado Group has been expanded to cover our wider **joint venture investments**. This change recognises our ambition to expand *global activities and, as part of this,* the contribution of our joint venture in India with Reliance Industries. The *risks associated with our investment in* Ocado Retail and the relationship with Ocado Group remain consistent with *our previous disclosure.*
- Our **business transformation** risk has been expanded to reflect the *importance of delivering a compelling* omni-channel experience and to transition the business to a simpler *and more cost-effective structure.* The focus on the store transformation programme, investment in our *technology capabilities and* improvements in supply chain remain consistent with previous disclosures.

Our principal risks and uncertainties are set out in more detail on pages 60 to 65. These are set out in the order of current priority for the business, with the movement in their ranking since our interim disclosure also shown.

MONITORING EMERGING RISKS

Our risk profile will continue to evolve as a result of future events and *uncertainties. The emerging risks arising* from these are monitored to understand the potential impact on our business and to allow timely decision-making.

Examples of emerging risks include:

- *The pace of change in relation to* environmental and other ESG matters as well as evolving consumer expectations; and
- The impact on our business from changes to the legal and regulatory *landscape, for example the anticipated* government legislation on the Border Target Operating Model setting out the *basis for how the UK trades with Europe.*

LINKING RISKS WITH OUR STRATEGIC PRIORITIES

The table below shows how our principal risks align with the strategic priorities described on pages 12 to 27.

	Deliver profitable sales			Improve operating margins		Disciplined investment choices			Drive shareholder returns
	Exceptional product trusted brand	Leading in Omnichannel including Digital	Expanded global reach	[illegible]	[illegible]	Accelerating store rotation	Modernised supply chain	Compelling customer ecosystem	[illegible]
1. An uncertain trading environment	✓	✓	✓	✓	✓	✓	✓	✓	✓
2. Business transformation		✓		✓		✓	✓	✓	✓
3. Joint venture investments		✓	✓					✓	✓
4. Business continuity and resilience		✓	✓	✓		✓	✓	✓	
5. Product safety and integrity	✓	✓	✓					✓	
6. Talent, culture and capability									
7. Information security	✓	✓	✓				✓	✓	
8. Corporate compliance and responsibility	✓		✓	✓	✓				
9. Climate change and environmental responsibility	✓		✓	✓		✓	✓		✓
10. Liquidity, funding and financial markets		✓				✓	✓	✓	✓
11. EU border challenges							✓		

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

1. AN UNCERTAIN TRADING ENVIRONMENT

The business continues to operate in an environment impacted by an increasingly complex set of external factors. The ongoing cost-of-living crisis, the invasion in Ukraine and continued consequences of the pandemic, along with the potential for further geopolitical and economic uncertainties have combined to create a difficult and unpredictable trading environment which could negatively impact performance.

Context
The broader context of this risk is detailed on page 58. While not repeated in full, key aspects impacting this risk include:

- cost of goods inflation (including foreign exchange movements);
- energy price volatility;
- increasing interest rates;
- the impact of industrial action;
- structural instability in the global financial system;
- a potential decline in consumer spending; and
- supplier resilience and viability.

Mitigations

- A strong, varied and complementary senior leadership team.
- An established operating model with a family of accountable businesses who share M&S brand values, support functions, technology and customer data.
- A three-year plan maintained to remain relevant to the current challenges, including an effective budgeting process, incorporating sensitivity analysis to anticipate the impact of external uncertainty.
- Formal operating reviews enabling effective executive oversight, governance and alignment of each business.
- Prioritised focus and discipline across the business on cost, range, trusted value and availability.
- Effective business continuity and crisis management processes to respond to issues as they arise.
- A proactive, structured supplier engagement programme to anticipate and support management of escalating business-critical issues such as cost inflation.
- Frequently reviewed policy and procedure framework aligned to risk appetite in key risk areas such as foreign exchange, energy and interest rate management.

Oversight by **the Board and Executive Committee**

2. BUSINESS TRANSFORMATION

Ongoing business transformation is dependent on our ability to prioritise capital spend and resources to accelerate and successfully implement the suite of critical strategic projects to deliver our medium- and longer-term growth ambitions.

Context
The business continues to manage a number of significant change programmes that underpin our transformation objectives. These include:

- modernising our supply chain and logistics operations (including the integration of Gist);
- improving our IT infrastructure, underlying systems and digital capabilities;
- reshaping and modernising our UK store estate;
- delivering a compelling omni-channel experience; and
- transitioning the business to a simpler and more cost-effective structure.

While each initiative is individually significant and has its own set of inherent risks, the aggregate impact of simultaneously delivering these challenging projects creates further risks to successful implementation.

Oversight by **Executive Committee and, where appropriate, supporting sub-committees**

Mitigations

- Transformation programmes aligned to the business strategy and prioritised as part of our three-year planning process.
- Board approved risk appetite statements aligned to our key initiatives.
- Transformation programmes underpinned by bespoke delivery plans and leadership-led governance structures.
- Dedicated strategy and transformation roles to support focus and track delivery of the programmes.
- Programme governance principles applied for core projects, with clear accountabilities and milestones.
- The implementation of specific Strategy & Transformation leadership reporting, including ongoing benefits tracking in line with spend targets and value outcomes.
- Periodic reporting on key business and functional initiatives to the Audit & Risk Committee.

Change in priority ↔ *No movement* ↑ *Increased* ↓ *Decreased*

3. JOINT VENTURE INVESTMENTS

Successful achievement of any joint venture's long- term performance is inherently complex due to the ownership structure and the need to align different shareholder perspectives.

Context

The value of our investment in Ocado Retail Limited (ORL), achievement of our multi-channel food strategy, protection of our brand and delivery of anticipated trading performance is dependent on maintaining effective strategic and operational relationships with both ORL and Ocado Group.

Similarly, linked to the planned growth of global sales, business performance in India will be shaped by the ability to maintain strategic alignment and harmonised ways of working with Reliance Industries.

Mitigations

- M&S nominated directors form part of the JV boards at ORL and M&S Reliance (MSR), with collaborative sign-off on strategic and investment plans directing the growth of the business such as:
  - expanding the M&S range at Ocado Retail and optimising the national footprint of customer fulfilment centres; and
  - to maintain store opening plans in India.
- Appropriately aligned operational and people structures, for example:
  - a dedicated M&S Ocado delivery team to coordinate sourcing, product development, ranging, customer data and marketing; and
  - oversight from our International leadership team and/or secondments of UK resources to support activities at MSR in India.
- Monitoring of internal audit and risk management processes at JVs by the Audit & Risk Committee.

Oversight by **Ocado Retail Board and M&S Reliance Board**

4. BUSINESS CONTINUITY AND RESILIENCE

A major operational or resilience failure at a key business location, including any of our key global sourcing or supply locations (such as Bangladesh and China), at Castle Donington (our primary online Clothing & Home distribution centre), in our food supply chain or logistics operations, or at a critical third party outsourced provider could result in business interruption.

More broadly, an inability to effectively respond to large, disruptive global events (such as the pandemic, geopolitical tensions, trade sanctions or natural disasters) or national issues (such as industrial action) could also impact trading performance.

Context

The business has continued to demonstrate resilience throughout the full range of recent externally driven events and economic uncertainties. However, risks to business continuity remain, such as:

- a sustained period offline or an inability to fulfil online orders due to a major incident at Castle Donington;
- the loss of, or major disruption at dedicated warehouses in the UK or overseas, at primary supply countries, or at support facilities (such as IT);
- dependency on key third parties means that significant incidents and long-term resilience issues for our suppliers could also impact our own operations;
- a major issue impacting one or more of our significant franchise partnerships, either domestically or internationally, could impact future performance and growth;
- unexpected or unplanned shortage of ingredients or materials as a result of external events (such as animal disease or inclement weather) could affect the quantity and quality of our products;
- continued industrial action in the UK; and
- future unknown/new Covid variants or similar widespread health events.

Oversight by **Executive Committee and Crisis Management Team**

Mitigations

- An experienced Business Continuity (BC) team with established Group crisis and incident management processes.
- Risk-based BC assessments for stores, sourcing offices and warehouses along with validation of key supplier arrangements and disaster recovery plans for technology infrastructure.
- Up-to-date BC plans for key activities and scenarios across our operations, including offices, warehouses and IT sites that evolve in response to new threats.
- Proactive testing of plans for key scenarios, with support from critical third parties where needed.
- A digital platform to support the BC governance programme.
- Active engagement with external organisations including the Retail BC Association, government-led forums and membership of the National Counter Terrorism Information Exchange.

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

5. PRODUCT SAFETY AND INTEGRITY

A failure to prevent and/or effectively respond to a major food or product safety incident, or to maintain product integrity, could impact customer confidence in our brand and business performance.

Context

The safety of our products – food and all other product categories – remains vital for our business. We need to manage the potential risks to customer health, safety and consumer confidence that face all retailers.

In doing this, along with maintaining effective internal processes for managing product safety, the business remains focused on how external pressures on the food, clothing and homeware industries could impact the availability, quality, provenance and integrity of our products. These include:

- animal disease;
- inflationary pressure;
- the impact of the invasion of Ukraine;
- cross-border regulatory divergence;
- climate related events; and
- the related pressures in the supply chain.

Oversight by **Executive Committee, Group Safety Committee and *Consumer Brand Protection Committee***

Mitigations

- Group-wide assessment of all safety risks, with allocated Executive and business ownership.
- Safety Policy and Compliance Standards, Terms of Trade and product safety specifications with clear accountability, including for overseas requirements and within contracts with third party brands.
- Established governance, assurance and risk management processes to monitor and support the safety and integrity of our products, such as:
  - risk-based store, supplier and warehouse audit programmes, including for our franchise operations;
  - monitoring of product quality and customer complaints with corrective action taken where required; and
  - crisis management planning for safety incidents.
- Qualified Food and Product Technology teams with access to external experts where required.
- Regular engagement with expert bodies to understand and respond to changes in safety standards.

6. TALENT, CULTURE AND CAPABILITY

The ongoing success of the business is dependent upon an ability to: attract, retain and develop the right talent, skills and capabilities; achieve cultural change to support efficient and effective working; meet the financial and wellbeing expectations of our colleagues; respond to labour cost pressures; and work collaboratively with our Business Involvement Group and unions.

Any shortfall in executing against these objectives could impact the delivery of core operational activities and longer-term strategy, including aspects of our transformation programme.

Context

The business employs more than 64,000 talented and passionate people and remains an attractive brand to future colleagues. However, key challenges exist due to ongoing pressures:

- managing our investment in competitive pay for colleagues in an inflationary environment;
- a tight labour market in specialist areas, including digital, technology and data science;
- integrating the Cist workforce following acquisition of our logistics partner;
- adapting to a post-pandemic hybrid working model;
- demonstrating a cultural alignment in areas such as sustainability, diversity and ethical values; and
- maintaining investment in modern technology and underpinning processes to support a high performance culture.

Oversight by **Executive Committee**

Mitigations

- Continued investment in pay and wellbeing benefits, supported by external benchmarking.
- Investment in internal and external talent to strengthen capability in key roles, develop future leaders and drive internal career progression, including:
  - an established colleague skills framework to support performance, development and progression;
  - maintenance of succession plans for key roles;
  - delivery of improvements in core people management systems and processes to drive consistency and improve decision-making, such as performance management; and
  - continued focus on driving digital literacy and capability building.
- A well-established Business Involvement Group which is actively involved in business-wide colleague engagement and representation at Board meetings.
- Active monitoring of gender, ethnicity, disability and age profiles.

Change in priority ↔ No movement ↑ Increased ↓ Decreased

7. INFORMATION SECURITY

A significant or wide-reaching data breach or cyber-attack, directly or at a related third party, could adversely impact our reputation, result in legal exposure including significant fines, business disruption, loss of information for our customers, employees or business and/or loss of stakeholder and customer confidence.

Context

The sophistication and frequency of cyber-attacks in the retail industry continue to increase, highlighting an escalating information security threat. This is further exacerbated by the increased threat of cyber warfare linked to current global uncertainties.

The profile of information security and the overall threat landscape for our business is also changing as we use data more intelligently, introduce new technology and digital solutions, transition to the cloud, enhance omni-channel experiences, adopt hybrid working, and build a broader ecosystem.

Our reliance on key third parties for selected services and/or hosting of data also exposes us to risks from vulnerabilities in their cyber and data controls.

Oversight by **Executive Committee and Data Leadership Committee**

Mitigations

- Information security and data protection policies with mandatory training for colleagues.
- A dedicated information Security function, with multidisciplinary specialists, 24-hour security operations centre, active monitoring of our threat environment and mature incident management plan.
- Dedicated Group Data Protection Officers team and a network of Data Protection Managers in priority business areas.
- Access to specialist third party resources, as required.
- Prioritised investment in response to increased security events, breaches and potential threat of cyber-attacks.
- Focused security assurance around our digital product lifecycle, operations model and significant change activities, like omni-channel and new technologies.
- Risk-based cyber security assurance programme, including assessment of controls in overseas locations.
- Information security obligations included in third party contracts with a risk-based assurance programme.

8. CORPORATE COMPLIANCE AND RESPONSIBILITY

A failure to consistently deliver against our legal and regulatory obligations or broader corporate responsibility commitments would *undermine our reputation as a responsible retailer, may result in legal exposure or regulatory sanctions, and could negatively impact* our ability to operate and/or remain relevant and trusted by our customers and other stakeholders.

Context

The increasingly broad and rigorous legal and regulatory framework for retailers creates pressure on business performance and market sentiment, requiring frequent changes or improvements in how we operate.

Changes in the external environment and challenging economic conditions also leave ethical and social responsibilities open to a heightened risk of mismanagement or exploitation, particularly through our supply chains.

The business also continues to monitor and plan for new and evolving regulatory requirements, including:

- further restrictions on the promotion of goods high in fat, sugar and salt;
- anticipated changes in UK corporate governance requirements; and
- extended producer responsibility for plastic packaging recycling targets.

Non-compliance may result in fines, criminal prosecution for M&S or colleagues, litigation, investment to rectify breaches, disruption or cessation of business activity, as well as impact our reputation.

Oversight by **Executive Committee, Group Safety Committee, Consumer Brand Protection Committee, Compliance Monitoring Committee, Fraud and Loss Committee, ESG Committee and Data Leadership Committee**

Mitigations

- Code of Conduct in place and underpinned by policies and procedures in core areas.
- Group-wide mandatory training programme for higher-risk regulatory areas, like health and safety, anti-bribery and corruption, data privacy and information security.
- Established in-house regulatory legal team, including specialist solicitors and dedicated subject-area leaders embedded in the business.
- Mandatory sourcing principles set and communicated to our supply base and other third parties.
- Risk-based assurance and monitoring systems covering legal and regulatory compliance, and ethical and social considerations, including for our overseas operations and suppliers.
- A confidential reporting line to allow colleagues and other stakeholders to report areas of concern.
- Worker Voice programme in the Food business and transparency initiatives within Clothing & Home.
- Active monitoring of customer feedback and public sentiment on compliance and responsibility, including social media trends.
- Proactive engagement with regulators, legislators, trade bodies and policy makers.

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

9. CLIMATE CHANGE AND ENVIRONMENTAL RESPONSIBILITY

Our customers, colleagues, investors and other stakeholders have expectations for the business to operate in an environmentally conscious manner. This includes reducing the environmental impact of our business over time, progressing towards our net zero targets (including those linked to Ocist and elsewhere within our supply chain) and effectively managing the consequences of climate-related risks (such as extreme weather events). Failure to achieve this could impact our brand, future trading performance and other business costs, including financing.

Context

There is increasing pressure from carbon-conscious customers, investors and government bodies for the business to operate in a more environmentally conscious manner where sustainability forms a core part of decision-making. This includes our response to the growth in the circular economy, waste reduction, low-carbon products and use of recycled fabrics.

Future business performance will therefore be impacted by our ability to effectively manage the transition to a low-carbon economy while maintaining value for our customers, particularly as they navigate the pressure of the current economic environment. Key aspects of this include:

- balancing commercial decisions with environmental responsibility and regulatory requirements;
- managing changes in customer preferences;
- managing the potential increase in costs associated with sustainable materials, recycling and carbon pricing; and
- further technological and regulatory interventions like developments in Taskforce on Climate-related Financial Disclosures (TCFD) requirements and potential new reporting under Taskforce on Nature-related Financial Disclosures (TNFD).

The physical impact of climate change on the availability of raw materials and food products, the geography of the locations from which we source and operate, and the condition of our buildings will need to be managed effectively to reduce the potential impact on trade and the income statement.

Oversight by **ESG Committee**

Mitigations

- Established Plan A programme with clear accountabilities for each area of the business relating to our environmental objectives.
- Net zero targets agreed with the Board, with the our 2030 corporate greenhouse gas emissions reduction target approved by the SBTi (Science Based Targets Initiative.).
- Established product and raw material standards and processes outlining environmental and sustainability considerations for own activities and the supply chain.
- Clothing Quality Charter and Environmental & Chemical Policy in place for suppliers.
- Business-led forums established to oversee the delivery of our carbon commitments and broader ESG risks.
- Early engagement and planning with partners and suppliers to support their decarbonising activities.
- Business-wide climate risk and opportunity review undertaken across all business areas, with risks and mitigations included in business and functional risk registers as appropriate.

Change in priority ↔ No movement ↑ Increased ↓ Decreased

10. LIQUIDITY, FUNDING AND FINANCIAL MARKETS

Barriers to maintaining affordable short- and long-term funding to meet business needs or an inability to effectively manage associated risks (such as foreign exchange and/or interest rate changes) could impact our ability to transform at pace, as well as have an adverse impact on business performance and/or viability.

Future fragility in the financial markets could also impact the business directly (such as heightening counterparty risk or restricting access to capital), or indirectly (such as triggering liquidity or funding support for the M&S Pension Scheme).

Context

As the business continues to navigate a turbulent economic climate, focus on our liquidity and funding requirements through active management of cash, liquidity and debt remains a priority.

Availability of, and access to, appropriate sources and levels of funding remain vital for the continued operation of business and transformation activities.

The business is exposed to a number of movements in the financial markets that require active management. They include:

- foreign exchange volatility due to the significant volumes of product sourced from overseas;
- energy cost fluctuations relating to the operation of our estate; and
- changes in interest rates, impacting the cost of debt.

Our ability to repay debt and fund working capital, capital expenditures and other expenses is dependent on our operating performance, ability to generate cash and to refinance existing debt, where necessary.

Mitigations

- A £850m undrawn, revolving credit facility and £1,067.9m of cash and cash equivalents.
- Review and refinement of our three-year plan, linked to strategic priorities, with sensitivity analysis to assess the impact of the changing economic environment.
- Board-approved Treasury Policy, including hedging policies to assist in mitigating future fluctuations in foreign exchange and energy price volatility.
- *Strong discipline over capital allocation decisions and scrutiny* and challenge of discretionary spend.
- Focus on working capital to improve cash flow and reduce reliance on bank facilities.
- Monitoring and stress testing of projected cash and debt capability, covenants and other rating metrics.
- Frequent engagement and dialogue with the market and rating agencies.
- Active monitoring and management of our pension fund commitments, including regular engagement with the Trustees.

Oversight by **the Board and Executive Committee**

11. EU BORDER CHALLENGES

The cost consequences and operational friction from the complexity of border arrangements between the UK and the European Union (EU) could impact trading performance generally and our Irish business specifically.

Context

The business continues to manage the following challenges as a result of the UK's exit from the EU:

- adhering to labelling requirements for both imports and exports to the UK and Ireland;
- monitoring and implementing solutions for any long-term divergence of UK and EU rules that may add additional cost and complexity to the business, such as the Border Target Operating Model;
- further increases in the cost base following the introduction of checks to inbound goods from the EU to UK and the consequent pressure on the supply chain including additional sourcing requirements and impacts on product availability; and
- managing the consequences of introducing more locally sourced products.

Mitigations

- Regular engagement with the Board to discuss the actions being undertaken to manage evolving border challenges by our accountable businesses.
- Broadening our local sourcing scheme in the Republic of Ireland to expand product ranges and reduce cost.
- Strengthening the management and accountabilities of Irish operations to support targeted mitigation of costs, including opportunities for local sourcing.
- Operation of a virtual customs warehouse environment and implementation of an EU hub to mitigate tariff costs.
- Continued engagement with key government departments and other external experts to represent M&S views and review our mitigation strategies.

Oversight by **Executive Committee**

OUR APPROACH TO ASSESSING LONG-TERM VIABILITY

The UK Corporate Governance Code requires us to issue a "viability statement" declaring whether we believe the Group can continue to operate and meet its liabilities, taking into account its current position and principal risks. The overriding aim is to encourage directors to focus on the longer term and be more actively involved in risk management and internal controls. In assessing viability, the Board considered a number of key factors, including our business model (see page 8), our strategy (see pages 12 to 27), approach to risk management (see pages 56 to 57) and our principal risks and uncertainties (see pages 58 to 65).

The Board is required to assess the Group's viability over a period greater than 12 months, and in keeping with the way that the Board views the development of our business over the long term, a period of three years is considered appropriate for business planning, measuring performance and remunerating at a senior level. This three-year period aligns to the Group's annual strategic review exercise conducted within the business and reviewed by the Board, and captures a large proportion of the Group's investment into its ongoing transformation programme as well as the maturity of its December 2023 and June 2025 bonds.

The Group continues to maintain a robust financial position with available liquidity of £1.9bn, including cash and cash equivalents of £1.1bn and access to a committed revolving credit facility ("RCF") of £850.0m.

In December 2022, the Group successfully extended its RCF which now expires in June 2026. The facility contains a financial covenant, being the ratio of earnings before interest, tax, depreciation and amortisation; to net interest and depreciation on right-of-use assets under IFRS 16. The covenant is measured semi-annually.

For the purpose of assessing the Group's viability, the Board identified that, although all of the principal risks detailed on pages 58 to 65 could have an impact on Group performance, the following risks pose the greatest threat to the business model, future performance, solvency and liquidity of the Group and are therefore the most important to the assessment of the viability of the Group:

- An uncertain trading environment.
- Business transformation.
- Joint venture investments.
- Talent and capability.

In assessing viability, the Board considered the position presented in the approved Budget and Three-Year Plan. The process adopted to prepare the financial model for assessing the viability of the Group involved collaborative input from a number of functions across the business to model a severe but plausible downside scenario.

The severe but plausible downside scenario includes the following assumptions:

- There will be a period of economic recession in the UK in 2023/24, resulting in a decline in sales of 2.0 – 2.5% and a decline in gross profit margin of 0.5 – 1.0% across both Food and Clothing & Home business units.
- A delay on transformation benefits results in incremental sales expected from the transformation declining by 7.5%, 15% and 30% respectively across the three-year period across all three business units.
- In addition, Ocado Retail Limited experiences limited customer demand, with no volume growth in 2023/24 and volumes remaining subdued in 2024/25 and 2025/26.

The Board has also considered the potential impact of changes to environmental factors which may affect the business model and performance in the future. As set out in the Taskforce on Climate-related Financial Disclosures ("TCFD") section on pages 44 to 55, no material impact on the Group's financial performance is considered to exist in the short term.

The impact of the severe but plausible downside scenario has been reviewed against the Group's projected cash flow position and financial covenant over the three-year viability period. In the event of this scenario materialising, mitigating actions would be available, including, but not limited to, deferring or cancelling discretionary spend (including discretionary bonuses) and reducing capital expenditure.

As a result, even under this scenario, which the Board considers to reflect a plausible, but remote, outcome, the Group would continue to have sufficient liquidity and headroom on its existing facilities and meet the measurement criteria against the revolving credit facility financial covenant. The Audit & Risk Committee reviews the output of the viability assessment in advance of final evaluation by the Board. The Board have also satisfied themselves that they have the evidence necessary to support the statement in terms of the effectiveness of the internal control environment in place to mitigate risk.

Reverse stress testing has also been applied to the model to determine the decline in sales that the Group could absorb before exhausting the Group's total liquidity. Such a scenario, and the sequence of events which could lead to it, is considered to be extremely remote, as it requires sales reductions of more than 15% per annum over the three-year assessment period compared to the Budget and Three-Year Plan before total liquidity is exhausted. Further, it only includes very limited mitigations, comprising the removal of bonus, utilisation of centrally held contingency, removal of dividends and a modest reduction in growth capex. While the occurrence of one or more of the principal risks has the potential to affect future performance, none of them are considered likely either individually or collectively to give rise to a trading deterioration of the magnitude indicated by the reverse stress testing and to threaten the viability of the Group over the three-year assessment period.

Having reviewed the current performance, forecasts, debt servicing requirements, total facilities and current liquidity, the Board expects the Group to have adequate resources to continue in operation, meet its liabilities as they fall due, retain sufficient available cash across all three years of the assessment period and not breach the covenant under the revolving credit facility. The Board therefore expects the Group will remain commercially viable and the Viability Statement can be found on page 134.

The Strategic Report, including pages 2 to 67, was approved by a duly authorised Committee of the Board of Directors on 23 May 2023 and signed on its behalf by

Stuart Machin,
Chief Executive

23 May 2023

CHAIRMAN'S GOVERNANCE OVERVIEW

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

Archie Norman
Chairman

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

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

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

BOARD ACTIVITIES AND CONSIDERATION OF STAKEHOLDERS

The Board's focus during the year has been the accelerated transformation of the business, ensuring it is set up for long-term, sustainable success, while navigating through headwinds created by the wider environment. A number of key decisions have been made in pursuit of this: the acquisitions of Gist, our Food logistics supplier, and the intellectual property of Thread, to help accelerate our personalisation capability; the investment in store renewals and rotations; the review and increase in front-line colleague pay, to name a few. We remain mindful of the impact of decisions made on the business' various stakeholders and on its long-term, sustainable success, in line with S.172(1) of the Companies Act 2006 ("S.172").

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

NEW LEADERSHIP

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

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

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

Full details of these Board and executive changes, our assessment of the balance of leadership skills and experience, and our talent and succession processes, can be found in the Nomination Committee Report on pages 85 to 89. Board and Executive Committee biographies can be found on pages 72 to 74.

DIVIDEND

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

DIGITAL ENGAGEMENT

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

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

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

corporate.marksandspencer.com

UK CORPORATE GOVERNANCE CODE

The UK Corporate Governance Code 2018 (the "Code") which is available to view on the Financial Reporting Council's website is the standard against which we measured ourselves in 2022/23.

The Board confirms that we complied with all of the provisions set out in the Code for the period under review. Details on how we have applied the principles set out in the Code and how governance operates at M&S have been summarised throughout this Governance section and elsewhere in this Annual Report as set out below.

1. Board Leadership and Company Purpose		**Pages**
A.	Effective Board	72, 73
B.	Purpose, values and culture	8, 9, 12, 13, 28-31
C.	Governance framework	70, 71
D.	Stakeholder engagement	10, 11, 80-82, 129
E.	Workforce policies and practices	28-31

2. Division of Responsibilities		
F.	Role of Chairman	71
G.	Independence	84, 86
H.	External commitments and conflicts of interest	72, 73
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3. Composition, Succession and Evaluation		
J.	Appointment to the Board	86, 87
K.	Board skills, experience and knowledge	72, 73, 86
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4. Audit, Risk and Internal Control		
M.	External Auditor and Internal Auditor	95, 96, 99
N.	Fair, balanced and understandable review	94
O.	Internal financial controls and risk management	93, 95, 96

5. Remuneration		
P.	Linking remuneration to purpose and strategy	103, 108-114
Q.	Remuneration policy review	108-114
R.	Performance outcomes in 2022/23	116-125

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

OUR GOVERNANCE FRAMEWORK

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

THE BOARD OF DIRECTORS

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

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

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

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

EXECUTIVE COMMITTEE

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

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

on page 74.

BOARD COMMITTEES

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

Read more on pages 92-99

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

Read more on pages 100-129

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

Read more on pages 85-89

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

Read more on pages 90-91

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

SENIOR MANAGEMENT FORUMS

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

- PROPERTY COMMITTEE
- DISCLOSURE & OVERSIGHT COMMITTEE
- FRAUD & LOSS COMMITTEE
- SHARES & DEALING COMMITTEE
- COMPLIANCE MONITORING COMMITTEE
- ESG BUSINESS FORUM

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

- CLOTHING & HOME
- FOOD
- INTERNATIONAL
- RETAIL & PROPERTY
- OMNI-CHANNEL & CONNECT
- PEOPLE

DIVISION OF RESPONSIBILITIES AND MEETING ATTENDANCE

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

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

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

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

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

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

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

BOARD MEETING ATTENDANCE IN 2022/23

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

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

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

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

*Considered independent on appointment.
**Attended all meetings until he stood down from the Board on 9 December 2022
***Attended all meetings until he stood down from the Board on 31 December 2022

OUR BOARD

CHAIR AND EXECUTIVE DIRECTORS

ARCHIE NORMAN N R

Appointed: September 2017

Archie is an experienced Chairman and former Chief Executive having led major transformation programmes at ITV, Lazard, Asda, Energis and Hobbycraft. He was previously Deputy Chairman of Coles Limited and was Lead Director at the Department for Business, Energy & Industrial Strategy from 2016-2020. Archie is also the Chairman of Signal AI, Non-Executive Vice Chairman of Global Counsel and Senior Independent Director of Bridgepoint Group plc.

STUART MACHIN

Appointed: May 2022

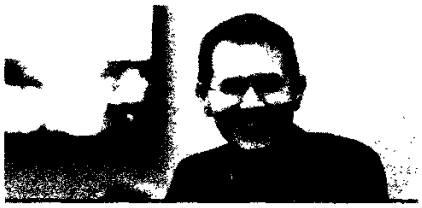
Stuart took over as CEO in May 2022, having joined M&S as Food MD in 2018. Prior to his appointment as CEO, Stuart was joint COO where in addition to leading M&S Food he also took responsibility for property and store development, store operations, HR and IT. Prior to M&S, Stuart held senior roles across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

KATIE BICKERSTAFFE

Appointed: May 2022

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

NON-EXECUTIVE DIRECTORS



ANDREW FISHER CBE N R

Appointed: December 2015

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

EVELYN BOURKE A N

Appointed: February 2021

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

TAMARA NORAM CBE E R N

Appointed: June 2020

Tamara had a longstanding leadership career in advertising, marketing and digital communications, having held leadership roles at WPP since 2002 and as Non-Executive Chair of Wunderman Thompson and CEO of J Walter Thompson. Prior to this, she worked at Saatchi and Saatchi where she held the roles of CEO and Chair. Tamara has led renowned marketing campaigns for household brands around the world and delivered cultural and business transformation at pace within her own businesses as well as on behalf of clients. She is also a Non-Executive Director of Reckitt Benckiser Group plc, Marsh MacLennan and Intertek Group.

Committees key

A Audit & Risk E ESG N Nomination R Remuneration ● Committee Chair

NON-EXECUTIVE DIRECTORS

FIONA DAWSON, CBE R N

Appointed: May 2021

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

JUSTIN KING, CBE A N

Appointed: January 2019

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

SAPNA SOOD E N

Appointed: June 2020

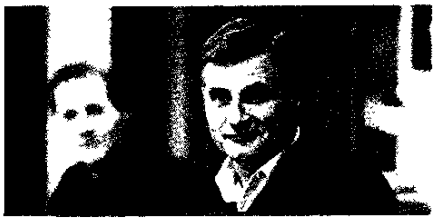
Sapna joined The Adecco Group in June 2021 and on 1 May 2023, was appointed as President, Adecco APAC. She was previously the Chief of Staff to the Group CEO. She has in-depth knowledge of running complex supply chains, including in food and clothing, as well as experience of leading large transformation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

NON-EXECUTIVE DIRECTORS APPOINTED IN 2022-23

CHERYL POTTER N

Appointed: March 2023

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



RONAN DUNNE A N

Appointed: August 2022

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

LEAVERS THIS YEAR

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

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

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

Read more on the Board's skillset on page 86

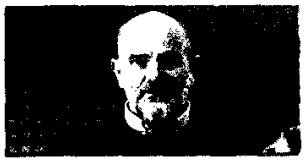
OUR EXECUTIVE COMMITTEE

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

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

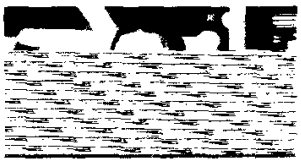
JEREMY TOWNSEND

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



RICHARD PRICE

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



ALEX FREUDMANN

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

SACHA BERENDJI

Sacha joined M&S in 1994 through the Graduate training programme. He undertook various appointments including General Manager of Marble Arch Store, Regional Manager for London, Head of Property Planning & Store Development, Executive Assistant to the Chief Executive, and Director of Merchandising. Sacha is currently Operations Director, looking after stores and store operations, property and store development for UK and Ireland. On 1 February 2023, Sacha was appointed to the Board at Adnams plc as a Non-Executive Director, where he is also a member of the Remuneration and Audit Committees.

VICTORIA MCKENZIE-COULD

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

SARAH FINDLATER

Sarah has been Group HR Director since March 2022. She joined M&S in 1998 through the HR Graduate programme and undertook HR Business Partner roles in stores and regions across the country, before joining our Support Centre in 2010 leading various functions including Organisational Development and Talent. Sarah sits on the Prince's Trust Retail Leadership Group and is C20 EMPOWER alliance advocate, a Private Sector Alliance for the Empowerment and Progression of Women's Economic Representation.

NICK FOLLAND

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

BOARD ACTIVITIES

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

KEY MILESTONES

2022

25 May
Board approves preliminary results statement 2021/22, announcing new CEO and Co-CEO leadership team.

22-24 June
Board attends strategy away days to consider and finalise the strategic priorities for upcoming months.

5 July
Board attends the digital Annual General Meeting ("AGM"), listening and responding to shareholder views.

21 July
Plans to acquire Gist are announced.

1 August
Ronan Dunne joins the Board as a non-executive director.

21 September
Our £15m investment in colleague pay is announced, to support colleagues through the cost-of-living crisis.

30 September
Completion of Gist acquisition.

12 October
Board members speak to institutional investors on the Group's investment case at our Capital Markets Day.

8 November
Board approves Half Year Results trading statement.

31 December
Andy Halford steps down from the Board. Andrew Fisher is appointed as the new Senior Independent Director.

2023

1-2 February
Board attends strategy away days to discuss strategic priorities for 2023/24.

28 February
A further £57m investment in our colleague pay is announced, increasing it for a second time in response to the ongoing cost-of-living crisis.

1 March
Cheryl Potter joins the Board as a non-executive director, making the Board a 55% female majority.

BREAKDOWN OF BOARD ACTIVITIES

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

Strategy	**44%**
Deep dives	**23%**
Executive updates	**12%**
Governance	**21%**

STRATEGY

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

DEEP DIVES

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

EXECUTIVE UPDATES

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

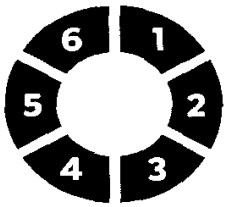
GOVERNANCE AND COMMITTEE REPORTS

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

BOARD ACTIVITIES CONTINUED

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

STAKEHOLDER GROUPS



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

Read more on pages 10-11

STRATEGIC PRIORITIES

Deliver profitable sales growth

Improve operating margins

Disciplined investment choices

Drive the business of the future

Read more on pages 12-27

[illegible]

Modernised supply chain

2 3 5

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

Acquisition of Gist

2 3 5

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

Read more on page 26

Ocado

3 6

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

Acquisition of Thread

1 3

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

Store of the future

2 3 4

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

Sustainability

3 4

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

Read more on page 32-33

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

Strategy Days

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

DISCUSSION THEMES
The main discussion themes over both sessions were:

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

OUTCOMES
The Board's key conclusions included:

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

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

Budget and financial performance monitoring

1 2 4 5

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

Disciplined capital allocation

1 2 3

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

Marketing the M&S brand

1 2 3 4 5 6

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

Supplier agreements

3 5

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

Introduction of Sparks globally

3 6

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

Third-party brands

1 3 5

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

BOARD ACTIVITIES CONTINUED

Energy price increase

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

FX hedging

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

Inflation

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

Russia

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

Principal and emerging risks

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

Read more on pages 58-65

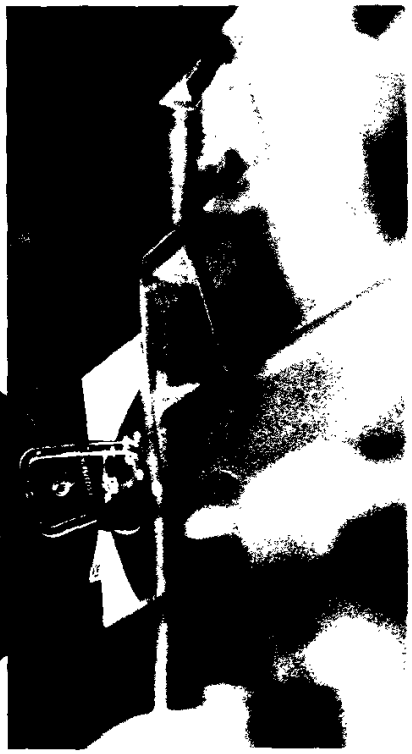
Supporting colleagues through the cost-of-living crisis

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

Read more on page 81

Structured talent plan

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



Embedding the Closer to Customers programme

2 3

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

Your Voice survey

2

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

Business Involvement Group

2

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

Read more on page 29

AGM

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

Share Your Voice Campaign

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

Read more on pages 68-69

Shareholder engagement

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

NED recruitment and succession

2

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

Read more on pages 85-87

Financial Reporting

2 3 4 5 6

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

Board Committee updates

2

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

HFSS regulation

2 3 4 5

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

Board Review

2

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

Read more on pages 83-84

S.172 STATEMENT

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

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

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

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

Diverse set of skills, knowledge and experience

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

Board information and monitoring

- The Board receives detailed papers and in-person updates from management, including stakeholder priority and outcome analysis, which they query, challenge, and debate, to ensure conflicting views are carefully considered.
- Updates on the progress of actions and decision implementation are also provided, to allow the Board to review and alter where appropriate as situations (and stakeholder priorities) inevitably evolve.
- Further information on the Board's activities can be found on pages 75 to 79.

Board discussion

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

Strategic direction and culture

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

S.172 FACTOR	FURTHER INFORMATION CAN BE FOUND:
[illegible]	Our Business Model pages 8-9 Our Strategic Priorities pages 12-27 Stakeholder Considerations pages 81-82
[illegible]	CEO & Co-CEO Q&A page 6 Our Business Model pages 8-9 Stakeholder Engagement page 10 People & Culture pages 28-31 Stakeholder Considerations pages 81-82 Remuneration Committee Report page 106
[illegible]	CEO & Co-CEO Q&A pages 6-7 Our Business Model pages 8-9 Stakeholder Engagement pages 10-11 Our Strategic Priorities pages 14, 18-21, and 25 Stakeholder Considerations pages 81-82

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[illegible]	Our Business Model pages 8-9 TCFD: pages 45 and 54 Risk Management pages 56-57 Stakeholder Considerations pages 81-82 Audit Committee Report page 95
[illegible]	Our Business Model pages 8-9 Stakeholder Engagement page 10 Our Strategic Priorities page 27 Stakeholder Considerations pages 81-82 Remuneration Committee Report page 106

STAKEHOLDER CONSIDERATIONS

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

1 2 3 4 5

Graham Bennett
Chair, National Business Involvement Group

Stuart Machin
CEO

MACRO EVENTS

24 February
Conflict in Ukraine begins, exacerbating inflationary pressures, particularly for food and energy, which are two key sectors driving much of the high inflation.

15 September
The Bank of England's Monetary Policy Committee gives its latest update on interest rates. Having already pushed them up to 1.75% in August, they raise them again to 2.25%.

23 September
The "Mini Budget" is unveiled and causes turmoil on financial markets.

17 November
The government releases its Autumn Statement to tackle the cost-of-living crisis and rebuild the economy; a plan to raise taxes and cut spending in a bid to fill what they call a £50bn "fiscal black hole".

15 March
Spring Budget is announced.

2022

M&S DECISION

11 April
M&S Food invests in delivering trusted value for customers, introducing lower prices on the "Remarksable Value" range.

21 September
M&S sets out £15m investment to support colleagues in response to the cost-of-living crisis.

2 November
M&S announces price lock extension and guarantees trusted value for customers.

2023

28 February
M&S announces a further £57m investment in store colleague pay; this new commitment means hourly rate of pay has increased 20% over the last two years.

11 April
M&S extends price lock until summer as part of trusted value promise.

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

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

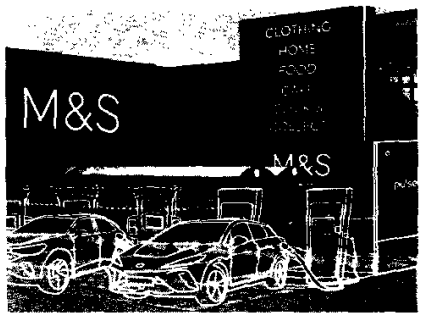
Following extensive consideration of the issues faced by each stakeholder group, the Board carefully balanced these conflicting priorities and made the following decisions:

- At a time when family budgets were under stress, it was deemed a priority to sustain our "trusted value" status amongst customers. In April 2022, our Remarksable Value range was relaunched, focusing investment on everyday lines. The decision was made to price lock 100 family favourites. The Board kept this approach under constant review, agreeing that investing in products highly valued by customers was the right approach. This decision to support and preserve our standing with customers has since proven to drive volume growth, which should create long-term benefit for shareholders. The investment made in Remarksable Value resulted in a 40% increase in sales, with products now featuring in c.20% of customer baskets.
- The Board worked closely with colleague representatives in our Business Involvement Group ("BIG") to ensure our benefits package accurately reflected the changing needs of colleagues. The Chair of National BIG attended the Remuneration Committee ("RemCo") meeting in September 2022 to communicate the key issues facing colleagues. As a result, RemCo agreed a £15m inflationary pay rise for colleagues, as well as a £250 voucher to help lower paid colleagues with the costs of the upcoming Christmas period. The RemCo has since carefully monitored inflation and the consequent ongoing challenges being experienced by colleagues. Recognising that for M&S to succeed in the longer term our colleagues must feel supported and appreciated, in February 2023, the RemCo agreed to a further investment of £57m in store colleague pay, meaning hourly rates of pay have increased 20% over the last two years.

STAKEHOLDER CONSIDERATIONS CONTINUED

EV Charging
CONTRACT WITH BP

1 3 4 6



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

70

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

Acquisition
OF GIST

1 2 3 5

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

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

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

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

£145m

BOARD REVIEW

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

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

The review focused on:

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

IMPACT OF THE 2022/23 ACTION PLAN

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

2022/23 Action	Examples of action taken in the year
Review the Board's informal engagement opportunities, as well as the Board's Involvement Programme, to be closer to stakeholders	– The directors have connected frequently in informal settings such as breakfasts and dinners. – Each of the NEDs met individually with Hannah Gibson, CEO Ocado Retail, and Hannah also attended the Board's strategy away day in February 2023. – The executive directors ran the Bluewater store for a week in September 2022 to get closer to both customers and store colleagues. More information on stakeholder engagement can be found on pages 10-11.
Focus on strategic issues and consider future trends	– The Board attended two strategy away days in June 2022 and February 2023. – The Board considered, debated, and approved the acquisitions of Gist and the intellectual property of Thread. – The Board assessed and debated ways in which the value of our joint venture with Ocado Retail could be maximised and how best to foster relationships between both leadership teams. More information on the Board's strategic discussions and decisions can be found on pages 75-82.
Review the Board's composition and identify Andy Halford's successor as SID	– The Chair of the Nomination Committee consulted with all members of the Committee, and it was unanimously agreed Andrew Fisher should succeed Andy Halford as SID. – Ronan Dunne was appointed as a NED to increase financial, international and commercial focus. – Cheryl Potter was appointed as a NED to bring additional shareholder-value focus to the Board. More information on the Nomination Committee's discussions can be found on pages 85-89.

BOARD REVIEW CONTINUED

BOARD REVIEW INSIGHTS

Board Performance

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

Chairman and Senior Independent Director

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

Committee Performance

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

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

MONITORING NON-EXECUTIVE DIRECTOR INDEPENDENCE AND TENURE

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

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

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

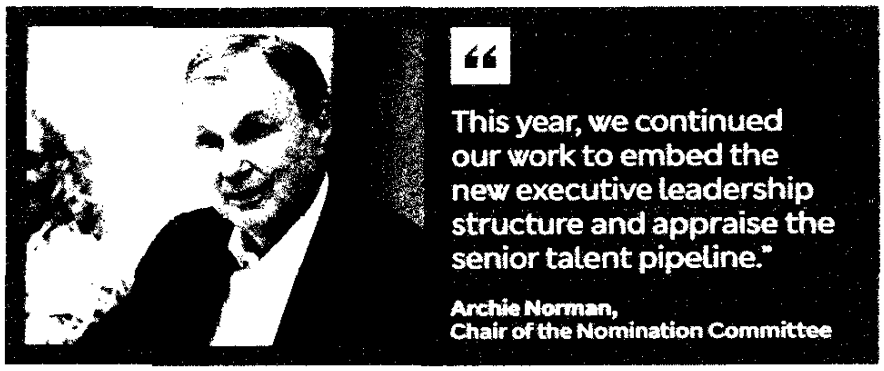
More information on the Board's composition and independence pages 72-73

More information on the Board's tenure and succession page 86

2023/24 ACTION PLAN

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

NOMINATION COMMITTEE REPORT



COMMITTEE MEMBERSHIP AND MEETING ATTENDANCE

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

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

* Unable to join due to prior business commitments.

ROLE AND RESPONSIBILITIES

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

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

NOMINATION COMMITTEE EFFECTIVENESS REVIEW

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

REVIEW OF THE YEAR

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

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

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

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

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

NOMINATION COMMITTEE REPORT CONTINUED

BOARD COMPOSITION AND SUCCESSION PLANNING

RESHAPING FOR GROWTH

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

The Committee monitors the internal and external pipeline of talent to ensure it meets current and future business needs, and its focus this year was forward-looking in line with shifting Board priorities. After an intense period of Board involvement and concentration on operational issues, this year the Board was focused on longer-term strategic issues. As such, consideration was given to the competencies highlighted in the below skills matrix which we believe enable the Board to deliver against our strategic priorities. Particular emphasis was given to additive knowledge which culminated in a revised internal and external pipeline being developed by the Committee. The revised pipeline informed this year's CFO succession and NED appointment process and has ensured the Board is fully equipped to continue reshaping M&S.

SKILLS AND EXPERIENCE OF THE BOARD

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

● Existing Newly appointed Outgoing

DIRECTOR TENURE AND INDEPENDENCE

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

DIRECTOR TENURE

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

NON-EXECUTIVE DIRECTOR APPOINTMENT PROCESS

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

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

OUR NED APPOINTMENT PROCESS

1. SEARCH CRITERIA

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

2. REVIEW AND IDENTIFY

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

3. ASSESS

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

4. APPOINT

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

5. INDUCTION

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

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

Within the first month:
- Introduced to business unit leadership teams and centralised functions including introductions to Investor Relations, Corporate Communications and Plan A

PROCESS IN ACTION - RONAN DUNNE

SEPTEMBER 2021
Search criteria developed for Andy Halford's successor, which included:
- Recent and relevant financial experience
- Additive knowledge (in areas including data and digital)

JANUARY 2022
Executive search firm engaged

FEBRUARY 2022
Committee received a long list of candidates.

MARCH 2022
Shortlisted candidates contacted, including Ronan Dunne. Ronan's experience:
- Chartered Accountant
- International experience in the digital telecoms industry
- Leading technological and people transformation

APRIL – MAY 2022
Interviews and meetings.

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

JUNE 2022 ONWARDS
The below provides a snapshot of the activities and introductions arranged for Ronan's induction, bringing him closer to decision-makers and those tasked with running the day-to-day management of the business:

Within the first three months:
- Visited store, including a morning working in store
- Introduced to key partners and external auditor

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

NOMINATION COMMITTEE REPORT CONTINUED

EXECUTIVE COMMITTEE COMPOSITION

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

Read more on pages 23 and 29-30.

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

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

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

SKILLS AND EXPERIENCE OF THE EXECUTIVE COMMITTEE

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

OUR COMMITMENT TO DEVELOPING A DIVERSE WORKFORCE

DIVERSE LEADERSHIP

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

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

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

BOARD GENDER IDENTITY

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

EXCO GENDER IDENTITY

● Female	**33%**	21/22: 14%
● Male	**67%**	21/22: 86%

BOARD ETHNICITY

● Ethnic minority	**9%**	21/22: 9%
● White	**82%**	21/22: 91%
● Not specified/ prefer not to say	**9%**	21/22: N/A

EXCO ETHNICITY

● Ethnic minority	**11%**	21/22: 14%
● White	**78%**	21/22: 86%
● Not specified/ prefer not to say	**11%**	21/22: N/A

DIVERSE WORKFORCE

The balance of individuals reporting into ExCo members who identify as female has once again seen improvement this year, whilst ethnic diversity in this population has seen a decrease. We acknowledge there is still work to be done and remain committed to enhancing the ethnic diversity of our talent pipeline. The Committee believes progress should be led by example and the Board's ethnic diversity, as well as the Committee's focus on this, is evidence of this commitment.

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

During the year, these have included:

- A reset for the seven employee-led networks and surrounding framework to maximise the potential of these networks to the members and the business – Gender Equality, Menopause, Culture and Heritage, LGBTQ+, Family and Carers, Armed Forces Community, and Ability and Health conditions.
- Continued involvement in the 30% Club, an organisation committed to increasing female representation on UK boards through developing our junior leaders. This year, opportunity to join was extended to all under-represented groups.
- The Marks & Start programme, which continues to support young people, the homeless, lone parents and those with disabilities in finding work at M&S.
- The Kickstart Scheme, through which M&S provides six-month employment contracts and helps to develop skills in 16 to 24 year olds on Universal Credit who are at risk of long-term unemployment.
- Launched our Diversity Insights Programme targeted at students in the early stages of their degrees who are from black heritage and/or low socio-economic backgrounds. Successful students are offered internships which may lead to graduate role opportunities in 2024.
- Continued active involvement in key campaigns including LGBTQ+ Pride celebrations, International Women's Day, Black History Month, National Inclusion Week, Mental Health Awareness Week and World International Day of Disability, raising awareness and our profile as an inclusive place to work.
- Continued to support a range of diverse charity partnerships through Sparks, including Albert Kennedy Trust, Blue Print for All, The Black Curriculum and Scope.
- Continued to drive and improve mandatory Inclusion & Diversity training across the business, with a particular focus on line managers.

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

ESG COMMITTEE REPORT

COMMITTEE MEMBERSHIP AND MEETING ATTENDANCE

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

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

* Meetings attended before leaving the business.

ROLE AND RESPONSIBILITIES

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

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

ESG COMMITTEE EFFECTIVENESS REVIEW

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

REVIEW OF THE YEAR

Our priority last year was the deeper integration of Plan A to drive performance against newly agreed targets, including our goals for a 2.1m reduction in carbon emissions by 2025/26, and to be a net zero business by 2040. Throughout the course of 2022/23, our focus has turned to developing milestones and monitoring progress along our net zero roadmap; ensuring there is adequate governance and reportable metrics in place.
The Committee has also continued to highlight the importance of ensuring our ESG activities, including Plan A, are understood and are able to demonstrate visible, meaningful change to our stakeholders. The progress made on reducing food waste, plastic packaging, and raising the bar in animal welfare standards are particularly encouraging, as we know these issues really matter to our customers and colleagues.

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

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

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

WHAT WAS ON THE COMMITTEE'S AGENDA 2022/23

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

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

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

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

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

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

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

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

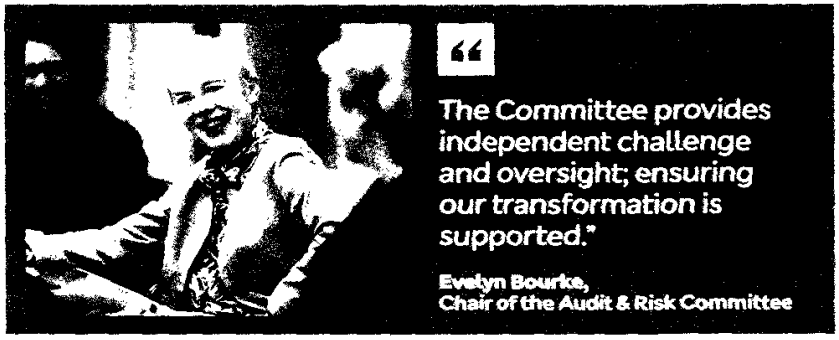
- *Following the Myanmar coup in* February 2021, due diligence in factories increased to ensure ethical sourcing, and the Committee discussed the balance between trying to be a force for good for workers depending on the garment industry and responding to the ongoing situation. Ultimately, the Committee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

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

Read more on our climate-related risks and opportunities in our full TCFD Report on pages 44-55.

Read more in our Sustainability Report marksandspencer.com/sustainabilityreport2023

AUDIT & RISK COMMITTEE REPORT



COMMITTEE MEMBERSHIP AND MEETING ATTENDANCE

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

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

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

ROLE AND RESPONSIBILITIES

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

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

AUDIT & RISK COMMITTEE EFFECTIVENESS REVIEW

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

REVIEW OF THE YEAR

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

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

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

WHAT WAS ON THE COMMITTEE'S AGENDA 2022-23

FINANCIAL REPORTING

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

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

RISK MANAGEMENT

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

Clothing & Home

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

Food

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

GSCOP

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

Gist

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

Group Asset Protection

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

Bank & Services

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

Digital & Technology

- Following an organisational restructure combining the Digital and Technology teams, discussed risks associated with talent and capabilities, including third-party provider capability.
- Discussed risk appetite and ethics around data use.
- Reviewed the outcome of the Technology Disaster Recovery internal audit, including actions required to address immediate risks, and discussed the growth in cyber-attacks across the retail industry.

People

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

INTERNAL CONTROLS

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

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

Management updates

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

External audit

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

AUDIT & RISK COMMITTEE REPORT CONTINUED

FAIR, BALANCED AND UNDERSTANDABLE

At the request of the Board, the Committee has considered whether, in its opinion, the 2023 Annual Report & Financial Statements are fair, balanced and understandable, and whether they provide the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

The structure of the Annual Report focuses strongly on the key strategic messages in the Strategic Report. It is therefore essential that the Committee ensures these messages are fairly summarised and are both clear and reflective of the Group as a whole, to provide stakeholders with transparent disclosures.

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

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

IS THE REPORT FAIR?

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

IS THE REPORT BALANCED?

- Is there a good level of consistency between the narrative reported in the front and the financial reporting in the back of the report, and does the messaging presented within each part remain consistent when one is read independently of the other?
- Is the Annual Report properly considered a document for shareholders?
- Are the statutory and adjusted measures explained clearly with appropriate prominence?
- Are the key judgements referred to in the narrative reporting and the significant issues reported in this Audit & Risk Committee Report consistent with the disclosures of key estimation uncertainties and critical judgements set out in the financial statements?
- How do the significant issues identified compare with the risks that the external auditor plans to include in its report?

IS THE REPORT UNDERSTANDABLE?

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

CONCLUSION

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

ASSURANCE AND INTERNAL CONTROL ENVIRONMENT

The Board, through delegated authority assigned to the Audit & Risk Committee, assumes ultimate responsibility for the effective management of risk across the Group, determining its risk appetite and monitoring how each business area implements appropriate internal controls. The Group's risk management systems are designed to support the business in actively managing risk to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss. These systems are also designed to be sufficiently agile to respond to changes in circumstances, such as the consequences of acquisitions like Gist, changes triggered by new law or regulation like HFSS, and the array of significant external events seen over the past few years.

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

SOURCES OF ASSURANCE

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

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

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

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

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

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

ANTI-BRIBERY & CORRUPTION

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

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

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

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

AUDIT & RISK COMMITTEE REPORT CONTINUED

GOVERNANCE

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

The Committee has considered the controls findings raised in the independent auditor's report on pages 135 to 143. No other significant failings or weaknesses were identified during the Committee's review in respect of the year ended 1 April 2023 and up to the date of this Annual Report.

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

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

Source of information		*Frequency/nature of reporting*
Internal Audit	– Internal Audit Plan – Regular reports against Plan – Follow-up of remediation – Updates on fraud, whistleblowing and other irregularity – Ad hoc engagement with the business in response to new/emerging risks or major incidents – e.g. the acquisition of our logistics business	**Formal updates presented to the Committee at each meeting.** **Plus updates to the Audit & Risk Committee Chair as required.**
Management updates and risk deep dates	Papers submitted on a range of issues including: – Information security – Anti-Bribery and Corruption – Code of Conduct – GSCOP – Financial control – Business continuity – Risk deep dives from individual business areas and functions	**Formal updates presented to the Committee annually and as needed.**
Functional assurance	Functional audit activities undertaken, including: – Food safety and integrity – Ethical audits – Trading safely and legally	**Updates provided to the Committee as part of annual business updates where appropriate and as requested.**
Operational oversight	– Compliance Monitoring Committee – ESG Committee – Group Safety Committee – Customer & Brand Protection Committee – Business Continuity Committee – Business Unit Operating Reviews	**Updates presented to the Committee annually and as needed.**

SIGNIFICANT ISSUES

The Audit & Risk Committee has assessed whether suitable accounting policies have been adopted and whether management has made appropriate judgements and estimates.
Throughout the year, the Finance team has worked to ensure the business is transparent and provides the required level of disclosure regarding significant issues considered by the Committee in relation to the financial statements, as well as how these issues were addressed, while being mindful of matters that may be business-sensitive.

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

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

PRESENTATION OF THE FINANCIAL STATEMENTS

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

See note 5 on page 161.

UK STORE ESTATE PROGRAMME (INCLUDING ASSET WRITE-OFFS, ONEROUS LEASE CHARGES AND USEFUL ECONOMIC LIVES)

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

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

IMPAIRMENT OF TANGIBLE ASSETS

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

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

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

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

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

See note 31 on page 201.

FAIR VALUATION OF CONTINGENT CONSIDERATION PAYMENTS

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

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

AUDIT & RISK COMMITTEE REPORT CONTINUED

GOING CONCERN AND VIABILITY STATEMENT

The Committee has reviewed the Group's assessment of viability over a period greater than 12 months. In assessing viability, the Committee has considered the Group's position presented in the approved budget and three-year plan. In the context of the current challenging environment as a result of the ongoing cost-of-living crisis and continued inflationary pressures on the business, a severe but plausible downside scenario was applied to the plan. This included assumptions such as a sustained economic recession, increased costs and an inability for the Group to execute the transformation plan. The Committee has concluded that these assumptions are appropriate.

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

In addition, the Committee received regular updates on the steps taken by management regarding liquidity, including the successful extension of its revolving credit facility, which is now set to run until June 2026.

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

See note 1 on page 150.

RETIREMENT BENEFITS

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

See note 11 on page 168.

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

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

See note 19 on page 182.

SUPPLIER INCOME

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

See note 1 on page 150.

VALUATION OF MARKS AND SPENCER GROUP PLC COMPANY ONLY INVESTMENT

Marks and Spencer Group plc holds investments in Group companies which are reviewed annually for impairment. Management has prepared an impairment review based on estimated value in use of the Group. An impairment charge has been recorded (see note C6 Investments on page 206). The Committee has reviewed management papers outlining the key assumptions used in calculating the value in use and is satisfied that these are appropriate.

EXTERNAL AUDITOR

TENURE
Deloitte was appointed by shareholders as the Group's statutory auditor in 2014 following a formal tender process. The lead audit partner, Richard Muschamp, has been in post since the start of the 2019/20 audit.

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

The Committee recommends that Deloitte be reappointed as the Company's statutory auditor for the 2023/24 financial year. It believes the independence and objectivity of the external auditor and the effectiveness of the audit process are safeguarded and remain strong. The Company is in compliance with the requirements of the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 and the Corporate Governance Code. There are no contractual obligations that restrict the Committee's choice of external auditor.

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

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

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

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

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

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

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

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

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

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

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

REMUNERATION COMMITTEE REPORT

"The Board is committed to ensuring that our remuneration framework supports our strategy and provides a balance between motivating and challenging our senior leaders."

Andrew Fisher,
Chair of the Remuneration Committee

COMMITTEE MEMBERSHIP AND MEETING ATTENDANCE

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.

Committee members	Member since	Maximum possible meetings	Number of meetings attended	% of meetings attended
Andrew Fisher (Committee Chair)	1 October 2018	8	8	100%
Archie Norman	3 November 2017	8	8	100%
Tamara Ingram	11 September 2020	8	8	100%
Fiona Dawson	16 January 2023	2	2	100%

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, ensuring an independent review of remuneration policies across the business; matters discussed during the year fulfil the Committee's remit and are thoughtfully debated in the context of internal and external factors. An external review of the Committee will be conducted in 2023/24.

2023/24 ACTION PLAN

- Continued review of the implementation of the M&S Remuneration Policy to ensure the Policy continues to accelerate the transformation and support the long-term success of M&S; and is aligned with investor and other external governance requirements, and emerging good practice.
- *Continued review of the Annual Bonus Scheme (ABS) and Performance Share* Plan (PSP) incentive measures to ensure these remain aligned to the delivery of our KPIs and strategic priorities.
- 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.

ROLE AND 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.

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

WHAT WAS ON THE COMMITTEE'S AGENDA 2022/23

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 2022/23 performance objectives for executive directors and the Executive Committee.
- Approval of targets for the 2023/24 ABS ensuring that the performance conditions are transparent, stretching *and rigorously applied.*
- Approval of the 2023/24 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 2023 PSP awards for the executive directors and the Executive Committee.
- Approve the 2023 PSP targets ensuring appropriate alignment between driving exceptional performance and motivating and retaining top talent.
- Approval of the vesting level of the 2020 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
- 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 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 2022/23 and review of the AGM voting outcome for the 2021/22 report.
- Review of the Committee's performance in 2022/23, including assurance that the principles of the revised Terms of Reference and broader remit of the Committee are embedded.
- Continue discussions on appropriateness of an environmental, social and governance (ESG) measure in Board pay arrangements.
- 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 the Business Involvement Group (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.

REMUNERATION COMMITTEE REPORT CONTINUED

INTRODUCTION

On behalf of the Board, I am pleased to present our 2022/23 Remuneration Report. We also present our proposed Remuneration Policy (Policy) for which, in line with regulations, we are seeking shareholder support and approval at the 2023 AGM. A summary of the proposed changes to the approved Remuneration Policy is set out below and highlighted in bold on pages 108 and 114 of this report.

The vote on the 2021/22 Remuneration Report at last year's AGM highlighted some shareholder concerns. As Chair of the Remuneration Committee, I have proactively engaged our top 40 shareholders - covering 65% of our total issued share capital - on this matter, to discuss and understand these concerns. As a result, I am clear that the majority of those who voted against the Report did so because of specific circumstances at the time relating to the outgoing CEO (Steve Rowe). The Board has reflected on the feedback received, which was largely supportive of the Company's approach, and continues to believe that it acted in shareholders' interests and in line with the values and integrity of the business. Having explained the rationale for last year and reassured investors on our overall approach, I am confident that they are supportive of our remuneration principles and operations.

The Remuneration Report provides a comprehensive picture of the structure and scale of our remuneration framework, its alignment with the business strategy and operation across the workforce. It also details decisions made by the Committee as a result of business performance for this year and the intended arrangements for 2023/24.

CONTEXT OF BUSINESS PERFORMANCE

Of central interest and importance to the Committee is ensuring the 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. Such values became ever more important in 2022/23 as the business and our colleagues faced significant cost challenges.

It was with this backdrop in mind that all decisions around remuneration in 2022/23 were made. Our colleague response to such challenges is discussed later in this letter and on page 106.

As detailed earlier in the Annual Report, this year saw strong results in almost all the main business areas with profit before tax and adjusting items at £482.0m and overall market share in both Clothing & Home and Food growing. Whilst at face value the PBT outcome was 7.8% below last year's outturn of £522.9m, prior year results included £59.8m of UK business rates relief and a net rates charge of £139.7m compared with a net rates charge of £186.6m in 2022/23. In the year we saw an increasingly positive reaction to M&S products. Customer ratings for style, quality and value in clothing has improved and, in Food, value perception is the highest it's been in six years. The emerging power of our omni-channel model has been demonstrated by an uplift in sales in store and online, supported by growth in Click & Collect sales, active App users and Sparks loyalty membership. As explained later in this Remuneration Report (see pages 118, 119 and 121), the Committee was mindful of this performance when discussing and approving incentive outcomes.

SINGLE FIGURE AND INCENTIVE SCHEME OUTCOMES INCLUDING APPLICATION OF DISCRETION

Throughout the year, the Committee has carefully considered pay arrangements and where it may, or may not, be appropriate to apply discretion in the context of business performance and wider stakeholder experience.

As in previous years, the key priority of the 2022/23 Annual Bonus Scheme (ABS) remained 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 and no individual element could be earned until a threshold level of PBT was achieved.

Together with the individual objectives, both throughout the year and at year-end the Committee reviewed the PBT targets to ensure they remained relevant and appropriately stretching. As announced on 21 July 2022, and discussed in more detail on page 26, M&S acquired Gist, the principal contract logistics provider to M&S Food. The 2022/23 ABS Group PBT targets were set prior to the acquisition of Gist therefore it was determined by the Committee that, for the purpose of the ABS, the PBT outturn should be reduced by £20.5m, equivalent to the 2022/23 net profit contribution for Gist. Taking this adjustment into consideration, the Committee was satisfied that the targets set required stretching PBT performance. 77.3% of the financial element of the bonus was achieved and the individual measures could pay out to the extent that executive directors achieved between target and stretch performance against their 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 pages 118 and 119, but the Committee particularly noted the significant progress in the transformation and development of both the Clothing & Home and Food supply chains; redesigning of the M&S operating model, simplifying activity and reducing central costs across Clothing & Home and Food; and ongoing work to develop and embed a high performing and engaged culture across the whole of M&S, including the successful establishment of effective ways of working within the new executive team.

Along with the impact of business decisions as described above, when considering bonus outcomes the Committee also took into account the experience of wider stakeholders, including our colleagues, customers and shareholders. It was determined that the outcome is reflective of a strong in-year business performance together with individual outstanding contributions and, in this context, it is important that colleagues including our executive directors are recognised for this performance. The Committee was in agreement that it was appropriate to award 27 out of 30 for individual objectives for the CEO and 25 out of 30 for the Co-CEO, resulting in total bonus awards of 81.1% and 79.1% of total opportunity (being 200% of salary) respectively.

Half of any bonus awarded to the executive directors will be deferred into M&S shares and will be released after a three-year holding period; this treatment ensures a long-term alignment with shareholders' interests along with supporting our Director Shareholding Policy, on which more information can be found on pages 109 and 123.

Turning to the PSP, the Committee considered the question of windfall gains arising from the PSP awards that were granted in 2020. At the time of grant, M&S had experienced a material fall in share price since awards were made in 2019 and so the Committee took decisive action to significantly reduce the quantum of the 2020 PSP award for executive directors from 250% to 175% of salary. To provide clarity and certainty to participants and shareholders alike, the Committee felt it appropriate to make an upfront adjustment rather than rely on a 'wait-and-see' approach.

This reduction in grant value was applied to all recipients of PSP awards. Given their roles at the time of grant, Stuart Machin and Katie Bickerstaffe's 2020 PSP awards were proportionally reduced from 200% of salary to 140% of salary.

Notwithstanding the proactive approach at the time of grant, at the end of the performance period the Committee thoroughly reviewed vesting outcomes taking into consideration factors such as overall business performance, share price movements over the period and impact of external factors, such as high food inflation. The Committee was satisfied that vesting achievements were appropriate in the light of such considerations and determined that no additional application of discretion was required. The 2020 PSP award vested at 51.0%.

REMUNERATION POLICY

In line with corporate governance requirements, our Policy is reviewed every three years and approved by shareholders. Shareholders approved the current Policy at the AGM in 2020. As such, the Company is required to seek approval for the new Policy at the AGM to be held on 4 July 2023. The Board is committed to ensuring that our remuneration framework supports our strategy, and provides a balance between motivating and challenging our senior leaders to deliver our business priorities and the long-term sustainable success of M&S.

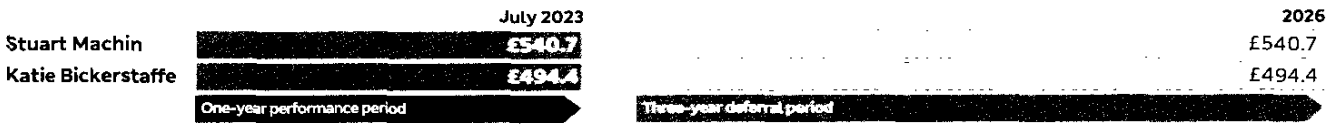
At the beginning of the year, considerable time was spent reviewing the current Policy including the incentive structures, measures and targets. The Committee consulted with our major shareholders (representing nearly 60% of our total shares in issue) and, given many of our stakeholders engage their services, a number of shareholder representative bodies. The Committee reviewed and discussed all the feedback and responses provided by our shareholders and I would like to thank them for their highly valued time.

Following this review and the feedback received, the Committee concluded that overall the current Policy remains relevant, appropriate, and suitably flexible to meet the needs of the business whilst providing clarity, simplicity and predictability for both participants and investors alike. Therefore, only two minor adjustments to the existing Policy are being proposed.

First, the proposed Policy allows executive directors to receive a 5% cash payment in lieu of pension contributions, subject to the Company's agreement. This provides alignment with the policy for our wider colleague population, as per the guidance from the Investment Association.

Secondly, the proposed Policy includes the ability to make payments of Committee membership fees for non-executive directors to align our Policy with the Memorandum and Articles of Association. There are no current plans to pay

2022/23 BONUS PAYMENT TIMINGS (£000)



STRATEGIC ALIGNMENT OF REMUNERATION OUTCOMES AND THE KPIS

KPI/Strategic priority		As measured by	Performance Share Plan (PSP)	Annual Bonus Scheme (ABS)
KPI	*Adjusted earnings per share (EPS)*		●	
See KPIs on page 34	Return on capital employed (ROCE)	Financial results	●	
	Group PBT before adjusting items (PBT)			
Strategic priority	Deliver Profitable Sales Growth		●	
See Strategic priorities on pages 12 and 13	Improve Operating Margins	Achievement against objectives	●	
	Drive Shareholder Returns		●	
	Disciplined Investment Choices		●	

2022/23 PERFORMANCE

●

ADJUSTED EARNINGS PER SHARE

17.2p

Adjusted EPS in 2022/23 was 17.2p. This was above the 13.0p threshold required for vesting under this element of the 2020 PSP award.

●

RETURN ON CAPITAL EMPLOYED

10.4%

Final year ROCE performance was 10.4%. This was above the 9% threshold required for vesting under this element of the 2020 PSP award.

GROUP PBT BEFORE ADJUSTING ITEMS

£482m

For the purpose of the ABS, reduced to £461.5m reflecting net Ciist profit contribution. PBT of between 'target' and 'maximum' achieved for bonus awards under the 2022/23 ABS.

REMUNERATION COMMITTEE REPORT CONTINUED

additional membership fees, however we would like flexibility in the Policy in case it is considered appropriate in the future. Pages 108 to 115 provide the full details of the proposed Policy.

WIDER WORKFORCE PAY ARRANGEMENTS

The Committee received regular updates during the year relating to M&S' pay arrangements. Of key importance this year was the response of the business to the cost-of-living crisis. As a Committee we were proud of the decision taken by the business to announce a targeted mid-year cost-of-living intervention, representing a £15m investment. This focused on our lowest-paid colleagues, recognising that, in the main, these colleagues were more likely to be affected by the pressures of increasing inflation and higher prices in key household items such as energy, food and fuel. Key aspects of the investment included an out-of-cycle pay increase for UK Customer Assistants and, for our lower-paid salaried colleagues both in store and support centres, an M&S gift voucher of £250 which could be used in conjunction with their M&S Colleague Discount. These sat alongside non-financial initiatives already in place to support our colleagues.

The Committee welcomes continued collaboration with BIG. At Committee meetings we receive direct feedback on colleagues' views from the National Chair of BIG and in turn the Head of Reward attends National BIG Committee meetings to share and discuss the executive pay framework and its relationship with that of 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.

Given the inflationary pressures being felt by both M&S as a business and by our colleagues, it was to be expected that a significant amount of time was taken to discuss the appropriate approach to the annual pay review.

Recognising the need to balance financial restraint with support for our colleagues, the topic generated a robust debate. For our hourly-paid colleagues, a further investment in pay of £57m was agreed representing an increase in the M&S national rate for Customer Assistants of 9% when compared to the equivalent rate in April 2022. For salaried colleagues, a tailored approach was agreed with salary increases ranging from 7-8% for our lower-paid salaried colleagues and 3-6.5% for management roles.

To demonstrate the importance the Committee gives to the alignment of executive pay with the wider workforce, this year's Remuneration Report continues to provide expanded disclosures on such pay arrangements. Please see pages 106 and 107.

PAY ARRANGEMENTS FOR 2023/24

The Committee carefully considered the executive director pay review, particularly in the context of the decisions for the wider workforce pay arrangements, and approved an increase of 3%. Whilst this is significantly below the average pay increase within the wider workforce, the Committee feel it is appropriate when considering overall executive director remuneration. This will be effective 1 July 2023.

Reflecting on the existing variable remuneration framework, it was agreed that in 2022/23 the structures of the ABS and PSP continue to effectively align pay and strategy. As a result, no changes have been proposed for 2023/24.

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.

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 2023 PSP will maintain the financial measures applied to the 2022 PSP awards, being 30% adjusted EPS, 30% ROCE and 20% relative total shareholder return (TSR). The remaining 20% will continue to be subject to the basket of three strategic measures. This ensures all targets have been set to be stretching yet motivating and are detailed further on page 122.

Within the strategic measures, the Committee has decided to replace the 'store staff cost to sales ratio' measure with a broader 'operating costs to sales ratio'. This revised measure provides greater focus on our simplification agenda and better measures efficiency across the whole of the business. It brings together all aspects of our strategy, focusing not only on our stores and their renewal, but also our supply chain, exceptional products, omni-channel operations and expanding global reach.

As part of the review of the PSP performance measures, the Committee spent significant time debating the appropriateness of the introduction of an environmental, social and governance (ESG) measure. M&S was an early pioneer of championing sustainability and continues to hold a leading position in this field. We take our ESG responsibility very seriously and the Committee is confident that such considerations are embedded within the behaviours of our executive directors, as well as our operations across the length and breadth of our business. As further detailed on pages 32, 33 and 55 this includes our clear roadmap to reduce absolute Scope one, two and three Greenhouse Gas emissions by 55% by 2030. Such examples demonstrate that our sustainability commitments sit at the heart of our business operations and inform decisions at all levels and across all departments. Therefore, on balance, the Committee determined that it would not be appropriate to introduce an ESG measure at this time.

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 July 2023. 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.

STRATEGIC ALIGNMENT OF PAY

As detailed above, the measures and targets used in M&S' incentive schemes, namely those of the ABS and PSP, were reviewed to ensure alignment with the key performance indicators (KPIs) and identified strategic priorities across the business. The illustration on page 103 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 continues on its transformation journey.

BOARD CHANGES

As disclosed last year, Steve Rowe stepped down from his role as CEO of the business in May 2022 after almost 40 years of loyal service. Final pay arrangements for Steve were fully disclosed in the 2021/22 Remuneration Report. Any payment made in 2022/23 linked to his exit arrangements can be found on page 126. Steve did not participate in the 2022/23 ABS.

As announced at the time, in May 2022 we warmly welcomed to the Board Stuart Machin and Katie Bickerstaffe as CEO and Co-CEO respectively. Pay arrangements upon appointment were disclosed in the 2021/22 Remuneration Report and details on remuneration for 2022/23 are detailed in this year's Report.

It was announced in July 2022 that Eoin Tonge had resigned. Following the appointment of Jeremy Townsend as CFO, Eoin stepped down from the Board on 9 December 2022 and left M&S on 19 January 2023. In line with the Remuneration Policy, upon leaving through resignation, all outstanding share awards lapsed and no award under the 2022/23 ABS was made.

On behalf of the Committee, I would like to extend my very best wishes to both Steve and Eoin in all their future endeavours.

AGM

I would like to thank our shareholders for their continued support and engagement during the year. I hope you will join the Board in supporting our Remuneration Policy and Annual Report on Remuneration at the AGM on 4 July 2023. I will be available at the AGM 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 BIG, 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 BIG 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 and gave input into the approaches being taken to support colleagues with the cost-of-living and eligibility for incentive schemes. The collaborative relationship we have with BIG 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 Reward 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 pay increases for our UK Store Customer Assistants in October 2022 and April 2023 have totalled 9%. Effective July 2023, salary increases ranging from 3% for our senior population and between 4.5% and 10% 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.

Throughout the year, the Committee is provided with information detailing pay in the wider workforce, which gives it the additional context needed to make informed decisions. The Head of Reward 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.

This year the Committee also considered the impact of rising inflation and the cost-of-living crisis. Focus was placed on supporting lower paid colleagues who were more likely to feel additional pressure. As a result the basic hourly rate was increase from £10 per hour to £10.20 from 1 October 2022. In addition, salaried non-bonus eligible colleagues were given £250 M&S gift vouchers and support was put in place for colleagues who "forgot their lunch", period products were also available for all colleagues.

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.

Colleagues are encouraged to raise questions throughout the year to the CEO through the 'Straight to Stuart' programme and at live events. All questions raised are answered, and comments made during the year through surveys or via BIG our network of elected colleague representatives are considered. The Head of Reward 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 changes to the Remuneration Policy as well as the strategic measures and targets to be applied to the PSP. The feedback was shared with the Committee, discussed and incorporated into the Policy as necessary.

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 and 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 held and views on a variety of topics, including executive pay, are taken into account.

CEO PAY RATIO

Year	Methodology	25th percentile ratio	50th percentile ratio	75th percentile ratio
2023	**Option A**	**123:1**	**113:1**	**95:1**
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 1 April 2023. 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 2022/23 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 1 April 2023.

The table above shows the ratio of CEO pay in 2022/23, using the sum of the single total figure remuneration as disclosed in Figure 8 (page 116) for Steve Rowe and Stuart Machin, 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 decrease in pay ratio this year is the combined result of the reduced remuneration package for the new CEO and, in response to the cost-of-living crisis, the focus on pay for lower paid colleagues.

Pay data	Salary (£000)	Total pay and benefits (£000)	Salary (£000)	Total pay and benefits (£000)	Salary (£000)	Total pay and benefits (£000)
	2020/21	2020/21	2021/22	2021/22	2022/23	2022/23
CEO remuneration	834	1,068	841	2,630	809	2,690
UK colleague 25th percentile	18	20	19	21	21	22
UK colleague 50th percentile	20	21	21	22	22	24
UK colleague 75th percentile	24	25	25	26	27	28

GENDER PAY GAP

The M&S median gender pay gap for the year to April 2022 is 6.5%, compared with 7.6% for the Retail sector. The M&S mean gap for the same period is 12.5%.

Our Inclusion and Diversity strategy is built on two pillars, driving diverse representation at all levels of our business, and developing a continually evolving inclusive culture. Our colleagues have been central to the design of all our plans and our Inclusion and Diversity networks have been at the heart of bringing our communities together, providing a voice for the colleagues they represent and guiding the business. Our Gender Equality, Menopause and Family & Carers networks are the fastest growing with over 4,500 members to date.

We've developed tools and resources to support business unit leadership teams to drive plans in the respective areas. Teams have access to a live dashboard which help them identify opportunities to increase representation and address barriers within resourcing and talent mapping. We've also launched a twice-yearly review process with each business unit to track progress, provide support and share best practice from internal and external sources.

Our future leaders' programmes have been redesigned using the principles that our women value most, with flexibility and bite-size content imbedded throughout. We aim to build on the 60% female representation that we had on all our development programmes last year and will continue to drive a diversity lens through all of our performance and talent management forums.

Providing a safe space for colleagues is a fundamental principle, we are very clear that any forms of discrimination, harassment, bullying or victimisation are not tolerated here. We have processes in place to ensure allegations are handled effectively and provide mandatory inclusion training for all colleagues to ensure expectations are clear.

As part of our ambition to be the leading employer for women in retail, we remain committed to promoting flexible working options, supporting those taking and returning from family leave and providing support for women's health and life changes, particularly those approaching, going through and coming out of the menopause.

REMUNERATION POLICY

Shareholders approved the Remuneration Policy at the AGM in 2020. As such, the Company is required to seek approval for the new Policy at the AGM to be held on 4 July 2023, from which date the updated Policy will apply. The Committee reviewed the senior remuneration framework during the year to ensure that it remains fit for purpose, providing an appropriate framework to fulfil M&S' reward philosophy which is, in turn, designed to support and drive the business strategy.

The Policy remains largely unchanged from the one approved by shareholders in 2020; for transparency, where amendments have been made these are highlighted. Once approved, this Policy may operate for up to three years.

The Policy 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

Base salary	Benefits	Pension benefits
PURPOSE AND LINK TO STRATEGY To attract, retain and motivate high-calibre executives needed to deliver our strategy and drive business performance.	***PURPOSE AND LINK TO STRATEGY*** To provide market-competitive benefits which drive employee engagement and commitment in our business.	***PURPOSE AND LINK TO STRATEGY*** To attract and retain high-calibre executives through a commitment to responsible, secure retirement funding in line with our Company values.
OPERATION Payable in cash. Reviewed annually by the Committee considering a number of factors, including: – Salary increases awarded to other colleagues in the wider workforce which are typically reviewed annually on a similar basis. – Comparable salaries in appropriate comparator groups. – Salaries reflect the experience, responsibility and contribution of the individual and role within the Group.	**OPERATION** Directors are eligible to receive benefits in line with our policies which may include: – A car or cash allowance. – A driver. – Life assurance. Where appropriate, our Global/Domestic Mobility Policy may apply. This may include, but not be limited to, travel, relocation and tax equalisation allowances. Directors are offered a number of other benefits in line with all other colleagues, such as colleague discount and salary sacrifice schemes such as Cycle2Work. Directors may participate in a Save As You Earn Scheme and a Share Incentive Plan and any other all-employee share schemes on the same terms as other colleagues.	**OPERATION** Current directors may participate in the Your M&S Pension Saving Plan (a defined contribution arrangement) or an alternative pension saving vehicle that the Company may offer, on the same terms as all other colleagues or receive a cash supplement in lieu of pension contributions into this scheme.
MAXIMUM OPPORTUNITY While there is no set maximum, any increases are normally in line with those in the wider workforce. Individual adjustments in excess of this may be made outside of this cycle at the discretion of the Committee, where appropriate. Such circumstances can include: – Where the role scope has changed; – Where comparable salaries in the external market have changed; or – To apply salary progression for newly appointed directors.	**MAXIMUM OPPORTUNITY** While there is no set maximum, any benefits will be provided at a rate commensurate with the market. Maximum participation in all-employee share schemes is in line with local statutory limits.	**MAXIMUM OPPORTUNITY** A maximum employer contribution currently of 12% of salary where the employee contributes 6% of salary. **Change for 2023** **To align with the wider workforce, an alternative cash payment capped at 5% of salary will be available for executive directors and any future directors.**
PERFORMANCE CONDITIONS N/A	***PERFORMANCE CONDITIONS*** N/A	***PERFORMANCE CONDITIONS*** N/A

Annual Bonus Scheme including Deferred Share Bonus Plan (DSBP)

PURPOSE AND LINK TO STRATEGY

To drive annual profitability, strategic change and individual performance in line with the business plan.

To recognise and reward individual contributions to the way we do business.

The deferral into shares provides alignment with shareholders' long-term interests following the successful delivery of short-term targets.

OPERATION

Directors are eligible to participate in this non-contractual, discretionary scheme.

Payments are made subject to the satisfaction of predetermined targets set at the start of the year, as approved by the Committee.

Not less than 50% of any bonus earned is paid in deferred shares under the DSBP, with the remainder payable in cash.

Deferred shares vest after a period of three years subject to continued service, but no further performance conditions.

Clawback and malus rules apply to cash and DSBP awards respectively; see explanatory notes (pages 110 to 111) for more information.

Good leaver and change of control provisions apply to the deferred shares (see explanatory notes).

The value of any dividends during the deferred period may be payable (see explanatory notes).

The Committee retains the right to exercise discretion, both upwards and downwards, to ensure that the level of award payable is appropriate and fair in the context of the director's individual performance and the Company's overall performance. Where exercised, the rationale for this discretion will be fully disclosed to shareholders in the subsequent Annual Report.

MAXIMUM OPPORTUNITY

A maximum annual potential of up to 200% of salary.

PERFORMANCE CONDITIONS

Quantifiable one-year performance measures and targets are set by the Committee around financial and individual objectives linked with the sustainable delivery of the business plan.

Financial performance measures comprise at least 50% of awards and may include, but not be limited to Group PBT.

Typically, no payment for individual objectives can be earned unless a 'threshold' level of Group PBT has been achieved. This threshold level is set by the Committee taking into account the previous year's performance and the business operating plan for the current year.

For achievement of individual objectives no more than 40% (currently 30%) of the maximum bonus potential is paid for threshold performance, and no more than 60% for target performance. However, the Committee retains the flexibility to amend the pay-out level at different levels of performance for future bonus cycles. This is based on its assessment of the level of stretch inherent in the set targets, and the Committee will disclose any such determinations appropriately.

Performance Share Plan (PSP)

PURPOSE AND LINK TO STRATEGY

Measured against the key financial drivers of the business plan to deliver sustainable value creation.

To encourage long-term shareholding to retain directors, and provide greater alignment with shareholders' interests.

OPERATION

The Company's principal long-term incentive scheme, approved by shareholders in 2020.

Directors are eligible to participate in this non-contractual, discretionary plan.

Directors may receive an annual award which vests after three years subject to predetermined performance conditions.

Clawback and malus rules apply to awards (see explanatory notes).

Good leaver and change of control provisions apply (see explanatory notes).

The value of any dividends during the vesting period may be payable (see explanatory notes).

Awards are subject to a further two-year holding period after the vesting date. Directors may sell sufficient shares to satisfy the respective tax liability but must retain the net number of shares until the end of this two-year period.

As with the bonus scheme, the Committee retains the right to exercise discretion in the same manner to ensure appropriateness of outcomes.

MAXIMUM OPPORTUNITY

The maximum value of shares (at grant) which can be made under an award to an individual in respect of a financial year is 300% of salary.

PERFORMANCE CONDITIONS

Performance is measured over a three-year period against a balanced scorecard of appropriate measures as determined by the Committee each year. This currently includes EPS, ROCE, TSR and strategic measures. These are chosen as those measures which support and drive top-line and bottom-line performance in line with business strategy.

Financial measures comprise at least 50% of awards.

The threshold level of vesting is 20% of the maximum.

For performance between threshold and maximum, awards vest on a straight-line basis.

Shareholding Requirement

PURPOSE AND LINK TO STRATEGY

To drive long-term, sustainable decision-making for the benefit of the Company and our shareholders.

OPERATION

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.

MINIMUM REQUIREMENT

For the CEO and Co-CEO, this requirement is 250% of salary. For all other executive directors the requirement is 200%.

Post-cessation holding requirement

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.

PERFORMANCE CONDITIONS

N/A

REMUNERATION POLICY CONTINUED

FIGURE 2: POLICY TABLE
Executive directors may be in receipt of awards under share plans outside of the current remuneration framework detailed on page 109; these may have been awarded upon recruitment or prior to their appointment as an executive director. While awards under these plans do not form part of a forward-looking policy, for transparency, details of the plans are set out in the table below.

Restricted Share Plan (RSP)

ELEMENT	
PURPOSE AND LINK TO STRATEGY	To enable the recruitment of key directors who are necessary to the delivery of business strategy.
OPERATION	Restricted awards may be granted for the recruitment of directors. Awards vest after a restricted period, which can vary by award but is typically between one and three years. Malus provisions, good leaver and change of control provisions apply (see explanatory notes below). The value of any dividends during the restricted period may be payable (see explanatory notes below).
MAXIMUM OPPORTUNITY	While there is no maximum set in the rules, the Committee considers the scale and structure of awards on an individual basis.
PERFORMANCE CONDITIONS	The Committee may choose to apply no formal performance conditions save for continued service.

Executive Share Option Scheme (ESOS)

ELEMENT	
PURPOSE AND LINK TO STRATEGY	Measured against the key drivers of our business plan to deliver sustainable value creation. To encourage long-term shareholding to retain directors, and provide greater alignment with shareholders' interests.
OPERATION	Approved by shareholders and HMRC in 2015, the Committee may choose to award share options to directors if appropriate. Malus provisions, good leaver and change of control provisions apply (see explanatory notes below). Options are normally exercised between the third and tenth anniversaries of grant, subject to the achievement of any performance conditions set by the Committee.
MAXIMUM OPPORTUNITY	Awards are capped at 250% of salary in respect of any financial year of the Company but in recruitment circumstances awards may be granted up to a higher limit of 400% of salary.
PERFORMANCE CONDITIONS	Awards vest subject to at least three-year predetermined performance conditions.

EXPLANATORY NOTES
The Committee reserves the right to make any remuneration payments notwithstanding that they are not in line with the Policy set out above, where the terms of the payment were agreed at a time when the relevant individual was not a director of the Company, or under a prior approved policy and, in the opinion of the Committee, the payment was not in consideration of the individual becoming a director of the Company.

For these purposes, payments include the Committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are agreed at the time the award is granted.

Awards granted under the PSP, DSBP, and RSP can be made in the form of conditional share awards, forfeitable shares, options or rights with the same economic effect. In addition, awards may be settled in cash. Awards may incorporate the right to receive (in cash and/or shares) the value of dividends, including any dividend tax credit where applicable, between grant and vesting on the shares that vest. This amount may be calculated on a cumulative basis, assuming the reinvestment of dividends into shares.

In the event of a variation of the Company's share capital or a demerger, special dividend or other event which in the Committee's opinion may affect the price of shares, the Committee may alter the terms of awards and the number of shares subject to them. The terms of awards may be amended in accordance with the relevant plan rules (which were formally approved by shareholders on 3 July 2020).

Any performance conditions applicable to PSP, RSP and ESOS awards may be amended by the Committee if an event occurs which causes it to consider that the performance condition would not achieve its original purpose and the amended performance condition is, in the opinion of the Committee, no less difficult to satisfy but for the event in question.

Our long-term incentive plans provide the Committee with discretion with respect of vesting outcomes that affect the actual level of reward payable to individuals, such discretion would only be used in exceptional circumstances and, if exercised, the rationale for this discretion will be fully disclosed to shareholders in the subsequent Annual Report.

CLAWBACK AND MALUS

M&S is committed to ensuring its remuneration arrangements motivate participants to strive for exceptional performance while also protecting shareholder value from the Company taking unnecessary risks. As such, clawback and malus provisions apply to the executive directors' incentive arrangements. All share awards granted from 2013 onwards are subject to malus provisions. These provisions allow the Committee, in its absolute discretion, to determine at any time prior to the vesting of an award to reduce the number of shares, cancel an award or impose further conditions on an award in circumstances for which the Committee considers such action to be appropriate. Such circumstances may include, but not be limited to, a material misstatement of the Company's audited results.

In addition, clawback provisions were introduced in 2015 and apply to cash payments made under the Annual Bonus Scheme. Awards made under any of the Company's other executive share plans (including the PSP) in 2015 and onwards will similarly be subject to clawback provisions. These provisions enable the Committee, in its absolute discretion, to reclaim awards paid to individuals for up to three years after the respective vesting or payment date (or up to two years in the case of PSP awards) where specified events occur. The specified events that would trigger clawback include the discovery of a material misstatement resulting in an adjustment in the audited consolidated accounts of the Company, the assessment of any performance condition, terms or conditions in respect of an award or payment that were based on error, or inaccurate or misleading information, the discovery that any information used to determine the number of shares subject to an award or amount payable was based on an error, or inaccurate or misleading information, the action or conduct of a participant which, in the reasonable opinion of the Committee, amounts to gross misconduct or a material breach of the participant's service contract that falls short of gross misconduct, and events or behaviour of a participant that have had a significant detrimental impact on the reputation of any member of the Group, provided that the Committee is satisfied that the relevant participant was responsible for the reputational damage and that the reputational damage is attributable to the participant. Clawback may be effected, among other means, by requiring the transfer of shares, payment of cash or reduction of awards.

PERFORMANCE CONDITIONS AND TARGET SETTING

The Committee reviews annually the measures, weightings and targets for the incentive arrangements for the executive directors. In doing so, the Committee considers a number of factors which assist in forming a view. These include, but are not limited to, the strategic priorities for M&S over the short to long term, shareholder feedback, the risk profile of the business and the macroeconomic climate.

The Annual Bonus Scheme is measured against a balance of profitability and the delivery of key strategic areas of importance for the business. The profitability measure used is Group PBT before adjusting items as this is used internally to report and assess business performance by the Board and Executive Committee. Refer to the glossary on pages 213 to 217 for the definition of Group PBT before adjusting items, and to note 5 of the financial statements for a description of adjusting items.

The PSP is assessed against a balance of measures identified as those most relevant to driving both sustainable top-line and bottom-line business performance, as well as providing value for shareholders, and strategic alignment with the business.

This is reflected in the EPS and ROCE measures which focus on a balance of profitability, cost control and the efficient use of capital investment.

The value delivered to shareholders is reflected by Relative TSR which is measured against a bespoke group of retail companies which are believed to provide a balanced portfolio of those most likely to be alternative investment choices for M&S shareholders.

Targets are set against the respective annual and long-term operating plans taking into account analysts' forecasts, M&S' strategic plans, prior year performance, estimated vesting levels and the affordability of pay arrangements. Targets are set to provide a sustainable balance of risk and reward to ensure that, while being motivational for participants, maximum payments are only made for exceptional performance.

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. In addition, all UK colleagues are provided with life insurance and colleague discount, 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 annual bonus, the outcome of which is partially determined by Group PBT performance. For all participants, part of the bonus is deferred into shares for three years.

Around 140 of M&S' top senior executives may be invited to participate in the PSP, 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 POLICY CONTINUED

FIGURE 3: RECRUITMENT POLICY & SERVICE CONTRACTS

The table below sets out 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 in exceptional circumstances 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. For example, for internal promotional appointments to the Board, the Committee would honour any pre-existing contractual remuneration arrangements; these arrangements may be *outside of the Policy detailed on pages 108 to 110.*

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. – There are no further obligations which could give rise to a remuneration or loss of office payment other than those set out in the Remuneration Policy and the Termination Policy. – *The directors' service contracts are available for shareholder inspection at the Company's* registered office.
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. – For new appointments to the Board, the Committee may set the rate of pay at the lower end of the range *for other directors and/or other comparable roles within the market with the intention of applying* staged increases.
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). An alternative cash in lieu of pension capped at 5% of salary is also offered.
ANNUAL BONUS SCHEME	– Eligible to take part in the Annual Bonus Scheme 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	– Where an individual forfeits outstanding variable pay opportunities or contractual rights at a previous employer as a result of their appointment with M&S, the Committee may offer compensatory payments or buy-out awards, dependent on the individual circumstances of recruitment, determined on a case-by-*case basis.* – The Committee in its judgement normally intends that any such payments are made on a like-for-like basis and considers issues such as the plan type, time horizons and valuation of the forfeited awards. The Committee's intention would be to ensure that the expected value awarded will be no greater than the expected value forfeited by the individual. – *Where appropriate, the Committee may choose to apply performance conditions to any of these awards.*

FIGURE 4: TERMINATION POLICY

The Company may choose to terminate the contract of any executive director summarily in accordance with the terms of their service agreement, on payment in lieu of notice of a sum equal to salary, benefits and pension as per their contractual notice entitlement (see page 126).

The Company can make a series of phased payments which are paid in monthly instalments, subject to mitigation. This mechanism allows for the amount of any phased payments to be reduced by the income from any alternative position secured by the former director during the phased payments period.

Service agreements may be terminated without notice and without any payments in certain circumstances, such as gross misconduct. The Company may require the individual to work during their notice period, or may choose to place the individual on garden leave.

Such a decision would be made to ensure the protection of the Company's and shareholders' interests where the individual has had access to commercially sensitive information.

The table below sets out key provisions for directors leaving the Company under their service contracts and the incentive plan rules.

The Company's policy towards exit payments allows for a variety of circumstances whereby a director may leave the business. In some cases, where deemed suitable, the Committee reserves the right to determine exit payments, where the director leaves by mutual agreement. In all circumstances, the Committee does not intend to 'reward failure' and will make decisions based on the individual circumstances.

The Committee's objective is that any such agreements are determined on an individual basis and are in the best interests of the Company and shareholders at that time, and reflect the director's contractual and other legal rights.

CORPORATE EVENTS

In the event of a change of control or winding up of the Company, unvested share awards will normally vest on the date that the Board notifies participants of such an event. The number of shares which may vest under awards in these circumstances will be subject to any relevant performance conditions and, in the case of PSP awards, unless the Committee determines otherwise, time pro-rating. In the event of a demerger, special dividend or other event which, in the opinion of the Committee affects the price of shares, the Committee may allow some or all of an award to vest.

ELEMENT	APPROACH
BASE SALARY, BENEFITS AND PENSION BENEFITS	– Payment made up to the termination date in line with contractual notice periods.
ANNUAL BONUS SCHEME	– There is no contractual entitlement to payments under the Annual Bonus Scheme. If the director is under notice or not in active service at either the relevant year end or on the date of payment, there will be no entitlement to any bonus payment, either in cash or shares. The Committee may use its discretion as described above to make a bonus award, which is normally pro-rated for time worked during the relevant financial year and based on performance assessed at the end of the bonus period.
LONG-TERM INCENTIVE AWARDS	– Where a director ceases to be an officer or employee of the Group before the end of the relevant vesting period, the treatment of outstanding awards is determined in accordance with the plan rules. – In some circumstances, where a director leaves due to retirement, injury, ill-health, death or the sale of the director's employing company or business out of the Group, or any other reason at the discretion of the Committee and in accordance with the plan rules, DSBP awards normally vest in full on cessation; PSP and ESOS awards which have been held for at least 12 months normally vest when the level of performance has been assessed and agreed at the end of the three-year performance period. RSP awards are considered on an individual basis but would typically be pro-rated for the time held and vest on cessation. The Committee may determine these awards vest upon cessation as permitted in the plan rules. In either circumstance, any relevant performance conditions would still apply to the PSP and ESOS awards and unless the Committee determines otherwise, would be time pro-rated and subject to the two-year holding period post-vesting.
REPATRIATION	– M&S may pay for repatriation where a director has been recruited from overseas.
LEGAL EXPENSES AND OUTPLACEMENT	– Where a director leaves by mutual consent, M&S may reimburse for reasonable legal fees and pay for professional outplacement services.

REMUNERATION POLICY CONTINUED

FIGURE 5: NON-EXECUTIVE DIRECTORS' REMUNERATION POLICY (TO BE APPROVED ON 4 JULY 2023)

The table below sets out our Policy for the operation of non-executive director fees and benefits at the Company. Changes are highlighted below. Once approved, this Policy may operate for up to three years.

The Committee takes into account a number of factors when determining an appropriate fee level for the Chairman. The CEO and executive directors determine appropriate fee levels for the non-executive directors and take into account the time commitment, role responsibility and market practice in our comparator groups when doing so.

The Company may offer benefits to the Chairman and non-executive directors as detailed in the non-executive director policy table below.

All non-executive directors have letters of appointment for an initial three-year term, these are available for inspection at the Company's registered office. The Chairman's agreement requires six months' notice by either party. The non-executive directors' appointments may be terminated by either party giving three months' notice.

ELEMENT	PURPOSE AND LINK TO STRATEGY	OPERATION AND OPPORTUNITY
CHAIRMAN'S FEES	To provide a fair fee at a level that attracts and retains a high-calibre Chairman.	– Fees are determined by the Remuneration Committee. – Total fee comprises the non-executive director basic fee and the additional fee for undertaking the role. – Paid in equal monthly instalments; may be made in cash and/or shares. – Fees reflect the time commitment, demands and responsibility of the role. – Reviewed annually, taking into account market practice in appropriate comparator groups, e.g. major retailers, similar-sized listed companies. – The maximum aggregate fees for the non-executive directors' basic fees, including the Chairman's basic fee, is £750,000 p.a. as set out in our Articles of Association.
NON-EXECUTIVE DIRECTOR'S BASIC FEE	To provide a fair basic fee at a rate that attracts and retains high-calibre non-executive directors.	– Fees are determined by the Chairman and executive directors. – Paid in equal monthly instalments; may be made in cash and/or shares. – Fee level recognises the scope of the role and time commitment required. – Reviewed annually, taking into account market practice in appropriate comparator groups, e.g. major retailers, similar-sized listed companies. – The maximum aggregate non-executive director basic fees, including the Chairman, is £750,000 p.a. as set out in our Articles of Association.
ADDITIONAL FEES	To provide compensation to non-executive directors taking on additional Board responsibilities.	– Additional fees may be paid for undertaking the extra responsibilities of: – Board Chairman. – Senior Independent Director. – Committee Chairman. – Committee Member. – **Change for 2023** – **Committee membership fees included in the policy but not currently implemented.**
BENEFITS	To facilitate the execution of responsibilities and duties required by the role.	– In line with our other colleagues, the Chairman and non-executive directors are entitled to receive colleague discount. – 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. – The Chairman may also be entitled to the use of a car and driver. – The Chairman and non-executive directors do not participate in pension or performance-related schemes.

FIGURE 6: SUMMARY OF REMUNERATION POLICY

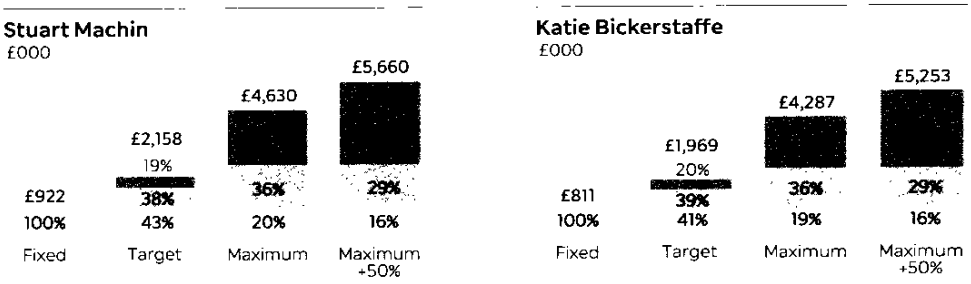
The diagram below illustrates the balance of pay and time period of each element of the Remuneration Policy for executive directors. The Committee believes this mixture of short- and long-term incentives and fixed to performance-related pay is currently appropriate for M&S' strategy and risk profile.

	Year 1	Year 2	Year 3	Year 4	Year 5
FIXED PAY	– Base salary – Benefits – Pension benefits				
PSP	– Maximum 300% of salary – Three-year performance – Malus provisions apply			– Two-year holding period post-vesting – No further performance conditions – Clawback provisions apply	

APPLICATION OF REMUNERATION POLICY

The charts below provide an illustration of what could be received by each of the executive directors in 2023/24 under the Policy. These charts are illustrative as the actual value which will ultimately be received will depend on business performance in the year 2023/24 (for the cash element of the Annual Bonus Scheme) and in the three-year period to 2025/26 (for the PSP), as well as share price performance to the date of the vesting of the share element of the Annual Bonus Scheme and PSP awards in 2026.

DIRECTORS



BASIS OF CALCULATIONS AND KEY

Fixed	– Fixed remuneration only. – No vesting under the ABS and PSP.
Target	– Includes the following assumptions for the vesting of the incentive components of the package: – ABS: 50% of maximum, assumes no share price growth. – PSP: 20% of 250% of salary, assumes no share price growth.
Maximum	– Includes the following assumptions for the vesting of the incentive components of the package: – ABS: 100% of maximum, assumes no share price growth. – PSP: 100% of 250% of salary, assumes no share price growth.
Maximum +50% share price growth	– Includes the following assumptions for the vesting of the incentive components of the package: – ABS: 100% of maximum, assumes no share price growth. – PSP: 100% of 250% of salary with 50% share price growth. – Grant share price for the purpose of demonstrating the 50% growth taken as closing share price at 2022/23 year end.

FIXED REMUNERATION

Includes all elements of fixed remuneration:

- Base salary (effective 1 July 2023, as shown in the table on page 117).
- Pension benefits as detailed on page 117.
- Benefits (using the value for 2022/23 included in the single figure table on page 116). For Katie Bickerstaffe, her travel expenses have been excluded as these do not form part of her "normal" remuneration arrangements.

ANNUAL BONUS SCHEME (ABS)

Represents the potential value of the annual bonus for 2023/24. 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 2023, which would vest in 2026 subject to the relevant performance targets. Awards would then be held for a further two years.

REMUNERATION REPORT

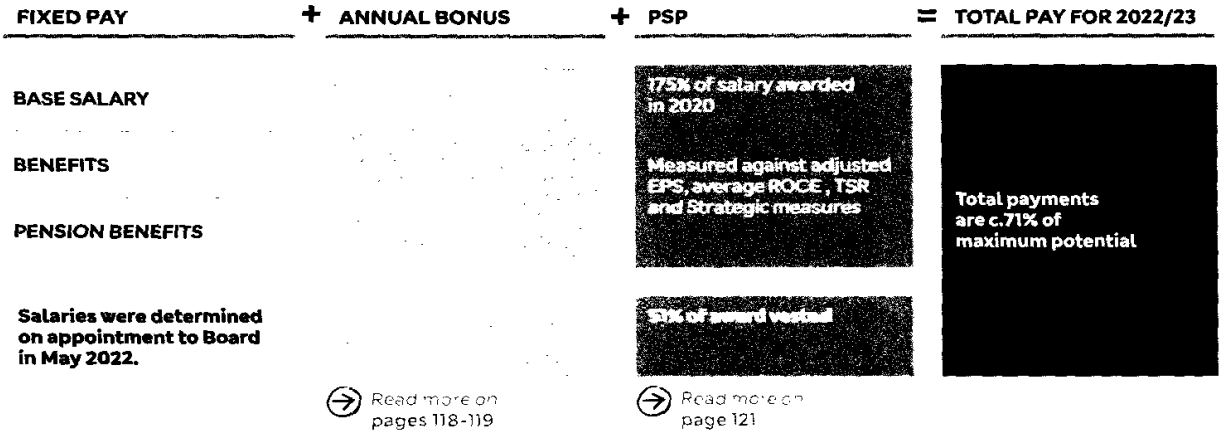
EXECUTIVE DIRECTORS' REMUNERATION

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 awards 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 34 and 12 and 13 respectively.

The diagram below (Figure 7) 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 8) and later in this report.

FIGURE 7: REMUNERATION STRUCTURE 2022/23



Bonus awards are prorated for the 10 months Stuart and Katie were CEO and Co-CEO respectively. The quantum of the 2020 PSP Awards was reduced by 30% of maximum for all PSP recipients recognising the material fall in share price in the year prior to grant. The awards for Stuart Machin and Katie Bickerstaffe were made prior to Board appointment at a level of 140% (typically 200%) of salary.

FIGURE 8: TOTAL SINGLE FIGURE REMUNERATION (AUDITED)

Director	Year	Salary £000	Benefits £000	Total bonus £000	Total PSP vested £000	Pensions benefits £000	Total pay £000	Total fixed pay £000	Total variable pay £000
Stuart Machin	**2022/23**	669	0	1,081	704	80	2,534	749	1,785
(from 25 May 2022)	2021/22	–	–	–	–	–	–	–	–
Katie Bickerstaffe[1]	**2022/23**	626	16	989	563	31	2,225	673	1,552
(from 25 May 2022)	2021/22	–	–	–	–	–	–	–	–
Steve Rowe[2]	**2022/23**	140	5	0	0	11	156	156	0
(until 25 May 2022)	2021/22	841	53	1,601	0	135	2,630	1,029	1,601
Eoin Tonge[3]	**2022/23**	487	3	0	0	58	548	548	0
(until 19 January 2023)	2021/22	605	24	1,151	0	73	1,853	701	1,151

1. Katie Bickerstaffe's salary also reflects a more flexible four day working pattern.
2. Steve Rowe stepped down from the Board on 25 May 2022 and ceased full-time employment with M&S at the conclusion of the AGM on 5 July 2022. Steve agreed to remain as an adviser to the new leadership team for up to 12 months. Details of his remuneration for the period 26 May 2022 to 1 April 2023 are disclosed on page 126 under the section "Payment for loss of office".
3. Following Eoin Tonge's resignation, he stepped down from the Board on 9 December 2022 and left M&S on 19 January 2023. No payments were made to Eoin for loss of office

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, on 25 May 2022 Stuart Machin was appointed CEO on a salary of £800,000. On the same day, Katie Bickerstaffe was appointed Co-CEO on a salary of £750,000, reflecting her different working pattern.

For salaries effective July 2023, the Committee has awarded an increase of 3% to both Stuart Machin and Katie Bickerstaffe. This increases their salaries to £824,000 and £772,500 respectively. Across the wider population, salary increases ranged from 3% to 10% for the wider salaried population and 9% for Customer Assistants.

The next annual salary review for the executive directors will be effective in July 2024.

The table below details the executive directors' salaries as at 25 May 2022 and salaries which will take effect from 1 July 2023.

	Annual salary as of 25 May 2022 £000	Annual salary as of 1 July 2023 £000	Change in salary % increase
Stuart Machin	800.0	824.0	3%
Katie Bickerstaffe	750.0	772.5	3%

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. Neither Stuart Machin or Katie Bickerstaffe receive a car or cash allowance. As agreed in March 2020 to facilitate Katie Bickerstaffe's recruitment to Chief Strategy and Transformation Director, and prior to her appointment to the Board, she is permitted to claim travel and accommodation costs between home and her normal work location until 25 May 2024. The taxable value of these benefits in kind was detailed in Figure 8 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)

Stuart Machin is a member of the Your M&S Pension Savings Plan, as described on page 108. Stuart contributes 6% of his salary into the scheme, and the Company matches this with a 12% contribution. This is the maximum level of contribution offered by M&S and is consistent with the terms available to all other colleagues.

During the year, Katie Bickerstaffe received a 5% of salary cash payment in lieu of participation in an M&S pension scheme, this arrangement was in place prior to her appointment to the Board on 25 May 2022 and is consistent with the terms available to other colleagues.

Prior to his exit on 19 January 2023, Eoin Tonge contributed 6% of his salary into the Your M&S Pension Savings Plan, and the Company matched this with a 12% contribution.

The value of the Company's contribution in the year for Stuart, Katie and Eoin is shown in the single figure table in Figure 8 on page 116.

During the year, Steve Rowe received a cash payment in lieu of participation in an M&S pension scheme. For 2022/23, the CEO's total annual cash supplement was reduced to £67,500 until Steve Rowe ceased employment with the business at the AGM on 5 July 2022. Details of these payments are reflected in the single figure table in Figure 8 on page 116.

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

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	181.2	0	16.6	0	3,516

The accrued pension entitlement is the deferred pension amount that Steve Rowe would receive at age 60. 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.

REMUNERATION REPORT CONTINUED

ANNUAL BONUS SCHEME 2022/23 (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 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 level of PBT was achieved.

ANNUAL BONUS SCHEME

PBT outturn for the year was £482.0m. However, as the 2022/23 ABS Group PBT targets were set prior to the acquisition of Gist it was determined by the Committee that, for the purposes of the ABS, the PBT outturn should be reduced by £20.5m, equivalent to the 2022/23 net profit contribution by Gist. This resulted in a PBT outturn for the purpose of the ABS of £461.5m which was above the target set to trigger awards under both the corporate and individual elements of the scheme. As shown in Figure 11 below, executive directors were awarded 77.3% of maximum opportunity under the corporate element of the scheme and 83% – 90% of the maximum for individual performance. Overall bonus achievement was 81.1% of opportunity for the CEO and 79.1% for the Co-CEO.

The Committee reviewed achievement to ensure that total awards 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.

Figures 10 and 11 set out the extent to which each director achieved their six individual objectives, worth a total of 30% of maximum bonus opportunity, along with the achievement against Group PBT targets comprising 70% of awards. Total awards shown directly correspond to the figure included in the single figure table on page 116.

FIGURE 10: INDIVIDUAL OBJECTIVES (AUDITED)

Director	*Individual*
Stuart Machin	**Lead and develop a successful rhythm and effective ways of working with new executive team. Leadership and governance of Executive Committee.** Established regular cadence with Co-CEO, CFO and Executive Committee to review, discuss, and agree topical business items. New Executive Committee formed, meeting monthly to discuss key topics including performance, talent, and strategy. Managed relationships and ways of working under the new Executive structure. Led the recruitment of Jeremy Townsend as CFO following Eoin Tonge's resignation.
	Implement a simplified and effective organisational structure. Redesigned the operating model to remove people costs and create a simpler business across the two accountable businesses (Food and Clothing & Home) with Support teams operating as a service function to the two accountable businesses. Identified and delivered savings across the business through organisational design changes aligning to the strategic direction of M&S.
	Evolve the Ocado Retail joint venture and strategic plan. Endorsed the appointment of Ocado Retail CEO Hannah Gibson. Reset working relationship and strategic plans with Ocado Retail management. Continued to play an active role on the Ocado Retail Board and recommended the appointment of two further M&S non-executive directors.
	Deliver the Food supply chain transformation. Successfully acquired Gist Limited, the principal logistics provider to M&S Food, allowing full end-to-end visibility and control of the Food logistics cost base. Since completion, savings have materialised through productivity efficiencies and the removal of Gist management fees.
	Deliver the Property store rotation and renewal programme. Significant advances in the year across new store openings, renewals and closures. Plans in place to further accelerate store rotation in the forthcoming financial year including the opening of five brand defining full line stores in major cities.
	Create a high performing and engaged culture across the whole of M&S. Led the people and talent agenda with a hands-on approach. Top 150 and fast track colleagues discussed on a regular basis at Executive Committee and Board. Played an active role in all senior hires. Developed the 'Closer to Customers and Closer to Colleagues' programme, requiring support centre colleagues to complete seven days working in stores to develop a customer-first mindset. Launched 'Straight to Stuart' scheme allowing colleagues to share views and ideas directly to the CEO to improve M&S.

Director	Individual
Katie Bickerstaffe	**Deliver the MS2 and omni-channel strategy and performance.** Online sales performance supported by growth *in click & collect sales, active App users and Sparks loyalty membership. Roll out of digital click & collect and* frictionless returns in stores.
	Improvement in Sparks active members, engagement, personalisation and payment. Use of the M&S App and associated Sparks memberships continued to grow with average active App users increasing supported by sign-up campaigns where users can gain access to exclusive offers and rewards. Sparks Pay launched during the year. M&S Connect created, putting M&S Bank & Services and Sparks under one leadership.
	Achieve International growth and strategy for India expansion. International performance driven by Clothing & Home sales from continued robust demand from partners in the Middle East and new store opening in India, partly offset by the closure of the Russia business. Online international sales growth led by India and via European marketplaces in H2.
	Deliver end to end clothing supply chain (phase 1). Warehouse rationalisation and investment in automation at the Bradford warehouse in Clothing & Home, alongside changes to returns processing. Donington capacity and throughput increased and operations stabilised. Growth in in-store fulfilment.
	Deliver digital and data capability and put at the heart of the delivery of the next phase of growth *transformation.* *Product led operating model in place across channels and now being rolled out across the* organisation. The technology, digital product and data teams brought together as one function.
	Clothing category management and effective ways of working. End-to-end planning platform in-flight post completing the planning phase and now entered the mobilisation phase. Refreshed leadership team and key appointments in the Clothing & Home leadership team.

FIGURE 11: ANNUAL BONUS SCHEME 2022/23 (AUDITED)

	CORPORATE GROUP PBT (70%)		INDIVIDUAL (30%)		TOTAL AWARD	
	Target/performance		Performance	Achievement		
Director	Min £400m	Max £480m			% of salary	£000
Stuart Machin	77.3% of max opportunity		90.0% of max opportunity		162%	£1,081
	£461.5m					
Katie Bickerstaffe	*77.3% of max opportunity*		*83.3% of max opportunity*		*158%*	*£989*
	£461.5m					

The information in the table above represents the bonus earned for the period that they served as an executive director following their appointment on 25 May 2022. The actual PBT of £482.0m was adjusted for the gain from Gist (£20.5m) to result in the outcome of £461.5m.

FIGURE 12: DSBP AWARDS IN RESPECT OF 2022/23

DEFERRED SHARE BONUS PLAN (AUDITED)

Currently 50% of any bonus award is compulsorily deferred into a conditional share award. These awards vest after three years, subject to continued employment as well as malus provisions. Consistent with the reporting requirements, the value shown in the table above for the 2022/23 bonus awards and in the single figure table on page 116 represents the bonus earned for the period that they served as executive directors following their appointment on 25 May 2022.

ANNUAL BONUS SCHEME FOR 2023/24

During the year, the Committee reviewed the 2023/24 scheme, considering the next phase of transformation together with bonus arrangements elsewhere in the business.

The Committee was satisfied that the structure of the ABS, as detailed on page 109 in the Policy table and unchanged from 2022/23, remains appropriate. Subject to the achievement of stretching targets, set in line with the 2023/24 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 award 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.

REMUNERATION REPORT CONTINUED

The performance targets for the 2023/24 scheme are deemed by the Board to be too commercially sensitive to disclose at this time. 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 awards made reflect overall business and individual performance during the year. Any discretion applied will be clearly disclosed and justified.

FIGURE 13: EXECUTIVE DIRECTOR OBJECTIVES FOR 2023/24 ANNUAL BONUS SCHEME

	CORPORATE TARGETS		INDIVIDUAL OBJECTIVES
	Group PBT before adjusting items PBT	Scorecard of individual measures	
Director	% bonus	% bonus	Measures
Stuart Machin	70%	30%	– Continued leadership and governance of the Executive Committee and developing a high performing leadership team. – Embed simplified organisational structure changes and realise financial benefits. – Solidify ways of working with Ocado to recover and grow online presence as identified through three-year plan. – Delivery of the next phase of the end-to-end supply chain across Foods and Clothing & Home. – Accelerate the property store rotation programme targeting 5 years into 3. Continued rollout of renewal programme with an omni-channel focus. – Step change digital plans to benefit customer engagement and experience through efficient use of capital investment which delivers financial efficiencies.
Katie Bickerstaffe	70%	30%	– Increase online sales penetration and improve operating margin to ensure we can make channel agnostic decisions. – Drive customer engagement through M&S Connect. – Deliver step-change in omni-channel experience. – Drive growth in Clothing & Home market share. – Commence restructure of the international business operating model for growth. – Integrate the initial phase of Clothing & Home to reset category management and end-to-end forecasting technology solution. – Deliver digital and technology return on investment.

PERFORMANCE SHARE PLAN (PSP)

PSP AWARDS MADE IN 2022/23 (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 2022 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 12 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 15.

For the 2022 PSP a grant of 250% of salary was approved by the Committee, the grant was made on 5 July 2022.

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 element of this award shall vest if the targets are 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 14.

FIGURE 14: PERFORMANCE CONDITIONS FOR PSP AWARDS MADE IN 2022/23 (AUDITED)

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	

FIGURE 15: TSR COMPARATOR GROUP 2022/23 AWARDS

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

FIGURE 16: PSP AWARDS MADE IN 2022/23 (AUDITED)

	Basis of award % of salary	Threshold *level of* vesting	*Face value of* award £000	End of *performance* period	Vesting date
Stuart Machin	250%	20%	2,000	29/03/2025	05/07/2025
Katie Bickerstaffe	250%	20%	1,875	29/03/2025	05/07/2025

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 2022 award, the share price was calculated as £1.39, being the average share price between 28 June 2022 and 4 July 2022.

FIGURE 17: PSP AWARDS VESTING IN 2022/23 (AUDITED)

For directors in receipt of PSP awards granted in 2020, the awards will vest in July 2023 based on three-year performance over the period to 1 April 2023. Performance has been assessed and it has been determined that 51.0% 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 below.

The total vesting values shown in Figure 18 directly correspond to the figure included in the single figure table on page 116.

	Final Year Adjusted EPS (%)	Final Year EPS (%)	TSR (Relative Ranking)	Strategic Measures			
				M&S.com growth	Food like-for-like	Store staff cost: Sales	
Target and weighting	30%	30%	20%		20%		Overall vesting
Threshold performance	13.0p	9.0%	Median	n/a	n/a	n/a	
Maximum performance	22.0p	12.0%	Upper quartile	15.0%	1.5%	10.8%	
Actual performance achieved	17.2p	10.4%	Below median	22.2%	5.1%	10.0%	
Percentage of maximum achieved	17.2%	17.1%	0%	6.7%	6.7%	3.3%	**51.0%**

Despite achieving the store staff cost to sales ratio target, this measure is also underpinned by no significant increase in central headcount over the period. Therefore, the Committee considered the impact of additional central costs and determined that the vesting outcome of this strategic measure should be reduced by 50%.

For threshold performance 20% of the 2020/21 award would have vested, increasing to 100% on a straight-line basis between threshold and maximum performance.

FIGURE 18: VESTING VALUE OF AWARDS VESTING IN 2022/23 (AUDITED)

	On grant			At the end of performance period (1 April 2023)			
	Number of shares granted	% of salary granted	Dividend equivalents accrued during the performance period	Number of shares vesting	Number of shares lapsing	Impact of share price performance	Total vesting of award £000
Stuart Machin	909,599	140%	–	463,895	445,704	51.7%	£704
Katie Bickerstaffe	727,679	140%	–	371,116	356,563	51.7%	£563

Total vesting values are based on a share price of £1.52 (the average share price from 3 January 2023 to 31 March 2023). No dividends were paid during the performance period, dividend equivalents accrued during the performance period is therefore zero as shown in the table above.

REMUNERATION REPORT CONTINUED

PSP AWARDS TO BE MADE IN 2023/24

During the year, the Committee reviewed the long-term incentive framework at M&S, assessing the extent to which it remained suitable. While the 2023 PSP will maintain the measures used for the 2022 PSP awards (30% adjusted EPS, 30% ROCE, 20% relative TSR and 20% strategic measures), a small amendment has been made to one of the strategic measures.

In 2020, to support the business transformation and to focus our senior leaders on truly making M&S great again, three core strategic measures were introduced; M&S.com growth, Food like-for-like sales and store staff cost to sales ratio. Since then, the business has faced unprecedented external pressures resulting from rising costs, increasing rates of inflation, escalating energy prices and other global events.

For the 2023 PSP the store staff costs to sales efficiency measure will be replaced with a broader metric monitoring overall business cost as a percentage of sales. In making this decision, the Committee was mindful of the need to ensure a strong focus on reducing overall costs to protect M&S' financial performance in these challenging times. 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.

The strategic targets are deemed too commercially sensitive to disclose but will be reported at the time of vesting.

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 12 companies, as detailed in Figure 15, was thoroughly reviewed to ensure the constituents remained appropriate and aligned to M&S' business operations. The TSR comparator group of 12 companies can be found in Figure 20.

Following a review of M&S' share price performance since the 2022/23 PSP was awarded in July 2022, a grant of 250% of salary was approved for the 2023 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 19 below, with 20% of awards vesting for threshold performance and 100% for maximum.

FIGURE 19: PERFORMANCE CONDITIONS FOR PSP AWARDS TO BE MADE IN 2023/24

2023/24 award measures	WEIGHTING	DETAILS THRESHOLD	MAXIMUM
Adjusted EPS in 2025/26 (p)	30%	16.7p	25.7p
ROCE in 2025/26 (%)	30%	11.5%	14.0%
Relative TSR	20%	Median	Upper quartile
Strategic measures	20%	M&S.com growth Food like-for-like sales Operating cost to sales ratio	

FIGURE 20: TSR COMPARATOR GROUP 2023/24 AWARD

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

EXECUTIVE DIRECTORS' REMUNERATION

FIGURE 21: 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 1 April 2023. 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 or the date they ceased to be an employee and 23 May 2023. No director had an interest in any of the Company's subsidiaries at the statutory end of the year.

		Unvested			
		With performance conditions	Without performance conditions		
	Shares owned outright	Performance Share Plan	Deferred Share Bonus Plan	Restricted Share Plan	Vested unexercised options
Stuart Machin	230,867	3,336,953	401,900	450,000	Nil
Katie Bickerstaffe	28,009	3,065,498	393,439	700,000	Nil
Steve Rowe (until 5 July 2022)	556,983	1,428,657	573,528	Nil	Nil
Eoin Tonge (until 19 January 2023)	277,999	Nil	Nil	Nil	Nil

FIGURE 22: 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 and Co-CEO, this requirement is 250% 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 1 April 2023. For Stuart Machin and Katie Bickerstaffe, their shareholding requirement is measured from their date of appointment to CEO and Co-CEO.

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 £1.34, with resultant shareholdings illustrated in the chart below.

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 173 to 175.

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 1 April 2023 is shown in Figure 23 and 24:

FIGURE 23: ALL SHARE PLANS

FIGURE 24: EXECUTIVE SHARE PLANS

REMUNERATION REPORT CONTINUED

FIGURE 25: EXECUTIVE DIRECTORS' INTERESTS IN THE COMPANY'S SHARE SCHEMES (AUDITED)

	Maximum receivable at 3 April 2022	Awarded during the year	Exercised during the year	Lapsed during the year	Dividend equivalents accrued	Maximum receivable at 1 April 2023
Stuart Machin						
Performance Share Plan	2,519,703	1,432,562	–	615,312	–	**3,336,953**
Deferred Share Bonus Plan	–	401,900	–	–	–	**401,900**
Restricted Share Plan	703,120	–	253,120	–	–	**450,000**
SAYE	21,951	–	–	–	–	**21,951**
Total	3,244,774	1,834,462	253,120	615,312	–	**4,210,804**
Katie Bickerstaffe						
Performance Share Plan	1,722,471	1,343,027	–	–	–	**3,065,498**
Deferred Share Bonus Plan	–	393,439	–	–	–	**393,439**
Restricted Share Plan	700,000	–	–	–	–	**700,000**
SAYE	21,951	–	–	–	–	**21,951**
Total	2,444,422	1,736,466	–	–	–	**4,180,888**
Steve Rowe						
Performance Share Plan	3,861,479	–	–	2,432,822	–	**1,428,657**
Deferred Share Bonus Plan	–	573,528	–	–	–	**573,528**
SAYE	21,951	–	–	21,951	–	**–**
Total	3,883,430	573,528	–	2,454,773	–	**2,002,185**
Eoin Tonge						
Performance Share Plan	2,032,049	1,181,863	–	3,213,912	–	**–**
Deferred Share Bonus Plan	–	412,363	–	412,363	–	**–**
Restricted Share Plan	789,252	–	526,168	263,084	–	**–**
SAYE	21,951	–	–	21,951	–	**–**
Total	2,843,252	1,594,226	526,168	3,911,310	–	**–**

The market price of the shares at the end of the financial year was £1.67; the highest and lowest share prices during the financial year were £0.93 and £1.67 respectively.

Figure 26 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.

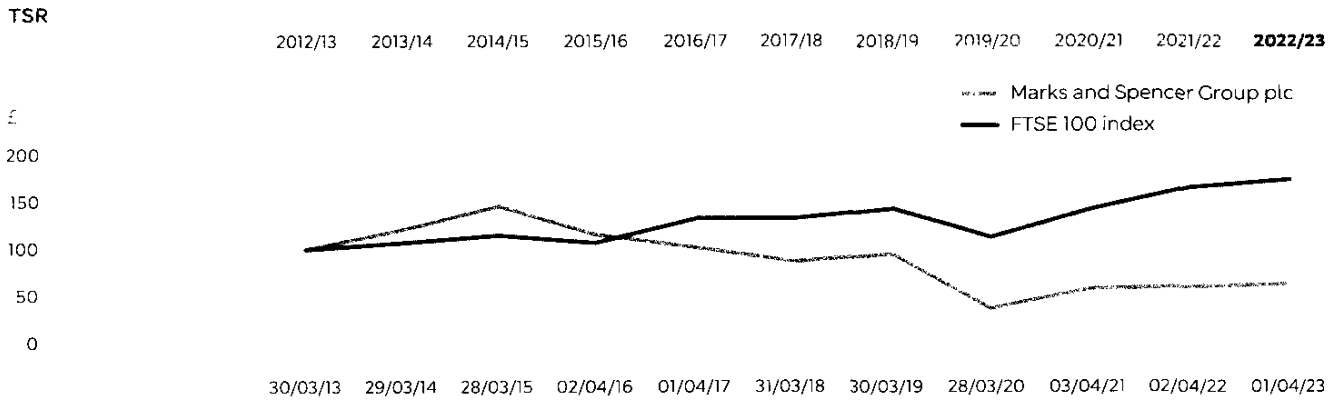
FIGURE 26: VESTING SCHEDULE OF EXECUTIVE DIRECTORS' OUTSTANDING DISCRETIONARY SHARE AWARDS

		Maximum receivable at 1 April 2023 (all discretionary schemes)	2023/24		2024/25		2025/26	
			Maximum receivable	Lapsed	Maximum receivable	Lapsed	Maximum receivable	Lapsed
Stuart Machin	Performance Share Plan	3,336,953	463,895	445,704	994,792	–	1,432,562	–
	Deferred Share Bonus Plan	401,900	–	–	401,900	–	–	–
	Restricted Share Plan	450,000	50,000	–	400,000	–	–	–
Katie Bickerstaffe	Performance Share Plan	3,065,498	371,116	356,563	994,792	–	1,343,027	–
	Deferred Share Bonus Plan	393,439	–	–	393,439	–	–	–
	Restricted Share Plan	700,000	200,000	–	500,000	–	–	–
Steve Rowe	Performance Share Plan	1,428,657	496,308	476,846	455,503	–	–	–
	Deferred Share Bonus Plan	573,528	–	–	573,528	–	–	

As reported on page 121, the 2020 PSP awards included within the totals shown in Figure 25 will vest at 51.0% in July 2023. This has been reflected above in the 2023/24 Maximum receivable / Lapsed columns.

FIGURE 27: 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										
CEO single figure (£000)	Stuart Machin	–	–	–	–	–	–	–	–	–	2,534
	Steve Rowe	–	–	–	1,642	1,123	1,517	1,205	1,068	2,630	156
	Marc Bolland	1,568	2,095	2,015	–	–	–	–	–	–	–
Annual bonus payment (% of maximum)	Stuart Machin	–	–	–	–	–	–	–	–	–	81.1%
	Steve Rowe	–	–	–	36.98%	0.00%	0.00%	0.00%	0.00%	95.0%	–
	Marc Bolland	0.00%	30.55%	31.90%	–	–	–	–	–	–	–
PSP vesting (% of maximum)	Stuart Machin	–	–	–	–	–	–	–	–	–	51.0%
	Steve Rowe	–	–	–	0.00%	8.20%	34.0%	11.20%	0.00%	0.00%	51.0%
	Marc Bolland	7.60%	4.70%	4.80%	–	–	–	–	–	–	–

FIGURE 28: PERCENTAGE CHANGE IN DIRECTORS' REMUNERATION

	2022/23			2021/22			2020/21		
	% change 2021/22-2022/23			% change 2020/21-2021/22			% change 2019/2020-2020/21		
	2021/22 Base salary/ fees	Benefits	Annual bonus	2020/21 Base salary/ fees	Benefits	Annual bonus	2019/20 Base salary/ fees	Benefits	Annual bonus
Stuart Machin	–	–	–	–	–	–	–	–	–
Katie Bickerstaffe	–	–	–	–	–	–	–	–	–
Steve Rowe (until 25 May 2022)	0%	15%	–	1%	-20%	–	0%	-37%	–
Eoin Tonge (until 19 January 2023)	9%	61%	–	1%	-33%	–	0%	–	–
Archie Norman	3%	-100%	–	1%	100%		0%	–74%	–
Andy Halford	3%	–	–	1%	–	–	0%	–	–
Andrew Fisher	3%	-100%	–	1%	–	–	0%	–	–
Justin King	3%	–	–	1%	–	–	0%	–	–
Tamara Ingram	3%	–	–	1%	–	–	0%	–	–
Sapna Sood	3%	–	–	1%	–	–	0%	–	–
Evelyn Bourke	3%	-100%	–	1%	–	–	–	–	–
Fiona Dawson	3%	–	–	1%	–	–	–	–	–
Ronan Dunne	–	–	–	–	–	–	–	–	–
Cheryl Potter	–	–	–	–	–	–	–	–	–
UK colleagues (average FTE)	6%	0%	-6%	2%	–	100%	0%	0%	–

1. The table is blank for Stuart Machin and Katie Bickerstaffe as there is no prior year single figure to compare to as they were not executive directors in 2021/22.
2. Steve Rowe and Eoin Tonge left M&S in 2022/23, no bonus was paid in respect of 2022/23, however it is not possible to display a percentage increase due to no bonus being paid in 2020/21.
3. Eoin Tonge only received salary and benefits to his departure on 19 January 2023, the arrangements for Steve Rowe are fully disclosed in the paymentsfor the loss of office section on page 126
4. See figure 31 on page 127 for details of Non-Executive Director Remuneration which support the percentage changes above.

REMUNERATION REPORT CONTINUED

FIGURE 29: RELATIVE IMPORTANCE OF SPEND ON PAY

The table below 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.

	2021/22 £m	2022/23 £m	% change
Total colleague pay	1,487.5	**1,586.2**	6.6%
Total returns to shareholders	Nil	**Nil**	–
Group PBT before adjusting items	522.9	**482.0**	-7.8%

Group PBT before adjusting items as disclosed on page 103.

FIGURE 30: 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
Stuart Machin	25/05/2022	12 months/6 months
Katie Bickerstaffe	25/05/2022	12 months/6 months

CHANGES TO EXECUTIVE MEMBERSHIP OF THE BOARD DURING 2022/23

DIRECTORS APPOINTED TO THE BOARD

As reported in the 2021/22 report, on 25 May 2022 Stuart Machin and Katie Bickerstaffe were appointed to the Board as CEO and Co-CEO, respectively. Remuneration arrangements upon appointment were fully disclosed in the 2021/2022 report.

PAYMENTS FOR THE LOSS OF OFFICE (audited)

As reported in the 2021/22 report, Steve Rowe stepped down as CEO after the preliminary results on 25 May 2022 and ceased full-time employment with M&S on 5 July 2022. As reported in the single figure table on page 116 he was paid £156,012 for the period that he served as a director in the 2022/23 financial year. For the period 26 May to 5 July where Steve was employed but no longer a director he received salary and benefits (car and pension) of £75,862. Steve did not participate in the 2022/23 ABS.

Remuneration terms on leaving were in line with the approved Termination Policy. Steve was contractually entitled to receive salary, and benefits (car and pension), by way of phased monthly payments from 6 July 2022 for a maximum of 12 months, subject to mitigation. In respect of 2022/23 Steve received £695,358 comprising nine months phased payments. In line with his contractual arrangements, Steve also received a payment of £173,758 in respect of accrued but untaken holiday as per the Company's standard holiday policy for leavers.

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 were time pro-rated to 5 July 2022. As reported last year, the PSP awards granted in 2019 vested in June 2022 at 0%, resulting in the award lapsing in full. As detailed earlier in the report on page 121, 51.0% of PSP awards granted in 2020 will vest in July 2023. For Steve Rowe, the award is pro-rated so 496,308 shares will vest at an estimated value of c.£753,147 based on the average share price of £1.52 between 3 January 2023 and 31 March 2023.Steve has one further unvested PSP award (455,503 shares), granted in 2021. To the extent that performance conditions are met, the subsequent vesting of this award will be reported in next year's report.

As announced in July 2022, Eoin Tonge resigned from his position of CFO, he stepped down from the Board on 9 December 2022 and ceased full-time employment with M&S on 19 January 2023. As reported in the single figure table on page 116 he received £548,154 in fixed pay up to the date of his departure and for the purposes of his share awards was treated as a bad leaver so all awards lapsed on leaving. No payment was made in respect of the of 2022/23 ABS.

PAYMENTS TO PAST DIRECTORS (audited)

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

EXTERNAL APPOINTMENTS

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

Katie Bickerstaffe is a non-executive director of the England and Wales Cricket Board (ECB) and Barratt Developments plc. Katie received fees of £20,000 from the ECB and £92,974 from Barratt Developments in 2022/23 in respect of these external appointments.

FIGURE 31: 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 2022/23 and 2021/22 are detailed in the table below.

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 below 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 3% to £74,380 with effect from 1 July 2022. The Board Chairman was similarly awarded an increase of 3% with effect from 1 July 2022. The total aggregate fee for the Board Chairman increased to £636,540.

In line with pay increases across the business, non-executive director fees will increase by 3% to £76,611 with effect from 1 July 2023. The Board Chairman was also awarded an increase of 3% bringing the total aggregate fee to £655,636.

Fee levels will again be reviewed in the year, ahead of any changes which would be effective 1 July 2024.

Director	Year	Basic fees £000	Additional fees £000	Benefits £000	Total £000
Archie Norman	2022/23	74	558	0	632
	2021/22	72	544	10	626
Andy Halford	2022/23	55	23	0	78
(until 31 December 2022)	2021/22	72	31	0	103
Andrew Fisher	2022/23	74	28	0	102
	2021/22	72	17	1	90
Justin King	2022/23	74	0	0	74
	2021/22	72	0	0	72
Tamara Ingram	2022/23	74	20	0	94
	2021/22	72	17	0	89
Sapna Sood	2022/23	74	0	0	74
	2021/22	72	0	0	72
Evelyn Bourke	2022/23	74	16	0	90
	2021/22	72	0	1	73
Fiona Dawson	2022/23	74	0	0	74
	2021/22	62	0	0	62
Ronan Dunne	2022/23	50	0	0	50
(from 1 August 2022)	2021/22	0	0	0	0
Cheryl Potter	2022/23	6	0	0	6
(from 1 March 2023)	2021/22	0	0	0	0

REMUNERATION REPORT CONTINUED

FIGURE 32: 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 below details the shareholding of the non-executive directors who served on the Board during the year as at 1 April 2023 (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 23 May 2023 (or upon their date of retiring from the Board) are shown in the table below.

Director	Number of shares held as at 1 April 2023	Number of shares held as at 23 May 2023
Archie Norman	148,600	No change
Andy Halford	25,200	No change
Andrew Fisher	4,243	No change
Justin King	64,000	No change
Tamara Ingram	2,000	No change
Sapna Sood	2,000	No change
Evelyn Bourke	50,000	No change
Fiona Dawson	12,352	No change
Ronan Dunne	25,000	No change
Cheryl Potter	–	No change

FIGURE 33: 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 below sets out these terms for all current members of the Board.

Director	Date of appointment	Notice period
Archie Norman	01/09/2017	6 months/6 months
Andrew Fisher	01/12/2015	3 months/3 months
Justin King	01/01/2019	3 months/3 months
Tamara Ingram	01/06/2020	3 months/3 months
Sapna Sood	01/06/2020	3 months/3 months
Evelyn Bourke	01/02/2021	3 months/3 months
Fiona Dawson	25/05/2021	3 months/3 months
Ronan Dunne	01/08/2022	3 months/3 months
Cheryl Potter	01/03/2023	3 months/3 months

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

ROLE CHANGES WITHIN THE BOARD

As reported in the 2021/22 report Andy Halford retired as the Chair of the Audit Committee on 7 June 2022; and on 31 December 2022 he retired from the role of Senior Independent Director and stepped down from the Board.

Andrew Fisher became Senior Independent Director with effect 31 December 2022, he continues in his role of Chair of the Remuneration Committee. His fee increased from £94,380 to £125,380 (£127,611 from 1 July 2023).

Fiona Dawson became a member of the Remuneration Committee with effect 16 January 2023. No additional fees were payable on joining the Committee.

During the year Ronan Dunne joined the Board on 1 August 2022 and Cheryl Potter on 1 March 2023.

REMUNERATION COMMITTEE

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.

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. During the year, PwC charged £62,000 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, Co-CEO, CFO, General Counsel & Company Secretary, Group HR Director, Head of Organisational Effectiveness and the Head of Reward 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 Reward, 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 2021/22 DIRECTORS' REMUNERATION REPORT

At the Annual General Meeting on 5 July 2022, 70.89% of shareholders voted in favour of the advisory resolution to approve the Directors' Remuneration Report for 2021/22. The Committee noted the number of votes cast against the resolution, and proactively engaged with the top 40 shareholders to understand the reasons why some shareholders voted against the resolution. An update on the engagement was published to our corporate website in January 2023, and for the purposes of Provision 4 of the UK Corporate Governance Code, this is the final summary on the vote. The feedback received from shareholders was largely supportive of the Company's approach, and the concerns raised by a minority of shareholders related to the specific leaving arrangements for outgoing CEO, Steve Rowe. The Board believes strongly that it acted in shareholders' interests and consistent with the values and integrity of the business. There is no expectation that this set of circumstances will be repeated, and therefore the Board believes this 29% vote against an AGM resolution to be an isolated occurrence.

FIGURE 34: VOTING OUTCOMES FOR THE REMUNERATION POLICY AND 2021/22 REMUNERATION REPORT

Member	% Votes for	% Votes for	Votes against	% Votes against	Votes withheld
Remuneration Policy (at the 2020 AGM)	1,125,697,134	97.14%	33,187,602	2.86%	942,792
2021/22 Remuneration Report (at the 2022 AGM)	930,901,466	70.89%	382,304,226	29.11%	27,809,219

APPROVED BY THE BOARD

Andrew Fisher Chair of the Remuneration Committee
London, 23 May 2023

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.

OTHER DISCLOSURES

DIRECTORS' REPORT

Marks and Spencer Group plc (the "Company") is the holding company of the Marks & Spencer Group of companies (the "Group").

The Directors' Report for the year ended 1 April 2023 comprises pages 68 to 134 and pages 230 to 231 of this report, together with the sections of the Annual Report incorporated by reference. As permitted by legislation, some of the matters required to be included in the Directors' Report have instead been included in the Strategic Report on pages 2 to 67, as the Board considers them to be of strategic importance. Specifically, these are:

- Future business developments (throughout the Strategic Report).
- Risk management on pages 56 to 57.
- Details of branches operated by the Company on pages 8 to 9.
- Information on how the directors have had regard for the Company's stakeholders, and the effect of that regard, on pages 10 to 11.

The Strategic Report and the Directors' Report together form the Management Report for the purposes of the Disclosure Guidance and Transparency Rules ("DTR") 4.1.8R.

Information relating to financial instruments can be found on pages 184 to 194 and is incorporated by reference.

For information on our approach to social, environmental and ethical matters, please see our ESG Committee report on pages 90 to 91, our TCFD Report on pages 44 to 55, and our Sustainability Report available on the dedicated sustainability section of our website: **corporate.marksandspencer.com/sustainability**.

Other information to be disclosed in the Directors' Report is given in this section.

The Directors' Report fulfils the requirements of the Corporate Governance Statement for the purposes of DTR 7.2.3R. Further information is available online at **corporate.marksandspencer.com**.

Both the Strategic Report and the Directors' Report have been drawn up and presented in accordance with, and in reliance upon, applicable English company law, and the liabilities of the directors in connection with those reports shall be subject to the limitations and restrictions provided by such law.

INFORMATION TO BE DISCLOSED UNDER LR 9.8.4R

Listing Rule	Detail	Page reference
9.8.4R (1) (2) (5-14) (A) (B)	Not applicable	N/A
9.8.4R (4)	Long-term incentive schemes	102-104, 115-116, 120-126

BOARD OF DIRECTORS

The membership of the Board and biographical details of the directors are provided on pages 72 and 73. Changes to the directors during the year and up to the date of this report are set out below. Details of directors' beneficial and non-beneficial interests in the shares of the Company are shown on pages 121 to 124 and 128. Options granted to directors under the Save As You Earn ("SAYE") and Executive Share Option Schemes are shown on page 124. Further information regarding employee share option schemes is provided in note 13 to the financial statements on pages 173 to 175.

Name	Role	Effective date of departure/appointment
Departures		
Steve Rowe	Executive Director	25 May 2022
Eoin Tonge	Executive Director	9 December 2022
Andy Halford	Non-Executive Director	31 December 2022
Appointments		
Stuart Machin	Executive Director	25 May 2022
Katie Bickerstaffe	Executive Director	25 May 2022
Ronan Dunne	Non-Executive Director	1 August 2022
Cheryl Potter	Non-Executive Director	1 March 2023

The appointment and replacement of directors is governed by the Company's Articles of Association (the "Articles"), the UK Corporate Governance Code, the Companies Act 2006 and related legislation. The Articles may be amended by a special resolution of the shareholders. Subject to the Articles, the Companies Act 2006 and any directions given by special resolution, the business of the Company will be managed by the Board who may exercise all the powers of the Company.

The Company may, by ordinary resolution, declare dividends not exceeding the amount recommended by the Board. Subject to the Companies Act 2006, the Board may pay interim dividends and also any fixed rate dividend, whenever the financial position of the Company, in the opinion of the Board, justifies its payment.

The directors may from time to time appoint one or more directors. The Board may appoint any person to be a director (so long as the total number of directors does not exceed the limit prescribed in the Articles). Under the Articles, any such director shall hold office only until the next Annual General Meeting ("AGM") where they will stand for annual election.

NUMERICAL DIVERSITY DATA AS AT 1 APRIL 2023

Our gender identity and ethnicity data in accordance with Listing Rule 9.8.6R(10) in the format set out in LR 9 Annex 2.1. At year end, Board and ExCo members are asked to complete a diversity disclosure to confirm which of the categories set out in the below they identify with:

Gender identity	Number of Board members	% of the Board	Number of senior positions on the board (CEO, CFO, SID and Chair)	Number in ExCo	% of ExCo
Women	6	55	1	3	33
Men	5	45	3*	6	67
Non-binary	–	–	–	–	–
Not specified/prefer not to say	–	–	–	–	–

*The CFO is a member of ExCo but not a member of the Board

Ethnic background	Number of Board members	% of the Board	Number of senior positions on the board (CEO, CFO, SID and Chair)	Number in ExCo	% of ExCo
White British or other White (including minority-White groups)	9	82%	3	7	78%
Mixed/Multiple Ethnic Groups	–	–	–	1	11%
Asian/Asian British	1	9%	–	–	–
Black/African/Caribbean/Black British	–	–	–	–	–
Other ethnic group, including Arab	–	–	–	–	–
Not specified/prefer not to say	1	9%	1	1	11%

DIRECTORS' CONFLICTS OF INTEREST

The Company has procedures in place for managing conflicts of interest. All directors are required to avoid situations in which they have, or could have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the Company. Should a director become aware that they, or any of their connected parties, have an interest in an existing or proposed transaction with the Company or its subsidiaries, they should notify the Board in writing or at the next Board meeting. Internal controls are in place to ensure that any related party transactions involving directors, or their connected parties, are conducted on an arm's length basis. Directors have a continuing duty to update any changes to these conflicts.

DIRECTORS' INDEMNITIES

The Company maintains directors' and officers' liability insurance which provides appropriate cover for legal action brought against its directors and officers. The Company has also granted indemnities to each of its directors and the Company Secretary to the extent permitted by law. Qualifying third-party indemnity provisions (as defined by Section 234 of the Companies Act 2006) were in force during the year ended 1 April 2023 and remain in force in relation to certain losses and liabilities which the directors (or Company Secretary) may incur to third parties in the course of acting as directors or Company Secretary or employees of the Company or of any associated company. Qualifying pension scheme indemnity provisions (as defined by Section 235 of the Companies Act 2006) were in force during the course of the financial year ended 1 April 2023 for the benefit of the Trustees of the Marks & Spencer UK Pension Scheme, both in the UK and the Republic of Ireland.

PROFIT AND DIVIDENDS

The profit for the financial year, after taxation, amounts to £364.5m (last year £309.0m). The directors have not declared dividends as follows:

Ordinary shares	£m
No proposed interim dividend (last year no proposed interim dividend)	–
No proposed final dividend (last year no proposed final dividend)	–
No dividend proposed for 2022/23 (last year no proposed dividend)	–

SHARE CAPITAL

The Company's issued ordinary share capital as at 1 April 2023 comprised a single class of ordinary share. Each share carries the right to one vote at general meetings of the Company.

During the financial year, 258,244 ordinary shares in the Company were issued under the terms of the United Kingdom Employees' SAYE Share Option Scheme. 16,106 shares were issued at a price of 151p, 113,379 shares at a price of 82p, and a further 128,759 ordinary shares were issued at their nominal value of 1p.

In addition, during the period, 5,770,343 ordinary shares were issued at their nominal value of 1p to satisfy employee share awards under the Company's Restricted Share Plan.

Details of movements in the Company's issued share capital can be found in note 24 to the financial statements on page 196.

RESTRICTIONS ON TRANSFER OF SECURITIES

There are no specific restrictions on the transfer of securities in the Company, which are governed by its Articles and prevailing legislation. The Company is not aware of any agreements between holders of securities that may result in restrictions on the transfer of securities or that might result in restrictions on voting rights.

VARIATION OF RIGHTS

Subject to applicable statutes, rights attached to any class of share may be varied with the written consent of the holders of at least three-quarters in nominal value of the issued shares of that class, or by a special resolution passed at a separate general meeting of the shareholders.

RIGHTS AND OBLIGATIONS ATTACHING TO SHARES

Subject to the provisions of the Companies Act 2006, any resolution passed by the Company under the Companies Act 2006 and other shareholders' rights, shares may be issued with such rights and restrictions as the Company may by ordinary resolution decide, or (if there is no such resolution or so far as it does not make specific provision) as the Board may decide.

POWERS FOR THE COMPANY ISSUING OR BUYING BACK ITS OWN SHARES

The Company was authorised by shareholders at the 2022 AGM to purchase in the market up to 10% of the Company's issued share capital, as permitted under the Company's Articles. No shares were bought back under this authority during the year ended 1 April 2023 and up to the date of this report.

This standard authority is renewable annually; the directors will seek to renew it at the 2023 AGM.

The directors were granted authority at the 2022 AGM to allot relevant securities up to a nominal amount of £6,529,881.95. This authority will apply until the conclusion of the 2023 AGM. At this year's

OTHER DISCLOSURES CONTINUED

AGM, shareholders will be asked to grant an authority to allot relevant securities (i) up to a nominal amount of £6,550,886.24 and (ii) comprising equity securities up to a nominal amount of £13,101,772.49 (after deducting from such limit any relevant securities allotted under (i)), in connection with a pre-emptive offer (the Section 551 amount), such Section 551 amount to apply until the conclusion of the AGM to be held in 2024 or on 1 October 2024, whichever is sooner.

At the 2022 AGM, two separate special resolutions were passed empowering the directors to allot equity securities for cash without first offering them to existing shareholders in proportion to their existing holdings. A special resolution will be proposed at the 2023 AGM to renew and enhance the directors' powers – in line with the latest institutional shareholder guidelines – to make non-pre-emptive issues for cash only and otherwise up to a nominal amount of £1,965,265.87. In addition, a separate special resolution will be proposed to authorise directors to make non-pre-emptive issues for cash in connection with acquisitions or specified capital investments, up to a further nominal amount of £1,965,265.87. In both cases an additional follow-on offer, up to a nominal amount equal to 20% of any allotment made under either special resolution can be made to existing holders of securities not allocated shares under the allotment, as envisaged by paragraph 3 of Section 2B of the Statement of Principles on Disapplying Pre-Emption Rights issued by the Pre-Emption Group in November 2022.

A special resolution will also be proposed to renew the directors' authority to repurchase the Company's ordinary shares in the market. The authority will be limited to a maximum of 196,526,587 ordinary shares and sets the minimum and maximum prices which would be paid.

DEADLINES FOR EXERCISING VOTING RIGHTS

Votes are exercisable at a general meeting of the Company in respect of which the business being voted upon is being heard. Votes may be exercised in person, by proxy or, in relation to corporate members, by corporate representatives. The Articles provide a deadline for submission of proxy forms of not less than 48 hours before the time appointed for the holding of the meeting or adjourned meeting. However, when calculating the 48-hour period, the directors can, and have, decided not to take account of any part of a day that is not a working day.

SIGNIFICANT AGREEMENTS – CHANGE OF CONTROL

There are a number of agreements to which the Company is party that take effect, alter or terminate upon a change of control of the Company following a takeover bid. Details of the significant agreements of this kind are as follows:

- The $300m US Notes issued by the Company to various institutions on 6 December 2007 under Section 144a of the US Securities Act contain an option such that, upon a change of control event, combined with a credit ratings downgrade, any holder of such a US Note may require the Company to prepay the principal amount of that US Note.
- The £850m Credit Agreement dated 13 December 2021 between the Company and various banks contains a provision such that, upon a change of control event, unless new terms are agreed within 60 days, the facility under this agreement will be cancelled with all outstanding amounts becoming immediately payable with interest.
- The amended and restated Relationship Agreement dated 6 October 2014 (originally dated 9 November 2004 and amended and restated on 1 March 2005 and 1 February 2012), between HSBC UK Bank plc, Marks and Spencer Financial Services plc ("M&S Bank") and the Company's wholly owned subsidiary, Marks and Spencer plc ("M&S plc") and relating to M&S Bank, contains certain provisions which address a change of control of the Company. Upon a change of control, the existing rights and obligations of the parties in respect of M&S Bank continue and HSBC gains certain limited additional rights in respect of existing customers of the new controller of M&S plc. Where a third-party arrangement is in place for the supply of financial services products to existing customers of the new controller, M&S plc is required to procure the termination of such arrangement as soon as practicable (while not being required to do anything that would breach such a third-party arrangement). Where a third-party arrangement is so terminated, or does not exist, HSBC has the exclusive right to negotiate proposed terms for the offer and sale of financial services products to the existing customers of the new controller by HSBC on an exclusive basis. Where M&S plc undertakes a re-branding exercise with the new controller following a change of control (which includes using any M&S brand in respect of the new controller's business or vice versa), HSBC may, depending on the nature of the re-branding exercise, have the right (exercisable at HSBC's election) to terminate the Relationship Agreement.

INTERESTS IN VOTING RIGHTS

Information provided to the Company pursuant to the Financial Conduct Authority's DTRs is published on a Regulatory Information Service and on the Company's website. As at 1 April 2023, the following information has been received, in accordance with DTR 5, from holders of notifiable interests in the Company's issued share capital.

The information provided below was correct at the date of notification; however, the date it was received may not have been within the current financial year. It should be noted that these holdings are likely to have changed since the Company was notified. However, notification of any change is not required until the next notifiable threshold is crossed.

Notifiable interests	Voting rights	% of capital disclosed	Nature of holding as per disclosure
Schroders plc	90,153,730	5.549*	Indirect interest (5.547%), CFD (0.001%)
Citadel LLC and its group	97,679,549	5.00052**	Equity swap
Blackrock, Inc.	106,621018	5.42***	Indirect interest (4.77%), securities lending (0.48%), CFD (0.17%)
Redwheel (formerly RWC Asset Management LLP)	104,965,660	5.38	Indirect interest
Norges Bank	57,796,956	2.95168	Direct interest

* Disclosures made prior to the 2019 rights issue.

** Disclosed on 15 September 2020. A further disclosure was made on the same day notifying the Company that Citadel's holding had decreased below the 5% notifiable threshold, which did not state the new position.

*** Disclosed on 16 January 2023. A further disclosure was made on 20 March 2023 notifying the Company that Blackrock's holding had decreased below the 5% notifiable threshold which did not state the new position.

The Company does not have agreements with any director or employee that would provide compensation for loss of office or employment resulting from a takeover except that provisions of the Company's share schemes and plans may cause options and awards granted to employees under such schemes and plans to vest on a takeover.

COLLEAGUE INVOLVEMENT

We remain committed to colleague involvement throughout the business. Colleagues are kept well informed of the performance and strategy of the Group. Examples of colleague involvement and engagement, and information on our approach to our workforce, are highlighted throughout this Annual Report and specifically on pages 8 to 10, 28 to 31, and 80 to 82.

Share schemes are a long-established and successful part of colleagues' total reward packages, encouraging and supporting employee share ownership. The Company operates both an all-employee SAYE Scheme and a Share Incentive Plan. As at 1 April 2023, 14,934 colleagues were participating in the Company's SAYE Scheme. Full details of all schemes are given on pages 173 to 175.

There are websites for both pension schemes – the defined contribution scheme (Your M&S UK Pension Saving Plan) and the defined benefit scheme (the Marks & Spencer UK Pension Scheme) – which are fully accessible to employees and former employees who have retained benefits in either scheme. Employees are updated as needed with any pertinent information on their pension savings.

EQUAL OPPORTUNITIES

The Group is committed to an active inclusion, diversity and equal opportunities policy: from recruitment and selection, through training and development, performance reviews and promotion, to retirement.

The Company's policy is to promote an environment free from discrimination, harassment and victimisation, where everyone will receive equal treatment regardless of gender, colour, ethnic or national origin, health condition, age, marital or civil partner status, sexual orientation, gender identity or faith. All decisions relating to employment practices will be objective, free from bias and based solely upon work criteria and individual merit. The Company is responsive to the needs of its employees, customers and the community at large.

M&S is an organisation which uses everyone's talents and abilities and where inclusion and diversity are valued. M&S has a business-wide inclusion and diversity strategy, sponsored by a member of the Executive Committee and championed by our Inclusion Activation Group of senior leaders.

Our seven employee-led diversity networks are supported by a central Inclusion and Diversity team, who work to embed a culture of inclusion across the organisation. Last year, as part of the reset of our inclusion and diversity strategy we set the aim to reach 50% female representation and 15% ethnic minority representation on the M&S senior management team by 2025.

We have made great progress in driving female representation at this level and throughout our talent pipelines, and we are continuing to address the barriers and identify opportunities to attract and develop ethnic minority talent. We know we have a lot more to do, but we are facing into this and want to show our colleagues, customers and communities that we continue to be committed to making M&S an inclusive organisation.

Further information on our inclusion and diversity initiatives can be found on pages 28 to 31, and page 89.

EMPLOYEES WITH DISABILITIES

The Company is clear in its policy that people with health conditions, both visible and non-visible, should have full and fair consideration for all vacancies. M&S has continued to demonstrate its commitment to interviewing those applicants with disabilities who fulfil the minimum criteria, and endeavouring to retain employees in the workforce if they become disabled during employment. M&S will actively retrain and adjust employees' environments where possible to allow them to maximise their potential and will continue to work with external organisations to provide workplace opportunities through our innovative Marks & Start scheme, working closely with The Prince's Trust and Jobcentre Plus, most recently via the Kickstart programme.

RESEARCH & DEVELOPMENT

Research and innovation remain key to our Food and Clothing & Home offers, enabling the development of better products. Further information is available on our corporate website: corporate.marksandspencer.com and our Sustainability Report 2023.

GROCERIES SUPPLY CODE OF PRACTICE

The Groceries (Supply Chain Practices) Market Investigation Order 2009 (the "Order") and The Groceries Supply Code of Practice (the "Code") impose obligations on M&S regarding its relationships with its suppliers of groceries. Under the Order and Code, M&S is required to submit an annual compliance report to the Audit & Risk Committee for approval and then to the Competition and Markets Authority and Groceries Code Adjudicator ("GCA").

M&S submitted its report, covering the period from 3 April 2022 to 1 April 2023 to the Audit & Risk Committee on 11 May 2023. It was approved on 18 May 2023.

In accordance with the Order, a summary of that compliance report is set out below.

M&S believes that it has materially complied with the Code and the Order during the relevant period. No formal disputes under the Code have arisen during the reporting period. There have been nine instances during the reporting period in which suppliers have either alleged a breach or made a reference to potential non-compliance with the Code. M&S has worked with the suppliers to address the issues raised and seven of them have been resolved or closed, with two issues remaining open. One additional Code reference made by a supplier before 3 April 2022 was also closed during the reporting period.

A detailed summary of the compliance report is available on our website.

POLITICAL DONATIONS

The Company did not make any political donations or incur any political expenditure during the year ended 1 April 2023. M&S has a policy of not making donations to political organisations or independent election candidates or incurring political expenditure anywhere in the world as defined in the Political Parties, Elections and Referendums Act 2000.

GOING CONCERN

In adopting the going concern basis for preparing the financial statements, the directors have considered the business activities as set out on pages 12 to 27, the financial position of the Group, its cash flows, liquidity position and borrowing facilities as set out in the Financial Review on pages 35 to 41, the Group's financial risk management objectives and exposures to liquidity and financial risks as set out in note 21 to the financial statements, as well as the Group's principal risks and uncertainties as set out on pages 58 to 65.

OTHER DISCLOSURES CONTINUED

Based on the Group's cash flow forecasts, the Board expects the Group to have adequate resources to continue in operation, meet its liabilities as they fall due, retain sufficient available cash and not breach the covenant under its revolving credit facility for the foreseeable future, being a period of at least 12 months from the approval of the financial statements. The Board therefore considers it appropriate for the Group to adopt the going concern basis in preparing its financial statements.

See note 20 to the financial statements for more information on our facilities.

LONG-TERM VIABILITY STATEMENT
The directors have assessed the prospects of the Company over a three-year period to March 2026. This has taken into account the business model, strategic aims, risk appetite, and principal risks and uncertainties, along with the Company's current financial position. Based on this assessment, the directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the three-year period under review.

See our approach to assessing long-term viability on pages 66 to 67.

AUDITOR
Resolutions to reappoint Deloitte LLP as auditor of the Company and to authorise the Audit & Risk Committee to determine its remuneration will be proposed at the 2023 AGM.

ANNUAL GENERAL MEETING
The AGM of Marks and Spencer Group plc will be broadcast online from M&S' Waterside House support centre on 4 July 2023 at 11am. Shareholders are advised not to travel to the venue on the day. The Notice of Meeting is given, together with explanatory notes and guidance on how to access the meeting and vote electronically, on pages 218 to 229.

DIRECTORS' RESPONSIBILITIES
The Board is of the view that the Annual Report should be truly representative of the year and provide shareholders with the information necessary to assess the Group's position, performance, business model and strategy.

The Board requested that the Audit & Risk Committee review the Annual Report and provide its opinion on whether the report is fair, balanced and understandable. The Audit & Risk Committee's opinion is on page 94.

The directors are also responsible for preparing the Annual Report, the Remuneration Report and Policy and the financial statements in accordance with applicable law and regulations. Company law requires the directors to prepare financial statements for each financial year. Under that law the directors are required to prepare the Group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards ("IFRS") as adopted by the UK. Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group and the Company for that period.

In preparing these financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently.
- Make judgements and accounting estimates that are reasonable and prudent.
- State whether applicable IFRS (as adopted by the UK) have been followed, subject to any material departures disclosed and explained in the financial statements.
- Prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the current directors, whose names and functions are listed on pages 72 to 73, confirms that, to the best of their knowledge:

- The Group financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole.
- The Management Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.
- The Annual Report, taken as a whole, is fair, balanced and understandable, and provides the necessary information for shareholders to assess the Group's position, performance, business model and strategy.

DISCLOSURE OF INFORMATION TO AUDITOR
Each of the persons who are directors at the time when this Directors' Report is approved confirms that, so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware and that they have taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

The Directors' Report was approved by a duly authorised committee of the Board of Directors on 23 May 2023 and signed on its behalf by

Nick Folland

Nick Folland
General Counsel & Company Secretary

London, 23 May 2023

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF MARKS AND SPENCER GROUP PLC

Report on the audit of the financial statements

1. OPINION

In our opinion:

- the financial statements of Marks and Spencer Group plc (the 'Parent Company') and its subsidiaries (the 'Group') give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 1 April 2023 and of the Group's profit for the 52 weeks then ended;
- the Group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the Consolidated Income Statement;
- the Consolidated Statement of Comprehensive Income;
- the Consolidated and Parent Company Statements of Financial Position;
- the Consolidated and Parent Company Statements of Changes in Equity;
- the Consolidated and Parent Company Statements of Cash Flows; and
- the related notes 1 to 33 and C1 to C7.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom adopted international accounting standards and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

2. BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)') and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services provided to the Group and Parent Company for the period are disclosed in note 4 to the financial statements. We confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the Group or the Parent Company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. SUMMARY OF OUR AUDIT APPROACH

Key audit matters	Materiality	Significant changes in our approach
The key audit matters that we identified in the current year were: - impairment and impairment reversal of UK store assets; - accounting for the UK store estate programme; - inventory provisions within UK Clothing & Home; and - disclosure of adjusting items as part of alternative performance measures. These are all consistent with, and represent a similar level of risk as, last year.	The materiality that we used for the Group financial statements was £24.0m which was determined by considering a number of different metrics used by investors and other readers of the financial statements. These included: - profit before tax; - profit before tax & adjusting items; - earnings before interest, tax, depreciation and amortisation ('EBITDA'); and - revenue. **Scoping** We have performed a full-scope audit on the UK component of the business, Balances subject to full scope audit represents 93% (2022: 95%) of the group revenue, 90% (2022: 88%) of profit before tax and adjusting items, 81% (2022: 93%) of profit before tax, 78% (2022: 80%) of total assets and 84% (2022: 88%) of total liabilities. We perform specified audit procedures in relation to the India business and analytical procedures on residual balances.	No significant changes apply for the current period.

INDEPENDENT AUDITOR'S REPORT CONTINUED

4. CONCLUSIONS RELATING TO GOING CONCERN

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the Group's and Parent Company's ability to continue to adopt the going concern basis of accounting included:

- obtaining an understanding of relevant controls relating to the assessment of going concern models, including the review of the inputs and assumptions used in those models;
- obtaining management's board-approved three-year cash flow forecasts and covenant compliance forecasts, including the sensitivity analysis;
- reviewing management's assessment of going concern and viability, including the three-year plan, as set out in their paper to the Audit & Risk Committee;
- assessing the appropriateness of forecast assumptions by:
  - reading analyst reports, industry data and other external information and comparing these with management's estimates;
  - comparing forecast sales with recent historical financial information to consider accuracy of forecasting;
  - testing the underlying data generated to prepare the forecast scenarios and to determine whether there was adequate support for the assumptions underlying the forecast;
  - reviewing correspondence relating to the availability of the Group's financing arrangements;
  - assessing the impact of macro-economic conditions on the business; and
  - considering the results of the sensitivity analyses performed; and
- evaluating the Group's disclosures on going concern in the financial statements against the requirements of IAS 1.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the reporting on how the Group has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

5. KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. Impairment and impairment reversal of UK store assets

Key audit matter description

As at 1 April 2023 the Group held £3,452.5 million (2022: £3,379.4 million) of UK store assets in respect of stores not considered for closure within the UK store estate programme. In accordance with IAS 36 Impairment of Assets, the Group has undertaken an annual assessment of indicators of impairment. An impairment charge of £17.3 million (2022: £6.9 million) and a reversal of previously recognised impairment charges of £33.1 million (2022: £63.4 million) have been recognised as set out in notes 5 and 15 to the financial statements.

As described in note 15 to the financial statements, the Group has estimated the recoverable amount of store assets based on their value in use, derived from a discounted cash flow model prepared by management. The model relies on certain assumptions and estimates of future trading performance, incorporating committed strategic changes to the UK Clothing & Home and Food businesses and the performance of new stores operating within their shelter period (which takes into account the time new stores take to establish themselves in the market), all of which involve a high degree of estimation uncertainty (as disclosed in notes 1 and 15).

The key assumptions applied by management in the impairment reviews performed are:

- future revenue growth and changes in gross margin;
- long term growth rates; and
- discount rates.

The Audit & Risk Committee considers this to be a significant matter. Their consideration is on page 97.

How the scope of our audit responded to the key audit matter

In responding to the identified key audit matter, we completed the following audit procedures:

- obtained an understanding of relevant controls relating to the impairment review process;
- evaluated and challenged management's range of impairment indicators with due consideration given to the profitability impact of committed strategic changes to the UK Clothing & Home and Food businesses and the performance of new stores;
- assessed the mechanical accuracy of the impairment models and the methodology applied by management for consistency with the requirements of IAS 36;
- assessed the impact of macro-economic conditions on the store assets and future forecast assumptions;
- assessed the appropriateness of forecast revenue and gross margin growth rates through comparison with external economic benchmarking data and with reference to historical forecasting accuracy;
- assessed the appropriateness of the discount rates applied with the involvement of our valuations specialists and compared the rates applied with our benchmarking data;
- evaluated the appropriateness and completeness of information included in the impairment model based on our cumulative knowledge of the business driven by our review of trading plans, strategic initiatives, minutes of property and investment committee meetings, and meetings with regional store managers and senior trading managers from key product categories, together with our wider retail industry knowledge; and
- assessed the completeness and accuracy of disclosures within the financial statements in accordance with IFRS.

5.1. Impairment and impairment reversal of UK store assets continued

Key observations

We are satisfied that the judgements applied, impairment charges and reversals recorded and disclosures within the financial statements are appropriate.

5.2. Accounting for the UK store estate programme

Key audit matter description

In February 2018, the Board approved a list of stores marked for closure as part of its UK store estate programme. The total charge recognised in connection with this closure programme in previous periods was £819.0 million. A further net charge of £51.3 million has been recognised in the current period as a result of:

- an increase in the number of stores assessed as probable for closure and the update of estimates made in light of known developments in the exit strategy, including current trading performance, negotiations with landlords and changes in the retail property market;
- depreciation of store assets where previously identified for closure, as they approach their planned closure dates; and
- accelerated depreciation and impairment of buildings and fixtures and fittings in respect of additional stores added to the programme.

Further information is set out in notes 1,5 and 15 to the financial statements and page 24 of the strategic report.

Our key audit matter was focused on the specific assumptions applied in the discounted cash flow analysis prepared by management including the discount rate, store closure costs, freehold sale proceeds, leasehold surrender costs and expected sublet income, lease incentives and void periods.

The Audit & Risk Committee considers this to be a significant matter. Their consideration is on page 97.

How the scope of our audit responded to the key audit matter

In responding to the identified key audit matter, we completed the following audit procedures:

- obtained an understanding of relevant controls relating to the review and approval of the Group's UK store exit model;
- performed enquiries of management and inspected the latest strategic plans, Board and relevant sub-committee minutes of meetings;
- understood and challenged the basis of management's judgement where stores previously marked for closure are no longer expected to close and additional stores have been identified for closure;
- with the involvement of our real estate specialists, we evaluated the appropriateness of management's judgements for a representative sample of properties and benchmarked with reference to external data;
- assessed the mechanical accuracy of discounted cash flow models and other key provision calculations;
- assessed the integrity of key inputs to the discounted cash flow models including the discount rate, store closure costs, freehold sale proceeds, leasehold surrender costs, expected sublet income, sublet lease incentives and void periods with reference to available evidence;
- recalculated the closing provision for a representative sample of stores;
- evaluated the accuracy and completeness of provisions recorded in light of the status of the Group's UK store estate plan; and
- assessed the completeness and accuracy of disclosures within the financial statements in accordance with IFRS.

Key observations

We are satisfied that the Group's estimate of the store exit charges and the associated disclosures are appropriate.

INDEPENDENT AUDITOR'S REPORT CONTINUED

5.3. Inventory provisions within UK Clothing & Home

Key audit matter description

As at 1 April 2023, the Group held UK Clothing & Home inventories of £470.7 million (2022: £458.6 million), inclusive of a provision of £53.1 million (2022: £48.3 million).

As described in the Accounting Policies in note 1 to the financial statements, inventories are carried at the lower of cost and net realisable value. As a result, judgement is applied in determining the appropriate provisions required for obsolete inventory and inventory expected to be sold below cost based upon a detailed analysis of old season inventory and forecast net realisable value based upon plans for inventory to go into sale. We consider the assessment of inventory provisions within UK Clothing & Home to require the most judgement due to historical trading performance and the quantum of gross inventory.

Management has determined the level of provision using judgement and with reference to forecast future sales utilising available data from past periods on the saleability of stock.

How the scope of our audit responded to the key audit matter

In responding to the identified key audit matter, we completed the following audit procedures:

- obtained an understanding of relevant controls relating to inventory management and the review and approval of the inventory provisions;
- assessed the validity, accuracy and completeness of the information used by management in computing the provisions;
- assessed the mechanical accuracy and logic of the models underpinning the provisions;
- understood the changes in the provisioning methodology and challenged the appropriateness thereof;
- challenged and validated the key assumptions applied by management in estimating the provisions, by performing enquiries of buyers and merchandisers, considering the current purchasing strategy and ranging plans, assessed the historical accuracy of forecasting stock to be subject to a future discount;
- tested the accuracy of the process used by management to identify potentially impaired inventory across a representative sample of individual product lines; and
- assessed the completeness and accuracy of disclosures within the financial statements in accordance with IFRS.

Key observations

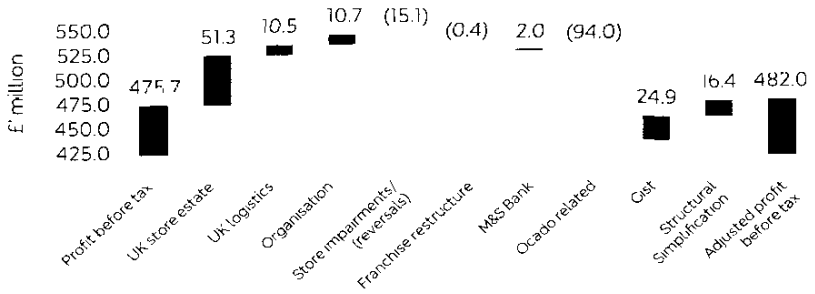
We are satisfied with the judgements taken by management and that the resulting inventory provisions for UK Clothing & Home is appropriate.

5.4. Disclosure of adjusting items as part of alternative performance measures

Key audit matter description

The Group has presented an alternative performance measure being profit before tax and adjusting items of £482.0 million (2022: £522.9 million), which is derived from profit before tax of £475.7 million (2022: profit before tax of £391.7 million) adjusted for a number of items totalling £6.3 million (2022: £131.2 million) which the Group considers meet their definition of an 'adjusting item'. Judgement is exercised by management in determining the classification of such items in accordance with guidance issued by the FRC and ESMA. We consider there to be a risk of fraud in the reporting of adjusting items within the alternative performance measures.

Explanations of each adjusting item are set out in note 5 to the financial statements and are summarised in the graphic to the right.



In determining profit before tax and adjusting items, we identified the following risks:

- the identification and classification of items as 'adjusting' as part of the presentation of alternative performance measures may be inappropriate, distorting the reported results;
- the omission of items which are considered material, one-off or significant in nature, distorting the alternative performance measures; and
- the clarity and detail of disclosures in respect of adjusting items as part of alternative performance measures may be insufficient, preventing investors from obtaining a clear understanding of the Group's results and performance.

The Group's policy regarding adjusting items is set out in note 1. This is a significant matter considered by the Audit & Risk Committee on page 97.

How the scope of our audit responded to the key audit matter

In responding to the identified key audit matter we completed the following audit procedures:

- obtained an understanding of relevant controls, relating to the identification and disclosure of adjusting items within alternative performance measures;
- performed enquiries of management to understand the rationale applied in identifying items as adjusting and completed an independent assessment as to the selection and presentation of adjusting items based on their nature;
- assessed the identification and consistency of items reported as adjusting period on period, with reference to guidance published by ESMA and the FRC;
- performed tests over a representative sample of adjusting items through agreement to supporting evidence;
- used our cumulative audit knowledge and applied data analytics to identify other transactions outside of the normal course of business, or which display characteristics of being material, significant or one-off in nature;
- considered the impact of adjusting items on the directors' remuneration targets to determine whether any increased fraud risk factor existed based on actual results for the period; and
- assessed the completeness and accuracy of disclosures within the financial statements in accordance with IFRSs.

Key observations

We are satisfied that the items included in adjusting items within the alternative performance measures are in line with the Group's policy and that they are appropriately disclosed.

INDEPENDENT AUDITOR'S REPORT CONTINUED

6. OUR APPLICATION OF MATERIALITY

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent Company financial statements
Materiality	£24.0 million (2022: £25.0 million)	£21.6 million (2022: £22.5 million)
Basis for determining materiality	We consider the following metrics in the current and prior period: – profit before tax and adjusting items; – earnings before interest, tax, depreciation and amortisation ('EBITDA'); and – revenue. In the current period we also considered profit before tax. Using professional judgement, we determined materiality to be £24.0m.	We have used 3% of net assets in both the current and the prior period, capped at 90% of Group materiality, as the basis for materiality.
Rationale for the benchmark applied	In determining our benchmark for materiality, we considered a number of different metrics used by investors and other readers of the financial statements. Metric: % — Profit before tax: 5.0; Profit before tax and adjusting items: 5.0; EBITDA: 2.3; Revenue: 0.2	Net assets is used as the benchmark as the Parent Company operates primarily as a holding company for the Group and we therefore consider this as the key metric for the Parent Company. We capped materiality at 90% of Group materiality to reduce the risk of a material error arising as a result of the consolidation of the Parent Company's result in the Group financial statements.

6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

	Group financial statements	Parent Company financial statements
Performance materiality	65% (2022: 65%) of Group materiality	65% (2022: 65%) of Parent Company materiality
Basis and rationale for determining performance materiality	In determining performance materiality, we considered the following factors: – our cumulative knowledge of the Group and its environment, including industry specific trends; – the change in the level of judgement required in key accounting estimates; – reliability on internal control over financial reporting; – the level of change to the business in the period; – the stability in key management personnel; – the level of centralisation in the Group's financial reporting controls and processes; and – the level of misstatements identified in prior periods.	

6.3. Error reporting threshold

We agreed with the Audit & Risk Committee that we would report to the Committee all audit differences in excess of £1.2 million (2022: £1.3 million), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit & Risk Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. AN OVERVIEW OF THE SCOPE OF OUR AUDIT

7.1. Identification and scoping of components

Our audit was scoped by obtaining an understanding of the Group and its environment, including group-wide controls, and assessing the risks of material misstatement at the Group level.

Components were selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified. Based on our assessment we have focused our audit on the UK and India businesses which were subject to full audit procedures and specified audit procedures on individual balance sheet accounts respectively. We have performed our full audit scope of the UK component using a materiality of £21.6 million (or 90% of Group materiality) (2022: £22.5 million), and our specified audit procedures in India using a materiality of £3.5 million (or 14.6% of Group materiality (2022: specified audit procedures were not performed).

The Group holds 50% of the ordinary shares of Ocado Retail Ltd ('ORL'). This interest is accounted for as an investment in associate in accordance with IAS 28 on the basis that the shareholders' agreement gives control over ORL to Ocado Group plc. In the current period the Group recorded a share of loss of associate from ORL of £43.5 million (2022: £18.6 million) and was subject to specified audit procedures.

At a Group level, we tested the consolidation and performed analytical review procedures over components not in scope.

REVENUE

- Full audit scope **93%**
- Specified audit procedures **0%**
- Review at group level **7%**

ADJUSTED PROFIT BEFORE TAX

- Full audit scope **90%**
- Specified audit procedures **0%**
- Review at group level **10%**

PROFIT BEFORE TAX

- Full audit scope **81%**
- Specified audit procedures **0%**
- Review at group level **19%**

TOTAL ASSETS

- Full audit scope **78%**
- Specified audit procedures **<1%**
- Review at group level **22%**

TOTAL LIABILITIES

- Full audit scope **84%**
- Specified audit procedures **0%**
- Review at group level **16%**

7.2. Our consideration of the control environment

Our audit strategy is to rely on controls over certain processes within a number of business cycles. These included procurement within UK Clothing & Home and Food, inventory, and fixed assets including IFRS 16 Leases. As part of our controls testing, we obtained an understanding of the Group's processes and tested controls through a combination of tests of inquiry, observation, inspection and re-performance.

On certain business cycles, we obtained an understanding of, but did not rely on, controls. These included inventory provisions, food rebates and financial close and reporting.

Given the importance of information technology ("IT") to the recording of financial information and transactions, we have tested General IT controls relating to certain of the Group's IT systems where relevant to our audit work. We have been able to place IT controls reliance across these systems to support the audit of a number of business cycles, such as payables, procurement, lease accounting, property plant and equipment and inventory.

7.3. Our consideration of climate-related risks

The Group continues to develop its assessment of the potential impacts of climate change and set targets which management considers to be aligned with the Paris Agreement. Management has identified a number of milestones, including the target of net zero carbon emissions by 2040, as discussed in the Task Force on Climate-Related Financial Disclosures report on pages 44 to 55. This assessment focused on property, fleet and two of the Group's key resources: protein; and cotton.

Management considers that the most likely impact on the financial statements will be in relation to its three-year cash flow forecasts, including those described as part of our key audit matters in section 5, and has included the impact within these forecasts where appropriate. Whilst at this stage there is significant uncertainty regarding what the long-term impact of climate change initiatives may be, the forecasts reflect management's best estimate of the impact on the financial statements as explained in note 1.

As a part of our audit procedures, we have obtained management's climate-related risk assessment and held discussions with management to understand the process of identifying climate-related risks, the determination of mitigating actions and the impact on the Group's financial statements. We performed our own qualitative risk assessment of the potential impact of climate change on the Group's account balances and classes of transaction and did not identify any reasonably possible risks of material misstatement. Our procedures were performed with the involvement of our climate-change specialists and included reading disclosures included in the Strategic Report to consider whether they are materially consistent with the financial statements and our knowledge obtained in the audit.

We did not identify climate-related risk as a separate Key Audit Matter in our audit given the nature of the Group's operations and knowledge gained of its impact on critical accounting estimates and judgements during our risk assessment procedures and audit procedures.

We have not been engaged to provide assurance over the accuracy of these disclosures.

7.4. Working with other auditors

We have two component audit teams: ORL; and Deloitte India. We have issued detailed instructions to both component audit teams to perform specified audit procedures. Due to the non-co-terminus year-end of ORL, we have performed a review of the component auditor's files for the period ended 27 November 2022 and the reporting received from the component auditor for the period subsequent to 27 November 2022.

We have engaged regularly with the component auditors throughout the audit process, determining the nature, timing and extent of the specified audit procedures to be performed and to review their component reporting. A dedicated member of the Group audit team is assigned to facilitate an effective and consistent approach to component oversight.

8. OTHER INFORMATION

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

INDEPENDENT AUDITOR'S REPORT CONTINUED

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

9. RESPONSIBILITIES OF DIRECTORS

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

10. AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

11. EXTENT TO WHICH THE AUDIT WAS CONSIDERED CAPABLE OF DETECTING IRREGULARITIES, INCLUDING FRAUD

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the Group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- the Group's own assessment of the risks that irregularities may occur either as a result of fraud or error that was approved by the board;
- results of our enquiries of the directors, management, internal audit and the Audit & Risk Committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the Group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations; and
- the matters discussed among the audit engagement team and relevant internal specialists, including tax, valuations, pensions, IT and industry specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the areas in which management is required to exercise significant judgement, such as disclosure of adjusting items within alternative performance measures. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory framework that the Group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included UK Companies Act, Financial Conduct Authority regulations including the Listing Rules, pensions and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group's ability to operate or to avoid a material penalty. These included the competition and anti-bribery laws, data protection, Groceries Supply Code of Practice, and employment, environmental and health and safety regulations.

11.2. Audit response to risks identified

As a result of performing the above, we identified the disclosure of adjusting items within alternative performance measures as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the Audit & Risk Committee and in-house legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC; and

- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and component team and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and the Parent Company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

13. CORPORATE GOVERNANCE STATEMENT

The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- the directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on pages 133 to 134;
- the directors' explanation as to its assessment of the Group's prospects, the period this assessment covers and why the period is appropriate set out on pages 66 to 67;
- the directors' statement on fair, balanced and understandable set out on page 134;
- the board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 134;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on pages 56 to 65; and
- the section describing the work of the Audit & Risk Committee set out on pages 92 to 99.

14. MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

14.1. Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

14.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the directors' remuneration report to be audited is not in agreement with the accounting records and returns.

We have nothing to report respect of these matters.

15. OTHER MATTERS WHICH WE ARE REQUIRED TO ADDRESS

15.1 Auditor tenure

Following the recommendation of the Audit & Risk Committee, we were appointed by the shareholders on 8 July 2014 to audit the financial statements for the period ending 28 March 2015 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 9 periods, covering the periods ending 28 March 2015 to 1 April 2023.

Consistency of the audit report with the additional report to the Audit & Risk Committee

Our audit opinion is consistent with the additional report to the Audit & Risk Committee we are required to provide in accordance with ISAs (UK).

16. USE OF OUR REPORT

This report is made solely to the Parent Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

As required by the Financial Conduct Authority (FCA) Disclosure Guidance and Transparency Rule (DTR) 4.1.14R, these financial statements will form part of the European Single Electronic Format (ESEF) prepared Annual Financial Report filed on the National Storage Mechanism of the UK FCA in accordance with the ESEF Regulatory Technical Standard ('ESEF RTS'). This auditor's report provides no assurance over whether the annual financial report has been prepared using the single electronic format specified in the ESEF RTS.

Richard Muschamp FCA
(Senior statutory auditor)

For and on behalf of Deloitte LLP
Statutory Auditor
London
23 May 2023

CONSOLIDATED INCOME STATEMENT

	Notes	52 weeks ended 1 April 2023 Total £m	52 weeks ended 2 April 2022 Total £m
Revenue	2, 3	**11,931.3**	10,885.1
Share of result in associate – Ocado Retail Limited	3, 29	**(43.5)**	(18.6)
Operating profit	2, 3, 5	**515.1**	572.2
Finance income	5, 6	**166.1**	33.9
Finance costs	5, 6	**(205.5)**	(214.4)
Profit before tax	4, 5	**475.7**	391.7
Income tax expense	7	**(111.2)**	(82.7)
Profit for the year		**364.5**	309.0
Attributable to:			
Owners of the parent		**363.4**	306.6
Non-controlling interests		**1.1**	2.4
		364.5	309.0
Earnings per share			
Basic earnings per share	8	**18.5p**	15.7p
Diluted earnings per share	8	**17.9p**	15.1p
Reconciliation of profit before tax & adjusting items:			
Profit before tax		**475.7**	391.7
Adjusting items	5	**6.3**	131.2
Profit before tax & adjusting items – non-GAAP measure		**482.0**	522.9
Adjusted earnings per share – non-GAAP measure			
Adjusted basic earnings per share	8	**18.1p**	21.7p
Adjusted diluted earnings per share	8	**17.5p**	20.9p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	**52 weeks ended 1 April 2023 £m**	52 weeks ended 2 April 2022 £m
Profit for the year		**364.5**	309.0
Other comprehensive (expense)/income:			
Items that will not be reclassified subsequently to profit or loss			
Remeasurements of retirement benefit schemes	11	**(622.8)**	357.0
Tax credit/(charge) on retirement benefit schemes		**158.0**	(127.6)
Loss on disposal of investment held at fair value through other comprehensive income ("FVOCI")		**–**	(3.7)
		(464.8)	225.7
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation differences			
– movements recognised in other comprehensive income		**4.3**	(13.5)
– reclassified and reported in profit or loss		**–**	(0.5)
Cash flow hedges			
– fair value movements recognised in other comprehensive income	21	**77.0**	91.3
– reclassified and reported in profit or loss	21	**(14.4)**	(10.5)
Tax charge on cash flow hedges		**(18.6)**	(14.7)
		48.3	52.1
Other comprehensive (expense)/income for the year, net of tax		**(416.5)**	277.8
Total comprehensive (expense)/income for the year		**(52.0)**	586.8
Attributable to:			
Owners of the parent		**(53.1)**	584.4
Non-controlling interests		**1.1**	2.4
		(52.0)	586.8

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 1 April 2023 £m	As at 2 April 2022 £m
Assets			
Non-current assets			
Intangible assets	14	**163.1**	192.5
Property, plant and equipment	15	**5,203.7**	4,902.3
Investment property		**11.8**	15.0
Investments in joint ventures and associates	29	**767.9**	810.9
Other financial assets	16	**7.9**	4.5
Retirement benefit assets	11	**482.0**	1,043.9
Trade and other receivables	17	**298.7**	270.6
Derivative financial instruments	21	**0.1**	21.4
Deferred tax assets	23	**7.6**	–
		6,942.8	7,261.1
Current assets			
Inventories		**764.4**	706.1
Other financial assets	16	**13.0**	17.6
Trade and other receivables	17	**280.6**	217.1
Derivative financial instruments	21	**22.6**	43.6
Current tax assets		**6.5**	–
Cash and cash equivalents	18	**1,067.9**	1,197.9
		2,155.0	2,182.3
Total assets		**9,097.8**	9,443.4
Liabilities			
Current liabilities			
Trade and other payables	19	**2,048.8**	1,960.9
Partnership liability to the Marks & Spencer UK Pension Scheme	12	**73.0**	71.9
Borrowings and other financial liabilities	20	**444.0**	247.2
Derivative financial instruments	21	**58.1**	3.2
Provisions	22	**44.0**	53.6
Current tax liabilities		**38.5**	34.0
		2,706.4	2,370.8
Non-current liabilities			
Retirement benefit deficit	11	**4.6**	5.7
Trade and other payables	19	**181.3**	188.2
Partnership liability to the Marks & Spencer UK Pension Scheme	12	**51.8**	120.4
Borrowings and other financial liabilities	20	**3,184.0**	3,561.0
Derivative financial instruments	21	**7.1**	0.4
Provisions	22	**75.4**	91.8
Deferred tax liabilities	23	**72.3**	187.2
		3,576.5	4,154.7
Total liabilities		**6,282.9**	6,525.5
Net assets		**2,814.9**	2,917.9
Equity			
Issued share capital	24	**19.8**	19.7
Share premium account		**910.7**	910.6
Capital redemption reserve		**2,680.4**	2,680.4
Hedging reserve	21	**(31.9)**	17.6
Cost of hedging reserve	21	**4.2**	3.6
Other reserve		**(6,542.2)**	(6,542.2)
Foreign exchange reserve		**(69.6)**	(73.9)
Retained earnings		**5,839.1**	5,897.9
Equity attributable to owners of the parent		**2,810.5**	2,913.7
Non-controlling interests		**4.4**	4.2
Total equity		**2,814.9**	2,917.9

The financial statements were approved by the Board and authorised for issue on 23 May 2023. The financial statements also comprise notes 1 to 33.

Stuart Machin, Chief Executive Officer

Katie Bickerstaffe, Co-Chief Executive Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Ordinary share capital £m	Share premium account £m	Capital redemption reserve £m	Hedging reserve £m	Cost of hedging £m	Other reserve[1] £m	Foreign exchange reserve £m	Retained earnings[2] £m	Total £m	Non-controlling interest £m	Total £m
As at 4 April 2021	**489.2**	**910.4**	**2,210.5**	**(54.8)**	**4.6**	**(6,542.2)**	**(59.9)**	**5,325.2**	**2,283.0**	**2.8**	**2,285.8**
Profit for the year	–	–	–	–	–	–	–	306.6	306.6	2.4	309.0
Other comprehensive income/(expense):											
Foreign currency translation											
– movements recognised in other comprehensive income	–	–	–	–	–	–	(13.5)	–	(13.5)	–	(13.5)
– reclassified and reported in profit or loss	–	–	–	–	–	–	(0.5)	–	(0.5)	–	(0.5)
Remeasurements of retirement benefit schemes	–	–	–	–	–	–	–	357.0	357.0	–	357.0
Tax charge on retirement benefit schemes	–	–	–	–	–	–	–	(127.6)	(127.6)	–	(127.6)
Loss on disposal of investments held at FVOCI	–	–	–	–	–	–	–	(3.7)	(3.7)	–	(3.7)
Cash flow hedges											
– fair value movement in other comprehensive income	–	–	–	92.1	(0.8)	–	–	–	91.3	–	91.3
– reclassified and reported in profit or loss	–	–	–	(10.5)	–	–	–	–	(10.5)	–	(10.5)
Tax on cash flow hedges	–	–	–	(14.5)	(0.2)	–	–	–	(14.7)	–	(14.7)
Other comprehensive income/(expense)	**–**	**–**	**–**	**67.1**	**(1.0)**	**–**	**(14.0)**	**225.7**	**277.8**	**–**	**277.8**
Total comprehensive income/(expense)	**–**	**–**	**–**	**67.1**	**(1.0)**	**–**	**(14.0)**	**532.3**	**584.4**	**2.4**	**586.8**
Cash flow hedges recognised in inventories	–	–	–	6.5	–	–	–	–	6.5	–	6.5
Tax on cash flow hedges recognised in inventories	–	–	–	(1.2)	–	–	–	–	(1.2)	–	(1.2)
Transactions with owners:											
Transactions with non-controlling shareholders	–	–	–	–	–	–	–	(1.7)	(1.7)	(1.0)	(2.7)
Shares issued in respect of employee share options	0.4	0.2	–	–	–	–	–	(0.3)	0.3	–	0.3
Buy back and cancellation of own shares[3]	(469.9)	–	469.9	–	–	–	–	–	–	–	–
Credit for share-based payments	–	–	–	–	–	–	–	38.8	38.8	–	38.8
Deferred tax on share schemes	–	–	–	–	–	–	–	3.6	3.6	–	3.6
As at 2 April 2022	**19.7**	**910.6**	**2,680.4**	**17.6**	**3.6**	**(6,542.2)**	**(73.9)**	**5,897.9**	**2,913.7**	**4.2**	**2,917.9**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY CONTINUED

	Ordinary share capital £m	Share premium account £m	Capital redemption reserve £m	Hedging reserve £m	Cost of hedging £m	Other reserve[1] £m	Foreign exchange reserve £m	Retained earnings[2] £m	Total £m	Non-controlling interest £m	Total £m
As at 3 April 2022	**19.7**	**910.6**	**2,680.4**	**17.6**	**3.6**	**(6,542.2)**	**(73.9)**	**5,897.9**	**2,913.7**	**4.2**	**2,917.9**
Profit for the year	–	–	–	–	–	–	–	**363.4**	**363.4**	**1.1**	**364.5**
Other comprehensive (expense)/income:											
Foreign currency translation											
– movements recognised in other comprehensive income	–	–	–	–	–	–	**4.3**	–	**4.3**	–	**4.3**
Remeasurements of retirement benefit schemes	–	–	–	–	–	–	–	**(622.8)**	**(622.8)**	–	**(622.8)**
Tax charge on retirement benefit schemes	–	–	–	–	–	–	–	**158.0**	**158.0**	–	**158.0**
Cash flow hedges											
– fair value movement in other comprehensive income	–	–	–	**76.2**	**0.8**	–	–	–	**77.0**	–	**77.0**
– reclassified and reported in profit or loss	–	–	–	**(14.4)**	–	–	–	–	**(14.4)**	–	**(14.4)**
Tax on cash flow hedges	–	–	–	**(18.4)**	**(0.2)**	–	–	–	**(18.6)**	–	**(18.6)**
Other comprehensive (expense)/income	–	–	–	**43.4**	**0.6**	–	**4.3**	**(464.8)**	**(416.5)**	–	**(416.5)**
Total comprehensive (expense)/income	–	–	–	**43.4**	**0.6**	–	**4.3**	**(101.4)**	**(53.1)**	**1.1**	**(52.0)**
Cash flow hedges recognised in inventories	–	–	–	**(123.9)**	–	–	–	–	**(123.9)**	–	**(123.9)**
Tax on cash flow hedges recognised in inventories	–	–	–	**31.0**	–	–	–	–	**31.0**	–	**31.0**
Transactions with owners:											
Transactions with non-controlling shareholders	–	–	–	–	–	–	–	–	–	**(0.9)**	**(0.9)**
Shares issued in respect of employee share options	**0.1**	**0.1**	–	–	–	–	–	**(0.1)**	**0.1**	–	**0.1**
Purchase of shares held by employee trusts	–	–	–	–	–	–	–	**(0.1)**	**(0.1)**	–	**(0.1)**
Credit for share-based payments	–	–	–	–	–	–	–	**38.0**	**38.0**	–	**38.0**
Deferred tax on share schemes	–	–	–	–	–	–	–	**4.8**	**4.8**	–	**4.8**
As at 1 April 2023	**19.8**	**910.7**	**2,680.4**	**(31.9)**	**4.2**	**(6,542.2)**	**(69.6)**	**5,839.1**	**2,810.5**	**4.4**	**2,814.9**

1. The "Other reserve" was originally created as part of the capital restructuring that took place in 2002. It represents the difference between the nominal value of the shares issued prior to the capital reduction by the Company (being the carrying value of the investment in Marks and Spencer plc) and the share capital, share premium and capital redemption reserve of Marks and Spencer plc at the date of the transaction
2. Included within Retained earnings is the fair value through other comprehensive income reserve
3. On 8 July 2021, the Company reduced the nominal value of its 1,957,779,626 ordinary shares in issue at that date from £0.25 to £0.01. The reduction was completed by subdividing each £0.25 ordinary share in issue into 1 ordinary share of £0.01 and 1 deferred share of £0.24. All deferred shares were then bought back for a total aggregate consideration of £0.01 and cancelled. The Company's issued share capital remains unchanged and each shareholder's proportionate interest in the share capital of the Company remains unchanged. Aside from the change in nominal value, the rights attaching to the ordinary shares (including voting and dividend rights and rights on a return of capital) remain unchanged.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	**52 weeks ended 1 April 2023 £m**	52 weeks ended 2 April 2022 £m
Cash flows from operating activities			
Cash generated from operations	26	**1,100.5**	1,385.7
Income tax paid		**(70.6)**	(7.7)
Net cash inflow from operating activities		**1,029.9**	1,378.0
Cash flows from investing activities			
Proceeds on property disposals		**1.1**	43.9
Purchase of property, plant and equipment		**(325.8)**	(192.8)
Purchase of intangible assets		**(84.5)**	(64.6)
Sale of current financial assets		**5.3**	0.8
Purchase of non-current financial assets		**(4.2)**	(3.3)
Proceeds on disposal of non-current financial assets		**0.2**	5.2
Purchase of investments in associates and joint ventures[1]		**–**	(37.8)
Acquisition of subsidiary, net of cash acquired[2]	31	**(102.8)**	(4.5)
Loans to related parties	28	**(30.0)**	(1.0)
Interest received		**24.1**	8.4
Net cash used in investing activities		**(516.6)**	(245.7)
Cash flows from financing activities			
Interest paid[3]		**(212.5)**	(216.6)
Redemption of Medium Term Notes		**(189.9)**	(163.6)
Repayment of lease liabilities		**(231.8)**	(216.0)
Payment of liability to the Marks & Spencer UK Pension Scheme		**(66.0)**	–
Shares issued on exercise of employee share options	24	**–**	0.3
Purchase of own shares by employee trust		**(0.1)**	–
Cash received from settlement of derivatives		**56.5**	–
Net cash used in financing activities		**(643.8)**	(595.9)
Net cash (outflow)/inflow from activities		**(130.5)**	536.4
Effects of exchange rate changes		**0.5**	(8.2)
Opening net cash		**1,197.9**	669.7
Closing net cash	27	**1,067.9**	1,197.9

1 Last year includes £33.8m outflow in relation to contingent consideration settled with Ocado Retail Limited and £4.0m outflow on the acquisition of 27% of the issued share capital of Nobody's Child Limited.
2 Current year includes £102.8m on the acquisition of Gist Limited, being consideration of £170.6m net of cash acquired of £67.8m. Last year includes £4.5m outflow on the acquisition of 77.7% of the issued share capital of The Sports Edit Limited.
3 Includes interest paid on the Partnership liability to the Marks & Spencer UK Pension Scheme of £5.9m (last year: £nil), interest paid on lease liabilities of £121.9m (last year: £128.3m), and interest paid of £2.2m (last year: £nil) in relation to deferred consideration for the acquisition of Gist Limited.

NOTES TO THE FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES

General information

Marks and Spencer Group plc (the "Company") is a public limited company domiciled and incorporated in England and Wales under the Companies Act 2006. The address of the Company's registered office is Waterside House, 35 North Wharf Road, London W2 1NW, United Kingdom.

The principal activities of the Company and its subsidiaries (the "Group") and the nature of the Group's operations are as a Clothing & Home and Food retailer.

These financial statements are presented in sterling, which is also the Company's functional currency, and are rounded to the nearest hundred thousand. Foreign operations are included in accordance with the policies set out within this note.

Basis of preparation

The financial statements have been prepared for the 52 weeks ended 1 April 2023 (last year: 52 weeks ended 2 April 2022) in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

The Marks and Spencer Scottish Limited Partnership has taken an exemption under paragraph 7 of the Partnership (Accounts) Regulations 2008 from the requirement to prepare and deliver financial statements, in accordance with the Companies Act.

The financial statements have been prepared on a going concern basis. In adopting the going concern basis, the Board has considered the business activities as set out on pages 12 to 27, the financial position of the Group, its cash flows, liquidity position and borrowing facilities as set out in the Financial Review on pages 35 to 41, the Group's financial risk management objectives and exposures to liquidity and other financial risks as set out in note 21 and the principal risks and uncertainties as set out on pages 58 to 65.

The Group continues to maintain a robust financial position providing it with sufficient access to liquidity, through a combination of cash and committed facilities, to meet its needs in the short and medium term. At 1 April 2023, the Group had available liquidity of £1,942.9m (last year: £2,072.9m), comprising cash and cash equivalents of £1,067.9m, an undrawn committed syndicated bank revolving credit facility ("RCF") of £850.0m (set to mature in June 2026), and undrawn uncommitted facilities amounting to £25.0m.

In December 2022, the Group successfully extended its RCF, which now expires in June 2026. The facility contains a financial covenant, being the ratio of earnings before interest, tax, depreciation and amortisation; to net interest and depreciation on right-of-use assets under IFRS 16. The covenant is measured biannually.

In adopting the going concern basis of preparation, the Board has assessed the Group's cash flow forecasts which incorporate a latest estimate of the ongoing impact of current market conditions on the Group and include a number of assumptions, including sales growth and customer behaviour. While trading continues to be strong, in forming its outlook on the future financial performance, the Board considered a variety of downsides that the Group might experience, such as a sustained economic recession and an inability for the Group to execute the transformation plan.

Under these latest forecasts, the Group is able to operate without the need to draw on its available facilities and without taking any supplementary mitigating actions, such as reducing capital expenditure and other discretionary spend. The forecast cash flows also indicate that the Group will comply with all relevant banking covenants during the forecast period, being at least 12 months from the approval of the financial statements.

The Board has modelled a severe, but plausible, downside scenario. This downside scenario assumes that:

- There will be a period of economic recession in the UK in 2023/24, resulting in a decline in sales of 2.0 – 2.5% and a decline in gross profit margin of 0.5 – 1.0% across both Food and Clothing & Home business units.
- A delay in transformation benefits results in incremental sales expected from the transformation declining by 7.5%, 15% and 30% respectively across the three-year period across all three business units.
- In addition, Ocado Retail Limited experiences limited customer demand, with no volume growth in 2023/24 and volumes remaining subdued in 2024/25 and 2025/26.

Even under this severe, but plausible, downside scenario, the Group would continue to have sufficient liquidity and headroom on its existing facilities and against the RCF financial covenant for the forecast period. Although, should such a scenario arise, there is a range of mitigating actions that could be taken to reduce the impact. Given current trading and expectations for the business, the Board considers that this downside scenario reflects a plausible, but remote, outcome for the Group.

In addition, reverse stress testing has been applied to the model to determine the decline in sales that the Group could absorb before exhausting the Group's total liquidity. Such a scenario, and the sequence of events which could lead to it, are considered to be extremely remote.

As a result, the Board expects the Group to have adequate resources to continue in operation, meet its liabilities as they fall due, retain sufficient available cash and not breach the covenant under the revolving credit facility for the foreseeable future, being a period of at least 12 months from the approval of the financial statements. The Board therefore considers it appropriate for the Group to adopt the going concern basis in preparing its financial statements.

New accounting standards adopted by the Group

The Group has applied the following new standards and interpretations for the first time for the annual reporting period commencing 3 April 2022:

- Amendments to IAS 37: Onerous Contracts – Cost of Fulfilling a Contract.
- Amendments to IFRS 3: Reference to the Conceptual Framework.
- Amendments to IAS 16: Property, Plant and Equipment – Proceeds before Intended Use.
- Annual Improvements to IFRS Standards 2018-2020 Cycle: Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases and IAS 41 Agriculture.

The adoption of the standards and interpretations listed above has not led to any changes to the Group's accounting policies or had any other material impact on the financial position or performance of the Group.

New accounting standards in issue but not yet effective

New standards and interpretations that are in issue, but not yet effective, are listed below:

- IFRS 17 Insurance Contracts.
- Amendments to IAS 1: Classification of Liabilities as Current or Non-Current.
- Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies.
- Amendments to IAS 8: Definition of Accounting Estimates.
- Amendments to IAS 12: Deferred Tax Related to Assets and Liabilities arising from a Single Transaction.

- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.

The adoption of the above standards and interpretations is not expected to lead to any changes to the Group's accounting policies nor have any other material impact on the financial position or performance of the Group.

Alternative performance measures

In reporting financial information, the Group presents alternative performance measures ("APMs"), which are not defined or specified under the requirements of IFRS.

The Group believes that these APMs, which are not considered to be a substitute for, or superior to, IFRS measures, provide stakeholders with additional helpful information on the performance of the business. These APMs are consistent with how the business performance is planned and reported within the internal management reporting to the Board and Executive Committee. Some of these measures are also used for the purpose of setting remuneration targets.

The key APMs that the Group uses include: sales; like-for-like sales growth; adjusted operating profit; adjusted operating margin; profit before tax and adjusting items; adjusted basic earnings per share; net debt; net debt excluding lease liabilities; free cash flow; free cash flow from operations; capital expenditure; and return on capital employed. Each of these APMs, and others used by the Group, is set out in the Glossary, including explanations of how they are calculated and how they can be reconciled to a statutory measure where relevant.

The Group reports some financial measures, primarily International sales, on both a reported and constant currency basis. The constant currency basis, which is an APM, retranslates the previous year revenues at the average actual periodic exchange rates used in the current financial year. This measure is presented as a means of eliminating the effects of exchange rate fluctuations on the year-on-year reported results.

The Group makes certain adjustments to the statutory profit measures in order to derive many of these APMs. The Group's policy is to exclude items that are considered significant in nature and/or quantum over the total expected life of the programme or are consistent with items that were treated as adjusting in prior periods. The Group's definition of adjusting items is consistent with prior periods. Adjusted results are consistent with how business performance is measured internally and presented to aid comparability of performance. On this basis, the following items were included within adjusting items for the 52-week period ended 1 April 2023:

- Net charges associated with the strategic programme in relation to the review of the UK store estate.
- Significant restructuring costs and other associated costs arising from strategy or operational changes that are not considered by the Group to be part of the normal operating costs of the business.
- Impairment charges and provisions that are considered to be significant in nature and/or value to the trading performance of the business.
- Charges and reversals of previous impairments arising from the write-off of assets and other property charges that are significant in nature and/or value. Impairment charges are recognised in adjusted operating profit where they relate to stores not previously impaired or do not otherwise meet the Group's adjusting items policy.
- Adjustments to income from M&S Bank due to a provision recognised by M&S Bank for the cost of providing redress to customers in respect of possible mis-selling of M&S Bank financial products.
- Amortisation of the identified intangible assets arising as part of the investment in Ocado Retail Limited.
- Remeasurement of Ocado Retail Limited contingent consideration.
- Directly attributable gains and expenses resulting from the Covid-19 pandemic.
- Significant costs relating to the acquisition of Gist Limited.[1]
- Net finance costs incurred in relation to Gist Limited deferred and contingent consideration.[1]

1 As a result of the acquisition of Gist Limited during the year, these items have been included within adjusting items for the first time.

Refer to note 5 for a summary of the adjusting items.

A summary of the Company's and the Group's accounting policies is given below.

Accounting convention

The financial statements are drawn up on the historical cost basis of accounting, except for certain financial instruments (including derivative instruments) and plan assets of defined benefit pension schemes which are measured at fair value at the end of each reporting period, as explained in the accounting policies below.

Basis of consolidation

The Group financial statements incorporate the financial statements of Marks and Spencer Group plc and all its subsidiaries made up to the period end date. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those used by the Group.

Subsidiaries

Subsidiary undertakings are all entities (including special purpose entities) over which the Company has control. Control is achieved when the Company has the power over the entity; is exposed, or has rights to, variable returns from its involvement with the entity; and has the ability to use its power to affect its returns. The Company reassesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of these three elements of control. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Subsidiary undertakings acquired during the year are recorded using the acquisition method of accounting and their results are included from the date of acquisition.

The separable net assets, including property, plant and equipment and intangible assets, of the newly acquired subsidiary undertakings are incorporated into the consolidated financial statements on the basis of the fair value as at the effective date of control.

Intercompany transactions, balances, and unrealised gains on transactions between Group companies are eliminated on consolidation.

Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control nor joint control over those policies. The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, an investment in an associate is recognised initially in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Group has incurred legal or constructive obligations or made payments on behalf of the associate. Dividends received or receivable from an associate are recognised as a reduction in the carrying amount of the investment.

Associated undertakings acquired during the year are recorded using the equity method of accounting and their results are included from the date of acquisition. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired. The Group's share of the net fair value of identified intangible assets is amortised over the expected useful economic life of the assets.

The requirements of IAS 36 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount.

When a Group company transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised only to the extent of interests in the associate that are not related to the Group.

Revenue

Revenue comprises sales of goods to customers outside the Group less an appropriate deduction for actual and expected returns, discounts and loyalty scheme vouchers, and is stated net of value added tax and other sales taxes. Revenue is recognised when performance obligations are satisfied and goods are delivered to our franchise partners or the customer and the control of goods is transferred to the buyer. Online sales are recognised when items are delivered, as this is when the performance obligation is deemed to have been satisfied. Where third-party branded goods are sold on a consignment basis, only the commission receivable is included in statutory revenue.

A right of return is not a separate performance obligation and the Group is required to recognise revenue net of estimated returns. A refund liability and a corresponding asset in inventory representing the right to recover products from the customer are recognised.

The Group enters into agreements which entitle other parties to operate under the Marks & Spencer brand name for certain activities and operations, such as M&S Bank and M&S Energy. These contracts give rise to performance-based variable consideration. Income dependent on the performance of the third-party operations is recognised when it is highly probable that a significant reversal in the amount of income recognised will not occur, and presented as other operating income.

Revenue from the rendering of supply chain services is recognised when a performance obligation is satisfied.

Supplier income

In line with industry practice, the Group enters into agreements with suppliers to share the costs and benefits of promotional activity and volume growth. The Group receives income from its suppliers based on specific agreements in place. Supplier income received is recognised as a deduction from cost of sales based on the entitlement that has been earned up to the balance sheet date for each relevant supplier agreement. Marketing contributions, equipment hire and other non-judgmental, fixed rate supplier charges are not included in the Group's definition of supplier income.

The types of supplier income recognised by the Group and the associated recognition policies are:

A. Promotional contribution Includes supplier contributions to promotional giveaways and pre-agreed contributions to annual "spend and save" activity.

Income is recognised as a deduction to cost of sales over the relevant promotional period. Income is calculated and invoiced at the end of the promotional period based on actual sales or according to fixed contribution arrangements. Contributions earned, but not invoiced, are accrued at the end of the relevant period.

B. Volume-based rebates Includes annual growth incentives, seasonal contributions and contributions to share economies of scale resulting from moving product supply.

Annual growth incentives are calculated and invoiced at the end of the financial year, once earned, based on fixed percentage growth targets agreed for each supplier at the beginning of the year. They are recognised as a reduction in cost of sales in the year to which they relate. Other volume-based rebates are agreed with the supplier and spread over the relevant season/contract period to which they relate. Contributions earned, but not invoiced, are accrued at the end of the relevant period.

Uncollected supplier income at the balance sheet date is classified within the financial statements as follows:

A. Trade and other payables The majority of income due from suppliers is net against amounts owed to that supplier as the Group has the legal right and intention to offset these balances.

B. Trade and other receivables Supplier income that has been earned, but not invoiced, at the balance sheet date is recognised in trade and other receivables and primarily relates to volume-based rebates that run up to the period end.

In order to provide users of the accounts with greater understanding in this area, additional balance sheet disclosure is provided in note 17 to the financial statements.

M&S Bank

The Group has an economic interest in M&S Bank which entitles the Group to a 50% share of the profits of M&S Bank after appropriate contractual deductions.

Dividends

Final dividends are recorded in the financial statements in the period in which they are approved by the Company's shareholders. Interim dividends are recorded in the period in which they are approved and paid.

Government grants

Government grants are recognised where there is reasonable assurance that the grants will be received and that the Group will comply with the conditions attached to them.

Government grants that compensate the Group for expenses incurred are recognised in profit or loss, as a deduction against the related expense, over the periods necessary to match them with the related costs.

Government grant income is disclosed in note 30.

Pensions

Funded pension plans are in place for the Group's UK employees and some overseas employees.

For defined benefit ("DB") pension schemes, the difference between the fair value of the assets and the present value of the DB obligation is recognised as an asset or liability in the statement of financial position. The DB obligation is actuarially calculated

using the projected unit credit method. An asset can be recognised as, in the event of a plan wind-up, the pension scheme rules provide the Group with an unconditional right to a refund of surplus assets, assuming a full settlement of plan liabilities. In the ordinary course of business, the Trustees have no rights to wind-up or change, the benefits due to the members of the scheme. As a result, any net surplus in the UK DB scheme is recognised in full.

The service cost of providing retirement benefits to employees during the year, together with the cost of any curtailment, is charged to operating profit in the year. The Group no longer incurs any service cost or curtailment costs related to the UK DB Pension Scheme as the scheme is closed to future accrual.

The net interest cost on the net retirement benefit asset/liability is calculated by applying the discount rate, measured at the beginning of the year, to the net defined benefit asset/liability and is included as a single net amount in finance income.

Remeasurements, being actuarial gains and losses, together with the difference between actual investment returns and the return implied by the net interest cost, are recognised immediately in other comprehensive income.

Payments to defined contribution retirement benefit schemes are charged as an expense on an accruals basis.

For further details on pension schemes and the partnership liability to the Marks & Spencer UK Pension scheme, see notes 11 and 12.

Intangible assets

A. Goodwill Goodwill arising on consolidation represents the excess of the consideration paid and the amount of any non-controlling interest in the acquiree over the fair value of the identifiable assets and liabilities (including intangible assets) of the acquired entity at the date of the acquisition. Goodwill is recognised as an asset and assessed for impairment annually or as triggering events occur. Any impairment in value is recognised within the income statement.

B. Acquired intangible assets Acquired intangible assets include trademarks or brands. These assets are capitalised on acquisition at cost and amortised on a straight-line basis over their estimated useful lives.

Acquired intangible assets are tested for impairment as triggering events occur. Any impairment in value is recognised within the income statement.

C. Software intangibles Where computer software is not an integral part of a related item of computer hardware, the software is treated as an intangible asset. Capitalised software costs include external direct costs of goods and services, as well as internal payroll-related costs for employees who are directly associated with the project. When the Group incurs configuration and customisation costs as part of a cloud-based software-as-a-service agreement, and where this does not result in the creation of an asset which the Group has control over, then these costs are expensed.

Capitalised software development costs are amortised on a straight-line basis over their expected economic lives, normally between three and five years. Computer software under development is held at cost less any recognised impairment loss. Any impairment in value is recognised within the income statement.

Property, plant and equipment

The Group's policy is to state property, plant and equipment at cost less accumulated depreciation and any recognised *impairment loss. Property is not revalued for accounting purposes.* Assets in the course of construction are held at cost less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs. Leasehold buildings with lease premiums and ongoing peppercorn lease payments are considered in-substance purchases and are therefore included within the buildings category of property, plant and equipment.

Depreciation is provided to write off the cost of tangible non-current assets (including investment properties), less estimated residual values on a straight-line basis as follows:

- Freehold land – not depreciated.
- Buildings – depreciated to their residual value over their estimated remaining economic lives of 10-50 years.
- Fixtures, fittings and equipment – three to 25 years, according to the estimated economic life of the asset.

Residual values and useful economic lives are reviewed annually. Depreciation is charged on all additions to, or disposals of, depreciating assets in the year of purchase or disposal.

Any impairment in value, or reversal of an impairment, is recognised within the income statement.

Leasing

The Group recognises a right-of-use asset and corresponding liability at the date at which a leased asset is made available for use by the Group, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low-value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease.

Lease liabilities are measured at the present value of the future lease payments, excluding any payments relating to non-lease components. Future lease payments include fixed payments, in-substance fixed payments, and variable lease payments that are based on an index or a rate, less any lease incentives receivable. Lease liabilities also take into account amounts payable under residual value guarantees and payments to exercise options to the extent that it is reasonably certain that such payments will be made. The payments are discounted at the rate implicit in the lease or, where that cannot be readily determined, at an incremental borrowing rate.

Right-of-use assets are measured initially at cost based on the value of the associated lease liability, adjusted for any payments made before inception, initial direct costs and an estimate of the dismantling, removal and restoration costs required in the terms of the lease. The Group presents right-of-use assets in "property, plant and equipment" in the consolidated statement of financial position.

Subsequent to initial recognition, the lease liability is reduced for payments made and increased to reflect interest on the lease liability (using the effective interest method). The related right-of-use asset is depreciated over the term of the lease or, if shorter, the useful economic life of the leased asset. The lease term shall include the period of an extension option where it is reasonably certain that the option will be exercised. Where the lease contains a purchase option, the asset is written off over the useful life of the asset when it is reasonably certain that the purchase option will be exercised.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount

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rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).

- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

Leases for which the Group is a lessor are classified as finance or operating leases. A lease is classified as a finance lease if it transfers substantially all the risks and rewards of ownership to the lessee, and classified as an operating lease if it does not. When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment in the lease. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Cash and cash equivalents

Cash and cash equivalents includes short-term deposits with banks and other financial institutions, with an initial maturity of three months or less, money market funds and credit card payments received within 48 hours. Bank transactions are recorded on their settlement date.

Inventories

Inventories are valued on a weighted average cost basis and carried at the lower of cost and net realisable value. Cost includes all direct expenditure and other attributable costs incurred in bringing inventories to their present location and condition. All inventories are finished goods. Certain purchases of inventories may be subject to cash flow hedges for foreign exchange risk. The initial cost of hedged inventory is adjusted by the associated hedging gain or loss transferred from the cash flow hedge reserve ("basis adjustment").

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the best estimate of the expenditure required to settle the obligation at the end of the reporting period, and are discounted to present value where the effect is material.

Share-based payments

The Group issues equity-settled share-based payments to certain employees. A fair value for the equity-settled share awards is measured at the date of grant. The Group measures the fair value of each award using the Black-Scholes model where appropriate.

The fair value of each award is recognised as an expense over the vesting period on a straight-line basis, after allowing for an estimate of the share awards that will eventually vest. The level of vesting is reviewed at each reporting period and the charge is adjusted to reflect actual and estimated levels of vesting.

Foreign currencies

The financial statements are presented in sterling which is the Company's functional currency.

The results of overseas subsidiaries are translated at the weighted average of monthly exchange rates for revenue and profits. The statements of financial position of overseas subsidiaries are translated at year-end exchange rates. The resulting exchange differences are booked into reserves and reported in the consolidated statement of comprehensive income. On disposal of an overseas subsidiary the related cumulative translation differences recognised in reserves are reclassified to profit or loss and are recognised as part of the gain or loss on disposal.

Transactions denominated in foreign currencies are translated at the exchange rate at the date of the transaction. Foreign currency monetary assets and liabilities held at the end of the reporting period are translated at the closing balance sheet rate. The resulting exchange gain or loss is recognised within the income statement.

Taxation

Tax expense comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case the related tax is recognised in other comprehensive income or directly in equity.

Provision is made for uncertain tax positions when it is considered probable that there will be a future outflow of funds to a tax authority. The provision is calculated using the single best estimate where that outcome is more likely than not and a weighted average probability in other circumstances. The position is reviewed on an ongoing basis, to ensure appropriate provision is made for each known tax risk.

Deferred tax is accounted for using a temporary difference approach, and is the tax expected to be payable or recoverable on temporary differences between the carrying amount of assets and liabilities in the statement of financial position and the corresponding tax bases used in the computation of taxable profit. Deferred tax is calculated based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, applying tax rates and laws enacted, or substantively enacted, at the end of the reporting period.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the reversal of the temporary difference can be controlled by the Group and it is probable that the difference will not reverse in the foreseeable future. In addition, deferred tax liabilities are not recognised on temporary differences that arise from goodwill which is not deductible for tax purposes.

Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilised. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are not recognised in respect of temporary differences that arise on initial recognition of assets and liabilities acquired other than in a business combination.

Financial instruments

Financial assets and liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument. Financial assets are initially classified as at fair value through profit and loss, fair value through other comprehensive income or amortised cost depending on the Group's business model for managing the financial asset and its cash flow characteristics. Financial assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortised cost.

The table below sets out the Group's accounting classification of each class of its financial assets and liabilities:

	Note	Measurement
Financial assets:		
Other investments	16	FVTPL[1]
Loans to related parties	17	Amortised cost
Trade receivables	17	Amortised cost
Lease receivables	17	Amortised cost
Other receivables	17	Amortised cost
Cash and cash equivalents	18	Amortised cost
Derivative financial instruments	21	FVTPL
Financial liabilities:		
Borrowings and overdrafts	20	Amortised cost
Trade payables	19	Amortised cost
Other payables	19	Amortised cost
Contingent consideration	19	FVTPL
Accruals	19	Amortised cost
Lease liabilities	20	Amortised cost
Derivative financial instruments	21	FVTPL

1 Fair value through profit or loss

A. Trade and other receivables Trade receivables are recorded initially at transaction price and subsequently measured at amortised cost, except those which, due to factoring arrangements, are held within a "hold to collect and sell" business model and are measured at fair value through other comprehensive income ("FVOCI"). Trade receivables measured at amortised cost are carried at nominal value less an allowance for any doubtful debts. The allowance for doubtful debts is recognised based on management's expectation of losses without regard to whether an impairment trigger happened or not (an "expected credit loss" model).

B. Other financial assets Other financial assets consist of loans receivable, venture capital investments and short-term investments with a maturity date of more than 90 days. Financial assets that do not meet the criteria for being measured at amortised cost are measured at fair value through profit or loss ("FVTPL") with gains and losses arising from changes in fair value included in the income statement for the period.

C. Classification of financial liabilities and equity Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

D. Bank borrowings Interest-bearing bank loans and overdrafts are initially recorded at fair value, which equals the proceeds received, net of direct issue costs. They are subsequently held at amortised cost. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for using an effective interest rate method and are added to, or deducted from, the carrying amount of the instrument.

E. Loan notes Long-term loans are initially measured at fair value net of direct issue costs and are subsequently held at amortised cost. If the loan is designated in a fair value hedge relationship, the carrying value of the loan is adjusted for fair value gains or losses attributable to the risk being hedged.

F. Trade payables Trade payables are recorded initially at fair value and subsequently measured at amortised cost. Generally, this results in their recognition at their nominal value.

G. Equity instruments Equity instruments issued by the Group are recorded at the consideration received, net of direct issue costs.

Derivative financial instruments and hedging activities

The Group primarily uses cross-currency swaps and forward foreign currency contracts to manage its exposures to fluctuations in interest rates and foreign exchange rates. These instruments are initially recognised at fair value on the trade date and are subsequently remeasured at their fair value at the end of the reporting period. The method of recognising the resulting gain or loss is dependent on whether the derivative is designated as a hedging instrument and the nature of the item being hedged.

The Group designates certain hedging derivatives as either:

- A hedge of a highly probable forecast transaction or change in the cash flows of a recognised asset or liability (a cash flow hedge); or
- A hedge of the exposure to change in the fair value of a recognised asset or liability (a fair value hedge).

At the inception of a hedging relationship, the hedging instrument and the hedged item are documented, along with the risk management objectives and strategy for undertaking various hedge transactions and prospective effectiveness testing is performed. During the life of the hedging relationship, prospective effectiveness testing is performed to ensure that the instrument remains an effective hedge of the transaction. Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement as they arise.

A. Cash flow hedges Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised in other comprehensive income. The element of the change in fair value which relates to the foreign currency basis spread is recognised in the cost of hedging reserve, with the remaining change in fair value recognised in the hedging reserve and any ineffective portion is recognised immediately in the income statement in finance costs. If the firm commitment or forecast transaction that is the subject of a cash flow hedge results in the recognition of a non-financial asset or liability, then, at the time the asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in other comprehensive income and accumulated in the cash flow hedge reserve are removed directly from equity and included in the initial measurement of the asset or liability. If the hedged item is transaction-related, the foreign currency basis spread is reclassified to profit or loss when the hedged item affects profit or loss. If the hedged item is time-period related, then the amount accumulated in the cost of hedging reserve is reclassified to profit or loss on a systematic and rational basis. Those reclassified amounts are recognised in profit or loss in the same line as the hedged item. If the hedged item is a non-financial item, then the amount accumulated in the cost of hedging reserve is removed directly from equity and included in the initial carrying amount of the recognised non-financial item.

For hedges that do not result in the recognition of an asset or a liability, amounts deferred in the cash flow hedge reserve are recognised in the income statement in the same period in which the hedged items affect net profit or loss.

B. Fair value hedges Changes in the fair value of a derivative instrument designated in a fair value hedge are recognised in the income statement. The hedged item is adjusted for changes in fair value attributable to the risk being hedged with the corresponding entry in the income statement.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement as they arise.

C. Discontinuance of hedge accounting Hedge accounting is discontinued when the hedge relationship no longer qualifies for hedge accounting. This includes when the hedging instrument expires, is sold, terminated or exercised, or when occurrence of the

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

forecast transaction is no longer highly probable. The Group cannot voluntarily de-designate a hedging relationship.

When a cash flow hedge is discontinued, any cumulative gain or loss on the hedging instrument accumulated in the cash flow hedge reserve is retained in equity until the forecast transaction occurs. Subsequent changes in the fair value are recognised in the income statement. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss accumulated in the cash flow hedge reserve is transferred to the income statement for the period.

When a fair value hedge is discontinued, the fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to the income statement based on the recalculated effective interest rate at that date.

The Group does not use derivatives to hedge income statement translation exposures.

Reserves

The following describes the nature and purpose of each reserve within equity:

A. Share premium account Proceeds received in excess of the nominal value of shares issued, net of any transaction costs.

B. Capital redemption reserve Amounts transferred from share capital on redemption or repurchase of issued shares.

C. Hedging reserve Cumulative gains and losses on hedging instruments deemed effective in cash flow hedges.

D. Cost of hedging Cumulative gains and losses on the portion excluded from the designated hedging instrument that relates to changes in the foreign currency basis.

E. Other reserve Originally created as part of the capital restructuring that took place in 2002. It represents the difference between the nominal value of the shares issued prior to the capital reduction by the Company (being the carrying value of the investment in Marks and Spencer plc) and the share capital, share premium and capital redemption reserve of Marks and Spencer plc at the date of the transaction.

F. Foreign exchange reserve Gains and losses arising on retranslating the net assets of overseas operations into sterling.

G. Retained earnings All other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere.

Critical accounting judgments and key sources of estimation uncertainty

The preparation of consolidated financial statements requires the Group to make estimates and judgments that affect the application of policies and reported amounts.

Critical judgments represent key decisions made by management in the application of the Group accounting policies. Where a significant risk of materially different outcomes exists due to management assumptions or sources of estimation uncertainty, this will represent a key source of estimation uncertainty. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next 12 months are discussed below.

Critical accounting judgments

Adjusting items

The directors believe that the adjusted profit and earnings per share measures provide additional useful information to shareholders on the performance of the business. These measures are consistent with how business performance is measured internally by the Board and Executive Committee. The profit before tax and adjusting items measure is not a recognised profit measure under IFRS and may not be directly comparable with adjusted profit measures used by other companies. The classification of adjusting items requires significant management judgment after considering the nature and intentions of a transaction. The Group's definitions of adjusting items are outlined within both the Group accounting policies and the Glossary. These definitions have been applied consistently year on year.

Note 5 provides further details on current year adjusting items and their adherence to Group policy.

UK defined benefit pension surplus

Where a surplus on a defined benefit scheme arises, the rights of the Trustees to prevent the Group obtaining a refund of that surplus in the future are considered in determining whether it is necessary to restrict the amount of the surplus that is recognised. The UK defined benefit scheme is in surplus at 1 April 2023. Following consultation with external advisers, the directors have made the judgment that these amounts meet the requirements of recoverability on the basis that paragraph 11(b) of IFRIC 14 applies, enabling a refund of surplus assuming the gradual settlement of the scheme liabilities over time until all members have left the scheme, and a surplus of £482.0m has been recognised.

Assessment of control over Ocado Retail Limited

The directors have assessed that the Group has significant influence over Ocado Retail Limited and has therefore accounted for the investment as an associate (see note 29). This assessment is based on the current rights held by the respective shareholders and requires judgment in assessing these rights. These rights include determinative rights currently held by Ocado Group plc, after agreed dispute resolution procedures, in relation to the approval of the Ocado Retail Limited business plan and budget and the appointment and removal of Ocado Retail Limited's Chief Executive Officer. Any future change to these rights requires a reassessment of control and could result in a change in the status of the investment from associate to joint venture, subsidiary or investment.

Determining the lease term

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease if it is reasonably certain not to be exercised.

The Group has several lease contracts for land and buildings that include extension and termination options. The Group applies judgment in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination, including: whether there are significant penalties to terminate (or not extend); whether any leasehold improvements are expected to have a significant remaining value; historical lease durations; the importance of the underlying asset to the Group's operations; and the costs and business disruption required to replace the leased asset.

Most renewal periods and periods covered by termination options are included as part of the lease term for leases of land and buildings. The Group typically exercises its option to renew (or does not exercise its option to terminate) for these leases because there will be a significant negative effect on trading if a replacement property is not readily available.

The lease term is reassessed if a significant event or a significant change in circumstances occurs which affects the assessment of reasonable certainty, for example if a store is identified to be closed as part of the UK store estate strategic programme.

Determining whether forecast purchases are highly probable
The Group is exposed to foreign currency risk, most significantly to the US dollar as a result of sourcing Clothing & Home products from Asia which are paid for predominantly in US dollars. The Group hedges these exposures using forward foreign exchange contracts and hedge accounting is applied when the requirements of IFRS 9 are met, which include that a forecast transaction must be "highly probable".

The Group has applied judgment in assessing whether forecast purchases are "highly probable". In making this assessment, the Group has considered the most recent budgets and plans. The Group's policy is a "layered" hedging strategy where only a small fraction of the forecast purchase requirements is initially hedged, with incremental hedges layered on over time as the buying period for that season approaches and therefore as certainty increases over the forecast purchases. As a result of this progressive strategy, a reduction in the supply pipeline of inventory does not immediately lead to over-hedging and the disqualification of "highly probable". If the forecast transactions were no longer expected to occur, any accumulated gain or loss on the hedging instruments would be immediately reclassified to profit or loss.

Key sources of estimation uncertainty

Climate change impact
In preparing the consolidated financial statements, the Group has considered the impact of climate change, particularly in the context of the TCFD disclosures set out on pages 44 to 55 and the Group's sustainability targets. The Group's existing fixed asset replacement programme is phased over several years and therefore any changes in the requirements associated with climate change would not have a material impact in any given year. The costs expected to be incurred in connection with the Group's commitments are included within the Group's budget and three-year plan which have been used to support the impairment reviews of non-current assets and the going concern and viability assessments. Further disclosures in relation to the impact of climate change on the impairment assessment of intangibles and property, plant and equipment are included in notes 14 and 15. Given the identified risks are expected to be present in the medium to long term, the impact of climate change on the going concern period and viability of the Group over the next three years is not expected to be material and is therefore not currently classified as a key source of estimation uncertainty.

UK store estate programme
The Group is undertaking a significant strategic programme to review its UK store estate, resulting in a net charge of £51.3m (last year: £161.4m) in the year. A significant level of estimation has been used to determine the charges to be recognised in the year. The most significant judgment that impacts the charge is that the stores identified as part of the programme are more likely than not to close. Further significant closure costs and impairment charges may be recorded in future years, depending on decisions made about further store closures and the successful delivery of the transformation programme.

Where a store closure has been announced, there is a reduced level of estimation uncertainty as the programme actions are to be taken over a shorter and more immediate timeframe. Further significant estimation uncertainty arises in respect of determining the recoverable amount of assets and the costs to be incurred as part of the programme. Significant assumptions have been made including:

- Reassessment of the useful lives of store fixed assets and closure dates.
- Estimation in respect of the expected shorter-term trading value in use, including assumptions with regard to the period of trading as well as changes to future sales, gross margin and operating costs.
- Estimation of the sale proceeds for freehold stores which is dependent upon location-specific factors, timing of likely exit and future changes to the UK retail property market valuations.
- Estimation of the value of dilapidation payments required for leasehold store exits, which is dependent on a number of factors including the extent of modifications of the store, the terms of the lease agreement, and the condition of the property.

The assumptions most likely to have a material impact are closure dates and changes to future sales. See notes 5 and 15 for further detail.

Impairment of property, plant and equipment
Property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. When a review for impairment is conducted, the recoverable amount is determined based on the higher of value in use and fair value less costs to sell. The value in use method requires the Group to determine appropriate assumptions in relation to the cash flow projections over the three-year strategic plan period (which is a key source of estimation uncertainty), the long-term growth rate to be applied beyond this three-year period and the risk-adjusted pre-tax discount rate used to discount the assumed cash flows to present value. See note 15 for further details on the Group's assumptions and associated sensitivities.

Post-retirement benefits
The determination of pension net interest income and the defined benefit obligation of the Group's defined benefit pension schemes depends on the selection of certain assumptions which include the discount rate, inflation rate and mortality rates. Differences arising from actual experiences or future changes in assumptions will be reflected in subsequent periods. The fair value of unquoted investments within total plan assets is estimated with consideration of fair value estimates provided by the manager of the investment or fund. See note 11 for further details on the impact of changes in the key assumptions and estimates.

Remeasurement of Ocado contingent consideration
Contingent consideration, resulting from the investment in Ocado Retail Limited, is remeasured at fair value at each reporting date.

The fair value of the contingent consideration has been estimated using the expected present value technique and is based on probability weighting possible scenarios and applying an appropriate discount rate to reflect the timing of the possible payment. The Group has considered a range of scenarios reflecting current market uncertainty, taking into account Ocado Retail Limited's most recent trading update in March 2023. The Group has determined a fair value of £64.7m (last year: £172.6m). See note 21 for full details.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

2 SEGMENTAL INFORMATION

IFRS 8 Operating Segments requires operating segments to be identified on the basis of internal reporting on components of the Group that are regularly reviewed by the chief operating decision-maker to allocate resources to the segments and to assess their performance.

The chief operating decision-maker has been identified as the Executive Committee. The Executive Committee reviews the Group's internal reporting in order to assess performance and allocate resources across each operating segment.

The Group's reportable operating segments have therefore been identified as follows:

- UK Clothing & Home – comprises the retailing of womenswear, menswear, lingerie, kidswear and home products through UK retail stores and online.
- UK Food – includes the results of the UK retail food business, UK Food franchise operations and UK supply chain services, with the following five main categories: protein deli and dairy; produce; ambient and in-store bakery; meals, dessert and frozen; and hospitality and "Food on the Move"; and direct sales to Ocado Retail Limited.
- International – consists of Marks and Spencer owned businesses in Europe and Asia and the international franchise operations.
- Ocado – includes the Group's share of profits or losses from the investment in Ocado Retail Limited.

Other business activities and operating segments, including M&S Bank and M&S Energy, are combined and presented in "All other segments". Finance income and costs are not allocated to segments as each is managed on a centralised basis.

The Executive Committee assesses the performance of the operating segments based on a measure of adjusted operating profit. This measurement basis excludes the effects of adjusting items from the operating segments.

The following is an analysis of the Group's revenue and results by reportable segment:

	52 weeks ended 1 April 2023						52 weeks ended 2 April 2022					
	UK Clothing & Home £m	**UK Food £m**	**International £m**	**Ocado £m**	**All other segments £m**	**Group £m**	UK Clothing & Home £m	UK Food £m	International £m	Ocado £m	All other segments £m	Group £m
Sales[1]	**3,715.0**	**7,218.0**	**1,055.0**	**–**	**–**	**11,988.0**	3,332.2	6,639.6	937.2	–	–	10,909.0
Revenue	**3,658.3**	**7,218.0**	**1,055.0**	**–**	**–**	**11,931.3**	3,308.3	6,639.6	937.2	–	–	10,885.1
Adjusted operating profit/(loss)[2]	**323.8**	**248.0**	**84.8**	**(29.5)**	**(0.5)**	**626.6**	330.7	277.8	73.6	13.9	13.0	709.0
Finance income before adjusting items						**58.1**						28.3
Finance costs before adjusting items						**(202.7)**						(214.4)
Profit/(loss) before tax and adjusting items	**323.8**	**248.0**	**84.8**	**(29.5)**	**(0.5)**	**482.0**	330.7	277.8	73.6	13.9	13.0	522.9
Adjusting items						**(6.3)**						(131.2)
Profit/(loss) before tax	**323.8**	**248.0**	**84.8**	**(29.5)**	**(0.5)**	**475.7**	330.7	277.8	73.6	13.9	13.0	391.7

1 Sales is revenue stated prior to adjustments for UK Clothing & Home brand consignment sales of £56.7m (last year. £23.9m)
2 Adjusted operating profit/(loss) is stated as gross profit less operating costs prior to adjusting items. At reportable segment level costs are allocated where directly attributable or based on an appropriate cost driver for the cost.

2 SEGMENTAL INFORMATION CONTINUED

Other segmental information

	52 weeks ended 1 April 2023						52 weeks ended 2 April 2022					
	UK Clothing & Home £m	**UK Food £m**	**International £m**	**Ocado £m**	**All other segments £m**	**Group £m**	UK Clothing & Home £m	UK Food £m	International £m	Ocado £m	All other segments £m	Group £m
Additions to property, plant and equipment, and intangible assets (excluding goodwill and right-of-use assets)	**170.4**	**221.1**	**29.9**	**–**	**–**	**421.4**	139.2	163.7	18.5	–	–	321.4
Depreciation and amortisation[1,2]	**(267.9)**	**(274.8)**	**(35.7)**	**–**	**–**	**(578.4)**	(268.1)	(248.8)	(35.0)	–	–	(551.9)
Impairment charges, impairment reversals and asset write-offs[1]	**10.2**	**6.1**	**(1.9)**	**–**	**–**	**14.4**	(37.2)	10.7	(8.0)	–	–	(34.5)

1 These costs are allocated to a reportable segment where they are directly attributable. Where costs are not directly attributable, a proportional allocation is made to each segment based on an appropriate cost driver.
2 Includes £3.1m (last year: £0.2m) depreciation and impairments on investment property.

Segment assets and liabilities, including investments in associates and joint ventures, are not disclosed because they are not reported to, or reviewed by, the Executive Committee.

3 EXPENSE ANALYSIS

	2023 Total £m	2022 Total £m
Revenue	**11,931.3**	10,885.1
Cost of sales	**(7,786.7)**	(7,130.3)
Gross profit	**4,144.6**	3,754.8
Selling and administrative expenses	**(3,609.2)**	(3,244.1)
Other operating income	**23.2**	80.1
Share of results of Ocado Retail Limited	**(43.5)**	(18.6)
Operating profit	**515.1**	572.2

The figures above include £111.5m (last year: £136.8m) adjusting item charges within operating profit (see note 5). These are further analysed against the categories of cost of sales (£nil; last year: £17.0m gain), selling and administrative expenses (£103.8m; last year: £155.9m), other operating income (£6.3m; last year: £34.6m) and share of results of Ocado Retail Limited (£14.0m; last year: £32.5m).

The selling and administrative expenses are further analysed below:

	2023 Total £m	2022 Total £m
Employee costs[1]	**1,546.5**	1,420.6
Occupancy costs	**463.9**	344.3
Repairs, renewals and maintenance of property	**111.2**	122.2
Depreciation, amortisation and asset impairments and write-offs[2]	**574.7**	586.4
IT costs	**228.6**	212.1
Marketing costs	**220.2**	209.4
Other costs[3]	**464.1**	349.1
Selling and administrative expenses	**3,609.2**	3,244.1

1 There are an additional £58.7m (last year £65.1m) employee costs recorded within cost of sales. These costs are included within the aggregate remuneration disclosures in note 10A.
2 Includes £0.2m (last year: £0.2m) depreciation and £2.9m (last year: £nil) impairment charged on investment property.
3 Includes costs such as logistics, professional fees and sundry costs.

Adjusting items categorised as selling and administrative expenses are further analysed as employee costs £19.0m (last year £0.1m); occupancy costs £8.2m (last year: £5.9m); depreciation, amortisation and asset impairments and write-offs £43.0m (last year: £64.9m); and other costs £33.6m (last year: £85.0m).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

4 PROFIT BEFORE TAXATION

The following items have been included in arriving at profit before taxation:

	2023 £m	2022 £m
Net foreign exchange losses/(gains)	**6.7**	(14.5)
Cost of inventories recognised as an expense	**6,751.3**	6,086.3
Write-down of inventories recognised as an expense	**266.0**	197.6
Depreciation of property, plant and equipment[1]		
– owned assets	**310.5**	290.5
– right-of-use assets	**180.9**	167.8
Amortisation of intangible assets	**87.0**	93.6
Impairments and write-offs of intangible assets and property, plant and equipment[2]	**31.7**	100.1
Impairment reversals of property, plant and equipment	**(40.2)**	(62.1)
Impairments of right-of-use assets	**14.8**	25.4
Impairment reversals of right-of-use assets	**(14.9)**	(28.9)

1 Includes £0.2m (last year: £0.2m) depreciation charged on investment property.
2 Includes £2.9m (last year: £nil) impairment charged on investment property.

Included in administrative expenses is the auditor's remuneration, including expenses for audit and non-audit services, payable to the Company's auditor Deloitte LLP and its associates as follows:

	2023 £m	2022 £m
Annual audit of the Company and the consolidated financial statements	**2.0**	1.7
Audit of subsidiary companies	**0.7**	0.6
Total audit fees	**2.7**	2.3
Audit-related assurance services	**0.3**	0.2
Total non-audit services fees	**0.3**	0.2
Total audit and non-audit services	**3.0**	2.5

5 ADJUSTING ITEMS

The total adjusting items reported for the 52-week period ended 1 April 2023 is a net charge of £6.3m (last year: £131.2m). The adjustments made to reported profit before tax to arrive at adjusted profit are:

	Notes	**2023 £m**	2022 £m
Included in operating profit			
Strategic programmes – UK store estate	15, 22	**(51.3)**	(161.4)
Strategic programmes – Structural simplification	22	**(16.4)**	–
Strategic programmes – Organisation	17	**(10.7)**	14.3
Strategic programmes – UK logistics	15, 22	**(10.5)**	21.9
Strategic programmes – International store closures and impairments	22	**–**	0.4
Store impairments, impairment reversals and other property charges	15, 22	**15.1**	60.0
Acquisition of Cist Limited		**(22.1)**	–
Amortisation and fair value adjustments arising as part of the investment in Ocado Retail Limited	29	**(14.0)**	(32.5)
M&S Bank charges incurred in relation to the insurance mis-selling provisions		**(2.0)**	(16.0)
Franchise restructure		**0.4**	(41.3)
Directly attributable gains resulting from the Covid-19 pandemic		**–**	17.8
		(111.5)	(136.8)
Included in net finance income/(costs)			
Remeasurement of Ocado Retail Limited contingent consideration		**108.0**	5.6
Net finance costs incurred in relation to Cist Limited deferred and contingent consideration		**(2.8)**	–
		105.2	5.6
Adjustments to profit before tax		**(6.3)**	(131.2)

Strategic programmes – UK store estate (£51.3m)

In November 2016, the Group announced a strategic programme to transform and rotate the UK store estate with the overall objective to improve our store estate to better meet our customers' needs. The Group incurred charges of £870m up to April 2023 under this programme primarily relating to closure costs associated with stores identified as part of the strategic transformation plans.

The Group has recognised a charge of £51.3m in the period in relation to those stores identified as part of the rotation plans. The charge primarily reflects the latest view of store closure plans and latest assumptions for estimated store closure costs, as well as charges relating to the impairment of buildings and fixtures and fittings, and depreciation as a result of shortening the useful economic life of stores based on the most recent approved exit routes.

Further charges relating to the closure and rotation of the UK store estate are anticipated over the next eight years as the programme progresses, the quantum of which is subject to change throughout the programme period as the Group gets greater certainty of circumstances that need to be in place to make closure financially viable. Future charges will not include Foodhall closures at a lease event where there is opportunity for a better location, as this is not in the scope of the programme.

As at 1 April 2023, the total closure programme now consists of 206 stores, 108 of which have already closed. Further charges of c.£165m are estimated within the next eight financial years, bringing anticipated total programme costs since 2016 to c.£1bn. In addition, where store exit routes in the next eight years lead to the recognition of gains on exit, particularly those relating to asset management, these credits will also be recognised within adjusting items as part of the programme. The anticipated total programme costs to date do not include any costs that may arise in relation to a further c.30 stores currently under consideration for closure within the next eight years. At this stage these c.30 stores remain commercially supportable and in the event of a decision to close the store, the exit routes are not yet certain.

These costs are reported as adjusting items on the basis that they are significant in quantum, relate to a strategic initiative focused on reviewing our store estate and to aid comparability from one period to the next. The programme includes all stores within the programme to be closed by 2030/31, but charges in the year, and future charges, did not include Foodhall closures at a lease event where there is opportunity to secure a better location.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

5 ADJUSTING ITEMS CONTINUED

Strategic programmes – Structural simplification (£16.4m)

During 2022/23, the Group committed to a structural reduction of its operating costs and a desire to simplify the organisation and prioritise to mitigate cost increases faced by the business. As part of this objective, a thorough review has been performed to restructure and right size the organisation with an in-year focus on the support functions. As part of the programme, the Group has incurred £1.3m of consultancy costs. The review of structures has resulted in a reduction of c.700 roles versus plan across central support centres, management and stores, with a charge of £16.4m recognised in the period primarily for redundancy and exit costs associated with these changes. The provision is expected to be fully utilised during 2023/24. Further charges of c.£17m are expected in 2023/24 bringing the total programme cost to c.£33.4m.

These costs are considered to be adjusting items as the costs are part of the strategic programme, significant in value and would distort the year-on-year profitability of the business.

Strategic programmes – Organisation (£10.7m)

During 2016/17, the Group announced a wide-ranging strategic review across a number of areas of the business which included UK organisation and the programme to centralise our London Head Office functions into one building. In the period, an impairment charge of £10.7m has been recognised (last year: £14.3m impairment reversal). This relates to the updating of assumptions and market fluctuations over the life of the sub-let of previously closed offices. Total costs of centralising our London Head Office functions into one building incurred to date are c.£97m. Any future charges/reversals will relate to the updating of assumptions and market fluctuations over the life of the sub-let lease to September 2040.

These charges are reported as adjusting items as they are *significant in value, relate to a strategic initiative, are not* considered to be normal operating costs of the business and are consistent with the disclosure of costs previously recognised.

Strategic programmes – UK logistics (£10.5m)

In 2017/18, as part of the previously announced long-term strategic programme to transition to a single-tier UK distribution network, the Group announced the opening of a new Clothing & Home distribution centre in Welham Green, Hertfordshire. As a direct result, the Group announced the closure of two existing distribution centres. In February 2020, the next phase of the single-tier programme was announced with the closure of two further distribution centres across 2020/21 and 2021/22.

In January 2023, the closure of a further distribution centre was announced for 2023/24. A net charge of £10.5m has been recognised in the period, reflecting the view of estimated closure costs. Total programme costs to date are £28.4m with further net charges of £30.2m expected over the next two financial years.

These charges are reported as adjusting items on the basis that they are significant in quantum, relate to a strategic initiative *focused on reviewing our UK logistics network and to aid comparability from one period to the next.*

Store impairments, impairment reversals and property charges (£15.1m credit)

The Group has recognised a number of charges and credits in the period associated with the carrying value of items of property, plant and equipment.

The Group has performed impairment testing based on the latest Board approved budget and three year plan future cash flow projections for UK and International stores (excluding those stores that have been captured as part of the UK store estate programme). As a result, store impairment testing has identified stores where the current and anticipated future performance does not support the carrying value of the stores. A charge of £18.0m (last year: £2.9m) has been incurred primarily in respect of the impairment of assets associated with these stores. In addition, a credit of £33.1m (last year: £63.4m) has been recognised for the reversal of store impairments incurred in previous periods, where revised future cash flow projections more than support the *carrying value of the stores, reflecting improved trading expectations compared to those assumed at the prior year end. Refer to note 15 for further details on the impairments.*

The charges/credits have been classified as an adjusting item on the basis of the significant quantum of the charge/credit in the period to the results of the Group. Any future charges or reversals relating to stores previously impaired within adjusting items will continue to be recognised within adjusting items in line with the original charge. Any future charges or reversals relating to stores not previously impaired within adjusting items or otherwise meeting the Group's adjusting items policy will be recognised in the underlying results.

Acquisition of Gist Limited (£22.1m)

On 30 September 2022 the Group completed the acquisition of Gist Limited from Storeshield Limited, a subsidiary of The BOC Group Limited, as part of M&S' multi-year programme to modernise its Food supply chain network to support growth. As part of the transaction the Group has incurred £28.3m of one-off charges that are not considered to be day-to-day operational costs of the business. Transaction costs of £6.8m have been incurred and £3.3m of other costs, mainly retention bonuses, along with £18.2m of charges relating to the settlement of our pre-existing relationship with Gist Limited. This was offset by a £6.2m gain on bargain purchase. See note 31 for further details.

These costs are adjusting items as they relate to a major transaction and, but for the transaction, the business would not have incurred these costs and as a result are not considered to be *normal operating costs of the business. Further costs are expected in 2023/24 in relation to the acquisition, such as retention bonuses.*

Amortisation and fair value adjustments arising as part of the investment in Ocado Retail Limited (£14.0m)

Intangible assets of £366.0m were acquired as part of the *investment in Ocado Retail Limited in 2019/20 relating to the Ocado brand and acquired customer relationships. These intangibles are being amortised over their useful economic lives of 10 – 40 years with an amortisation charge of £17.1m recognised in the period and a related deferred tax credit of £3.1m.*

The amortisation charge and changes in the related deferred tax liability are included within the Group's share of the profit or loss of the associate and are considered to be adjusting items as they are based on judgments about their value and economic life and are not related to the Group's underlying trading performance. These charges are reported as adjusting items on the basis that they are significant in quantum and to aid comparability from one period to the next.

M&S Bank charges incurred in relation to insurance mis-selling provisions (£2.0m)

The Group has an economic interest in Marks and Spencer Financial Services plc (trading as M&S Bank), a wholly owned subsidiary of HSBC UK Bank plc, by way of a Relationship Agreement that entitles the Group to a 50% share of the profits of M&S Bank after appropriate deductions. The Group does not share in any losses of M&S Bank and is not obliged to refund any profit share received from HSBC, although future income may be impacted by significant one-off deductions.

Since the year ended 31 December 2010, M&S Bank has recognised in its audited financial statements an estimated liability for redress to customers in respect of possible mis-selling of financial products. The Group's profit share and fee income from M&S Bank has been reduced by the deduction of the estimated liability in

both the current and prior years. In line with the accounting treatment under the Relationship Agreement, there is a cap on the amount of charges that can be offset against the profit share in any one year, whereby excess liabilities carried forward are deducted from the Group's future profit share from M&S Bank. The deduction in the period is £2.0m (last year: £16.0m).

The treatment of this in adjusting items is in line with previous charges in relation to settlement of PPI claims and although it is recurring, it is significant in quantum in the context of the total charges recognised for PPI mis-selling to date and is not considered representative of the normal operating performance of the Group. As previously noted, while the August 2019 deadline to raise potential mis-selling claims has now passed, costs relating to the estimated liability for redress are expected to continue. The total charges recognised in adjusting items since September 2012 for PPI is £324.7m which exceeds the total offset against profit share of £255.8m to date and this deficit will be deducted from the Group's share of future profits from M&S Bank.

Franchise restructuring (£0.4m credit)

In September 2021 the Group announced the closure of 11 franchise stores in France in response to increased EU border costs. Consequently, the Group recognised a charge of £10.3m for closure costs in 2021/22. A provision release of £0.4m has been recognised during the period in relation to the stores in France. No future costs are expected.

The costs/credits are considered to be adjusting items as they are one-off in nature and significant in value in total to the results of the Group and to the International segment.

Remeasurement of contingent consideration including discount unwind (£108.0m credit)

Contingent consideration, resulting from the investment in Ocado Retail Limited, is remeasured at fair value at each reporting date with the changes in fair value recognised in profit or loss. During 2021/22, £33.8m of contingent consideration was settled, following the achievement of the first and second performance targets. A credit of £108.0m has been recognised in the period, representing the revaluation of the contingent consideration payable to £64.7m (£57.8m plus interest). See note 21 for further details. The change in fair value is considered to be an adjusting item as it relates to a major transaction and consequently is not considered representative of the normal operating performance of the Group. The remeasurement will be recognised in adjusting items until the final contingent consideration payment is determined in 2024/25.

Net finance costs incurred in relation to Gist Limited deferred and contingent consideration (£2.8m)

Deferred consideration, resulting from the acquisition of Gist Limited, is held at amortised cost, whilst the contingent consideration is remeasured at fair value at each reporting date with the changes in fair value recognised in profit or loss. A charge of £2.8m has been recognised in the period, representing the discount unwind of the deferred consideration and revaluation of the contingent consideration payable. See note 21 for further details. The discount unwind and change in fair value is considered to be an adjusting item as it relates to a major transaction and consequently is not considered representative of the normal operating performance of the Group. The discount unwind and remeasurement will be recognised in adjusting items until the final payments are made in 2025/26.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

6 FINANCE INCOME/(COSTS)

	2023 £m	2022 £m
Bank and other interest receivable	**22.9**	3.7
Other finance income	**0.9**	5.9
Pension net finance income (see note 11H)	**28.7**	13.2
Interest income of subleases	**5.6**	5.5
Finance income before adjusting items	**58.1**	28.3
Finance income in adjusting items	**108.0**	5.6
Finance income	**166.1**	33.9
Other finance costs	**(6.4)**	(0.8)
Interest payable on syndicated bank facility	**(4.5)**	(4.7)
Interest payable on Medium Term Notes	**(65.4)**	(79.6)
Interest payable on lease liabilities	**(116.7)**	(121.1)
Unwind of discount on provisions	**(5.4)**	(3.8)
Unwind of discount on Partnership liability to the Marks & Spencer UK Pension Scheme (see note 12)	**(4.3)**	(4.4)
Finance costs before adjusting items	**(202.7)**	(214.4)
Finance costs in adjusting items	**(2.8)**	–
Finance costs	**(205.5)**	(214.4)
Net finance costs	**(39.4)**	(180.5)

7 INCOME TAX EXPENSE

A. Taxation charge

	2023 £m	2022 £m
Current tax		
UK corporation tax on profits for the year at 19% (last year: 19%)		
– current year	**67.6**	66.8
– adjustments in respect of prior years	**(3.8)**	(1.0)
UK current tax	**63.8**	65.8
Overseas current taxation		
– current year	**9.9**	9.6
– adjustments in respect of prior years	**(3.6)**	2.2
Total current taxation	**70.1**	77.6
Deferred tax		
– origination and reversal of temporary differences	**26.5**	14.9
– adjustments in respect of prior years	**8.1**	0.7
– changes in tax rate	**6.5**	(10.5)
Total deferred tax (see note 23)	**41.1**	5.1
Total income tax expense	**111.2**	82.7

7 INCOME TAX EXPENSE CONTINUED

B. Taxation reconciliation

The effective tax rate was 23.4% (last year: 21.1%) and is explained below.

	2023 £m	2022 £m
Profit before tax	**475.7**	391.7
Notional taxation at standard UK corporation tax rate of 19% (last year: 19%)	**90.4**	74.4
Depreciation and other amounts in relation to fixed assets that do not qualify for tax relief	**6.2**	7.8
Tax benefit arising from UK super deduction regime	**(7.9)**	(6.2)
Other income and expenses that are not taxable or allowable for tax purposes	**16.7**	6.1
Joint venture results accounted for as profit after tax	**5.5**	(2.5)
Retranslation of deferred tax balances due to the change in statutory UK tax rates	**–**	(10.5)
Impact of tax rate differential	**6.6**	–
Overseas profits taxed at rates different to those of the UK	**0.4**	(0.6)
Movement in unrecognised overseas deferred tax assets	**0.3**	–
Adjustments to the current and deferred tax charges in respect of prior periods	**5.4**	1.9
Adjusting items:		
– UK store and strategic programme impairments and other property charges where no tax relief is available	**2.7**	3.9
– Cost incurred on acquisition of Gist	**3.6**	–
– Other strategic programme income and expenses that are not taxable or allowable for tax purposes	**2.7**	2.2
– Amortisation arising as a part of the investment in Ocado Retail Limited	**2.7**	6.2
– Release of Ocado contingent consideration	**(19.4)**	–
– Adjustments to the current and deferred tax charges in respect of prior periods	**(4.7)**	–
Total income tax expense	**111.2**	82.7

The effective tax rate in respect of the profit before adjusting items was 25.9% (last year: 18.2%).

On 20 December 2021, the OECD published its proposals in relation to Global Anti-Base Erosion Rules, which provide for an internationally co-ordinated system of taxation to ensure that large multinational groups pay a minimum level of corporate income tax in countries where they operate. On 23 March 2023, the UK government introduced draft legislation in Finance (No. 2) Bill 2022-23 to implement Pillar 2 of the OECD/G20 inclusive framework. The new rules are expected to take effect from 2024 onwards.

There remains a considerable amount of uncertainty with respect to the detailed operation of the rules and their impact. Further details and guidance are due in the course of 2023. From an initial review of the Group's business and tax profile, the rules are not expected to have a material impact on the Group's tax rate or tax payments. There is no impact on the Group's results for FY23.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

7 INCOME TAX EXPENSE CONTINUED

C. Current tax reconciliation

The current tax reconciliation shows the tax effect of the main adjustments made to the Group's accounting profits in order to arrive at its taxable profits. The reconciling items differ from those in note 7B as the effects of deferred tax temporary differences are ignored below.

	2023 £m	2022 £m
Profit before tax	**475.7**	391.7
Notional taxation at standard UK corporation tax rate of 19% (last year: 19%)	**90.4**	74.4
Disallowable accounting depreciation and other similar items	**55.8**	63.7
Deductible capital allowances	**(77.9)**	(75.7)
Adjustments in relation to employee share schemes	**5.8**	6.7
Adjustments in relation to employee pension schemes	**7.6**	(2.5)
Overseas profits taxed at rates different from those of the UK	**0.4**	(0.6)
Joint venture results accounted for as profit after tax	**5.5**	(2.5)
Utilisation or increase of unrecognised losses	**0.3**	–
Other income and expenses that are not taxable or allowable	**(2.7)**	0.6
Adjusting items:		
– UK store and strategic programme impairments and other property charges where no tax relief is available	**2.7**	3.9
– Other strategic programme income and expenses that are not taxable nor allowable for tax purposes	**2.7**	2.2
– Cost incurred on acquisition of Gist	**3.6**	–
– Amortisation arising as a part of the investment in Ocado Retail Limited	**2.7**	6.2
– Release of Ocado contingent consideration	**(19.4)**	–
Current year current tax charge	**77.5**	76.4
Represented by:		
UK current year current tax	**67.6**	66.8
Overseas current year current tax	**9.9**	9.6
	77.5	76.4
UK adjustments in respect of prior years	**(3.8)**	(1.0)
Overseas adjustments in respect of prior years	**(3.6)**	2.2
Total current taxation (note 7A)	**70.1**	77.6

8 EARNINGS PER SHARE

The calculation of earnings per ordinary share is based on earnings after tax and the weighted average number of ordinary shares in issue during the year.

The adjusted earnings per share figures have also been calculated based on earnings before adjusting items that are significant in nature and/or quantum and are considered distortive to underlying results (see note 5). These have been presented to provide shareholders with an additional measure of the Group's year-on-year performance.

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The Group has four types of dilutive potential ordinary shares, being: those share options granted to employees where the exercise price is less than the average market price of the Company's ordinary shares during the year; unvested shares granted under the Deferred Share Bonus Plan; unvested shares granted under the Restricted Share Plan; and unvested shares within the Performance Share Plan that have met the relevant performance conditions at the end of the reporting period.

8 EARNINGS PER SHARE CONTINUED

Details of the adjusted earnings per share are set out below:

	2023 £m	2022 £m
Profit attributable to equity shareholders of the Company	**363.4**	306.6
Add/(less):		
Adjusting items (see note 5)	**6.3**	131.2
Tax on adjusting items	**(13.7)**	(12.6)
Profit before adjusting items attributable to equity shareholders of the Company	**356.0**	425.2

	Million	Million
Weighted average number of ordinary shares in issue	**1,963.5**	1,958.1
Potentially dilutive share options under Group's share option schemes	**70.4**	73.0
Weighted average number of diluted ordinary shares	**2,033.9**	2,031.1

	Pence	Pence
Basic earnings per share	**18.5**	15.7
Diluted earnings per share	**17.9**	15.1
Adjusted basic earnings per share	**18.1**	21.7
Adjusted diluted earnings per share	**17.5**	20.9

9 DIVIDENDS

The Group suspended dividend payments at the start of the pandemic to protect the balance sheet. This enabled it to invest in its transformation priorities and trusted value. Consistent with that announcement, the Board does not expect to pay a dividend in 2022/23.

However, with the business generating an improved operating performance and having a strengthened balance sheet with credit metrics consistent with investment grade, the Board plans to restore a modest annual dividend to shareholders starting with an interim dividend with the results in November.

10 EMPLOYEES

A. Aggregate remuneration

The aggregate remuneration and associated costs of Group employees (including Executive Committee) were:

	2023 £m	2022 £m
Wages and salaries	**1,351.4**	1,256.0
Social security costs	**93.7**	84.6
Pension costs	**75.9**	69.0
Share-based payments (see note 13)	**32.7**	30.2
Employee welfare and other personnel costs	**47.4**	54.1
Capitalised staffing costs	**(14.9)**	(6.4)
Total aggregate remuneration[1]	**1,586.2**	1,487.5

1 Excludes amounts recognised within adjusting items of £19.0m (last year £0.1m) (see notes 3 and 5)

Details of key management compensation are given in note 28.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

10 EMPLOYEES CONTINUED

B. Average monthly number of employees

	2023	2022
UK stores		
– management and supervisory categories	**4,823**	4,570
– other	**50,019**	51,585
UK support centre		
– management and supervisory categories	**3,823**	3,275
– other	**822**	660
UK operations		
– management and supervisory categories	**682**	124
– other	**6,856**	1,667
Overseas	**5,291**	5,205
Total average number of employees	**72,316**	67,086

The average number of full-time equivalent employees is 52,092 (last year: 47,108).

11 RETIREMENT BENEFITS

The Group provides pension arrangements for the benefit of its UK employees through the Your M&S Pension Saving Plan (a defined contribution ("DC") arrangement) and prior to 2017, through the Marks & Spencer Pension Scheme ("UK DB Pension Scheme") (a defined benefit ("DB") arrangement).

The legacy UK DB Pension Scheme operated on a final pensionable salary basis and is governed by a Trustee board which is independent of the Group. The UK DB Pension Scheme closed to future accrual on 1 April 2017. There will be no further service charges relating to the scheme and no future monthly employer contributions for current service. At year end, the UK DB Pension Scheme had no active members (last year: nil), 49,634 deferred members (last year: 51,444) and pensioners 53,634 (last year: 53,270).

The DC plan is a pension plan under which the Group pays contributions to an independently administered fund. Such contributions are based upon a fixed percentage of employees' pay. The Group has no legal or constructive obligations to pay further contributions to the fund once the contributions have been paid. Members' benefits are determined by the amount of contributions paid by the Group and the member, together with the investment returns earned on the contributions arising from the performance of each individual's investments and how each member chooses to receive their retirement benefits. As a result, actuarial risk (that benefits will be lower than expected) and investment risk (that assets invested in will not perform in line with expectations) fall on the employee. At the year end, the DC arrangement had some 50,901 active members (last year: 46,560) and some 45,908 deferred members (last year: 45,778).

The Group also operates a small legacy funded DB pension scheme in the Republic of Ireland. This scheme closed to future accrual on 31 October 2013. Other retirement benefits also include a UK post-retirement healthcare scheme and unfunded retirement benefits.

The total Group retirement benefit cost was £36.4m (last year: £55.9m). Of this, income of £24.1m (last year: income of £8.8m) relates to the UK DB Pension Scheme, costs of £57.4m (last year: costs of £62.0m) to the UK DC plan and costs of £3.1m (last year: costs of £2.8m) to other retirement benefit schemes.

The Group considers two measures of the pension deficit. The accounting position is shown on the Group balance sheet. The funding position, calculated at the triennial actuarial valuation, is used to agree contributions made to the schemes. The two measures will vary because they are for different purposes, and are calculated at different dates and in different ways. The key calculation difference is that the funding position considers the expected returns of scheme assets when calculating the liability, whereas the accounting position calculated under IAS 19 discounts liabilities is based on corporate bond yields.

The most recent actuarial valuation of the UK DB Pension Scheme was carried out as at 31 March 2021 and showed a funding surplus of £687m. This is an improvement on the previous position at 31 March 2018 (funding surplus of £652m), primarily due to lower assumed life expectancy. The Company and Trustee have confirmed, in line with the current funding arrangement, that no further contributions will be required to fund past service as a result of this valuation (other than those already contractually committed under the existing Marks and Spencer Scottish Limited Partnership arrangements – see note 12).

11 RETIREMENT BENEFITS CONTINUED

By funding its DB pension schemes, the Group is exposed to the risk that the cost of meeting its obligations is higher than anticipated. This could occur for several reasons, for example:

- Investment returns on the schemes' assets may be lower than anticipated, especially if falls in asset values are not matched by similar falls in the value of the schemes' liabilities.
- The level of price inflation may be higher than that assumed, resulting in higher payments from the schemes.
- Scheme members may live longer than assumed; for example, due to advances in healthcare. Members may also exercise (or not exercise) options in a way that leads to increases in the schemes' liabilities; for example, through early retirement or commutation of pension for cash.
- Legislative changes could also lead to an increase in the schemes' liabilities.

In addition, the Group is exposed to additional risks through its obligation to the UK DB Pension Scheme via its interest in the Scottish Limited Partnership (see note 12). In particular, under the legal terms of the Partnership, a default by the Group on the rental payments to the Partnership or a future change in legislation could trigger earlier or higher payments to the pension scheme, or an increase in the collateral to be provided by the Group.

With the pensioner buy-in policies purchased in September 2020, April 2019 and March 2018, the Scheme has now, in total, insured around 80% of the pensioner cash flow liabilities for pensions in payment. The buy-in policies cover specific pensioner liabilities and pass all risks to an insurer in exchange for a fixed premium payment, thus reducing the Group's exposure to changes in longevity, interest rates, inflation and other factors.

A. Pensions and other post-retirement liabilities

	2023 £m	2022 £m
Total market value of assets	**6,781.9**	10,090.7
Present value of scheme liabilities	**(6,299.9)**	(9,046.8)
Net funded pension plan asset	**482.0**	1,043.9
Unfunded retirement benefits	**(2.2)**	(2.6)
Post-retirement healthcare	**(2.4)**	(3.1)
Net retirement benefit surplus	**477.4**	1,038.2
Analysed in the statement of financial position as:		
Retirement benefit asset	**482.0**	1,043.9
Retirement benefit deficit	**(4.6)**	(5.7)
Net retirement benefit surplus	**477.4**	1,038.2

In the event of a plan wind-up, the pension scheme rules provide Marks and Spencer plc with an unconditional right to a refund of surplus assets assuming the full settlement of plan liabilities. In the ordinary course of business, the Trustee has no right to wind up or change the benefits due to members of the scheme. As a result, any net surplus in the UK DB Pension Scheme is recognised in full.

B. Scheme assets

Changes in the fair value of the scheme assets are as follows:

	2023 £m	2022 £m
Fair value of scheme assets at start of year	**10,090.7**	10,442.9
Interest income based on discount rate	**267.0**	204.4
Actual return on scheme assets excluding amounts included in net interest income[1]	**(3,231.1)**	(213.4)
Actuarial loss – asset ceiling	**(38.2)**	(19.4)
Employer contributions	**38.1**	41.8
Benefits paid	**(344.9)**	(359.3)
Administration costs	**(4.6)**	(4.6)
Exchange movement	**4.9**	(1.7)
Fair value of scheme assets at end of year	**6,781.9**	10,090.7

1 The actual return on scheme assets was a loss of £2,964.1m (last year loss of £9.0m).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

11 RETIREMENT BENEFITS CONTINUED

C. Pensions and other post-retirement liabilities

Changes in the present value of retirement benefit obligations are as follows:

	2023 £m	2022 £m
Present value of obligation at start of year	**9,052.5**	9,811.5
Current service cost	**0.1**	0.2
Administration costs	**0.2**	0.2
Interest cost	**238.3**	191.2
Benefits paid	**(344.9)**	(359.3)
Actuarial loss – experience	**250.3**	153.9
Actuarial (gain)/loss – demographic assumptions	**(205.4)**	89.0
Actuarial (gain) – financial assumptions	**(2,691.4)**	(832.7)
Exchange movement	**4.8**	(1.5)
Present value of obligation at end of year	**6,304.5**	9,052.5
Analysed as:		
Present value of pension scheme liabilities	**6,299.9**	9,046.8
Unfunded pension plans	**2.2**	2.6
Post-retirement healthcare	**2.4**	3.1
Present value of obligation at end of year	**6,304.5**	9,052.5

The average duration of the defined benefit obligation at 1 April 2023 is 14.0 years (last year: 17.3 years).

11 RETIREMENT BENEFITS CONTINUED

D. Analysis of assets

The investment strategy of the UK DB Pension Scheme is driven by its liability profile, including its inflation-linked pension benefits. In addition to its interest in the Scottish Limited Partnership (refer to note 12), the scheme invests in different types of bond (including corporate bonds and gilts) and derivative instruments (including inflation, interest rate, cross-currency and total return swaps) in order to align movements in the value of its assets with movements in its liabilities arising from changes in market conditions. Broadly, the scheme has hedging that covers 94% of interest rate movements and 111% of inflation movements, as measured on the Trustee's funding assumptions which use a discount rate derived from gilt yields.

The fair value of the total plan assets at the end of the reporting period for each category is as follows:

	2023			2022		
	Quoted £m	**Unquoted £m**	**Total £m**	Quoted £m	Unquoted £m	Total £m
Debt investments						
– Government bonds net of repurchase agreements[1]	**2,023.7**	**(196.6)**	**1,827.1**	3,482.9	(1,185.2)	2,297.7
– Corporate bonds	**12.0**	**1.2**	**13.2**	6.0	950.0	956.0
– *Asset backed securities and structured debt*	**–**	**443.6**	**443.6**	–	365.9	365.9
Scottish Limited Partnership Interest (see note 12)	**–**	**122.8**	**122.8**	–	193.5	193.5
Equity investments						
– Developed markets	**41.6**	**–**	**41.6**	550.3	–	550.3
– Emerging markets	**109.5**	**–**	**109.5**	113.7	–	113.7
Growth asset funds						
– Global property	**–**	**287.0**	**287.0**	5.4	308.7	314.1
– Hedge and reinsurance	**12.0**	**316.3**	**328.3**	25.8	324.7	350.5
– Private equity and infrastructure	**–**	**171.9**	**171.9**	5.9	223.6	229.5
Derivatives						
– Interest and inflation rate swaps	**7.0**	**88.6**	**95.6**	15.6	406.9	422.5
– Foreign exchange contracts and other derivatives	**–**	**21.4**	**21.4**	–	(40.0)	(40.0)
Cash and cash equivalents	**4.0**	**206.2**	**210.2**	5.9	168.1	174.0
Other						
– Buy-in insurance	**–**	**2,150.0**	**2,150.0**	–	2,910.0	2,910.0
– Secure income asset funds	**–**	**998.3**	**998.3**	–	1,121.6	1,121.6
– Other	**–**	**–**	**–**	–	150.8	150.8
Total[2]	**2,209.8**	**4,610.7**	**6,820.5**	4,211.5	5,898.6	10,110.1

1 Repurchase agreements were £196.6m (last year: £1,184.0m).
2 The difference between the total assets of £6,820.5m above compared to £6,781.9m is £38.6m This relates to the cap applied to the Irish DB scheme and therefore the £38.2m actuarial gain is not recognised and £0.4m net interest income is not recognised as per IFRIC 14

The fair values of the above equity and debt investments are based on publicly available market prices, wherever available. Unquoted investments, hedge funds and reinsurance funds are stated at fair value estimates provided by the manager of the investment or fund. Property includes both quoted and unquoted investments. The fair value of the Scottish Limited Partnership interest is based on the expected cash flows and benchmark asset-backed credit spreads. It is the policy of the scheme to hedge a proportion of interest rate and inflation risk. The scheme reduces its foreign currency exposure using forward foreign exchange contracts.

At year end, the UK schemes (UK DB Pension Scheme and post-retirement healthcare) indirectly held nil (last year: 33,210) ordinary shares in the Company through its investment in UK Equity Index Funds.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

11 RETIREMENT BENEFITS CONTINUED

E. Financial assumptions

The financial assumptions for the UK DB Pension Scheme and the most recent actuarial valuations of the other post-retirement schemes have been updated by independent qualified actuaries to take account of the requirements of IAS 19 Employee Benefits in order to assess the liabilities of the schemes and are as follows:

	2023 %	2022 %
Rate of increase in pensions in payment for service	**2.2-3.2**	2.3-3.6
Discount rate	**4.75**	2.70
Inflation rate (RPI)	**3.25**	3.70
Long-term healthcare cost increases	**7.30**	7.70

F. Demographic assumptions

The UK demographic assumptions are mainly in line with those adopted for the last formal actuarial valuation of the scheme performed as at 31 March 2021. The UK post-retirement mortality assumptions are based on an analysis of the pensioner mortality trends under the scheme for the period to March 2021. The specific mortality rates used are based on the VITA lite tables, with future projections based on up-to-date industry models, parameterised to reflect scheme data. The life expectancies underlying the valuation are as follows:

		2023	2022
Current pensioners (at age 65)	– male	**22.0**	22.3
	– female	**24.4**	25.1
Future pensioners – currently in deferred status (at age 65)	– male	**23.6**	24.0
	– female	**26.1**	26.9

G. Sensitivity analysis

The table below summarises the estimated impact of reasonably possible changes in the principal actuarial assumptions on the UK DB Pension Scheme surplus:

	2023 £m	2022 £m
Decrease in scheme surplus caused by a decrease in the discount rate of 0.25%	**(25.0)**	(20.0)
Decrease in scheme surplus caused by a decrease in the discount rate of 0.50%	**(45.0)**	(30.0)
Decrease in scheme surplus caused by a decrease in the discount rate of 2.50%	**(235.0)**	(150.0)
Increase in scheme surplus caused by an increase in the discount rate of 2.50%	**200.0**	100.0
Decrease in scheme surplus caused by a decrease in the inflation rate of 0.25%	**(30.0)**	(70.0)
Decrease in scheme surplus caused by a decrease in the inflation rate of 0.50%	**(60.0)**	(130.0)
Increase in scheme surplus caused by a decrease in the average life expectancy of one year	**130.0**	270.0

The sensitivity analysis above is based on a change in one assumption while holding all others constant. Therefore, interdependencies between the assumptions have not been taken into account within the analysis. The sensitivities reflect the range of recent assumption movements and illustrate that the financial assumption sensitivities do not move in a linear fashion.

H. Analysis of amounts charged against profits

Amounts recognised in comprehensive income in respect of defined benefit retirement plans are as follows:

	2023 £m	2022 £m
Current service cost	**0.1**	0.2
Administration costs	**4.8**	4.8
Net interest income	**(28.7)**	(13.2)
Total	**(23.8)**	(8.2)
Remeasurement on the net defined benefit surplus:		
Actual return on scheme assets excluding amounts included in net interest income	**3,231.1**	213.4
Actuarial (gain)/loss – demographic assumptions	**(205.4)**	89.0
Actuarial loss – experience	**250.3**	153.9
Actuarial gain – financial assumptions	**(2,691.4)**	(832.7)
Actuarial loss – asset ceiling	**38.2**	19.4
Components of defined benefit expense/(income) recognised in other comprehensive income	**622.8**	(357.0)

12 MARKS AND SPENCER SCOTTISH LIMITED PARTNERSHIP

Marks and Spencer plc is a general partner and the Marks & Spencer UK Pension Scheme is a limited partner of the Marks and Spencer Scottish Limited Partnership (the "Partnership"). Under the Partnership agreement, the limited partners have no involvement in the management of the business and shall not take any part in the control of the Partnership. The general partner is responsible for the management and control of the Partnership and, as such, the Partnership is consolidated into the results of the Group.

The Partnership holds £1.3bn (last year: £1.3bn) of properties at book value which have been leased back to Marks and Spencer plc. The Group retains control over these properties, including the flexibility to substitute alternative properties into the Partnership. The first limited Partnership interest (held by the Marks & Spencer UK Pension Scheme) entitles the Pension Scheme to receive £73.0m in 2023 and £54.4m in 2024. The second Partnership interest (also held by the Marks & Spencer UK Pension Scheme) entitles the Pension Scheme to receive a further £36.4m annually from June 2017 until June 2031. All profits generated by the Partnership in excess of this are distributable to Marks and Spencer plc.

The Partnership liability in relation to the first interest of £124.8m (last year: £192.3m) is included as a financial liability in the Group's financial statements as it is a transferable financial instrument and measured at amortised cost, being the net present value of the future expected distributions from the Partnership. During the year to 1 April 2023, an interest charge of £4.3m (last year: £4.4m) was recognised in the income statement, representing the unwinding of the discount included in this obligation. The first limited Partnership interest of the Pension Scheme is included within the UK DB Pension Scheme assets, valued at £122.8m (last year: £193.5m).

The second Partnership interest is not a transferable financial instrument as the Scheme Trustee does not have the right to transfer it to any party other than a successor Trustee. It is therefore not included as a plan asset within the UK DB Pension Scheme surplus reported in accordance with IAS 19. Similarly, the associated liability is not included on the Group's statement of financial position, rather the annual distribution is recognised as a contribution to the scheme each year.

13 SHARE-BASED PAYMENTS

This year a charge of £32.7m was recognised for share based payments (last year: charge of £30.2m). Of the total share-based payments charge, £15.2m (last year: £14.9m) relates to the UK Save As You Earn Share Option scheme, £7.0m (last year: charge of £6.7m) relates to Performance Share Plans, £3.4m (last year: £8.2m) relates to Restricted Share Plans, £6.9m relates to Deferred Share Bonus Schemes (last year: £0.2m) and the remaining charge of £0.2m relates to Republic of Ireland Save As You Earn Share Option Scheme (last year: £0.2m).

In addition, a charge of £5.3m was recognised in relation to Annual Bonus Schemes under the Deferred Share Bonus Scheme. The Annual Bonus for 2022/23 is due to be granted in July 2023. Further details of the option and share schemes that the Group operates are provided in the Remuneration Report.

A. Save As You Earn scheme – £15.2m

The Save As You Earn (SAYE) scheme was approved by shareholders for a further 10 years at the 2017 Annual General Meeting (AGM). Under the terms of the scheme, the Board may offer options to purchase ordinary shares in the Company once in each financial year to those employees who enter into His Majesty's Revenue & Customs (HMRC) approved SAYE savings contract. The scheme allows participants to save up to a maximum of £500 (last year: £500) each month. The price at which options may be offered is 80% of the average mid-market price for three consecutive dealing days preceding the offer date. The options may normally be exercised during the six-month period after the completion of the SAYE contract.

	2023		2022	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
Outstanding at beginning of the year	**110,562,961**	**100.9p**	119,151,406	99.4p
Granted	**14,349,909**	**99.0p**	11,526,149	189.0p
Exercised	**(690,665)**	**111.1p**	(208,238)	138.2p
Forfeited	**(14,390,102)**	**124.9p**	(12,207,656)	102.6p
Expired	**(2,779,680)**	**220.0p**	(7,698,700)	206.5p
Outstanding at end of year	**107,052,423**	**94.3p**	110,562,961	100.9p
Exercisable at end of year	**6,309,033**	**144.2p**	11,945	186.8p

For SAYE share options exercised during the period, the weighted average share price at the date of exercise was 144.1p (last year: 206.3p).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

13 SHARE-BASED PAYMENTS CONTINUED

The fair values of the options granted during the year have been calculated using the Black-Scholes model assuming the inputs shown below:

	2023		2022
	3-year plan	3-year plan 2021 modified[1]	3-year plan
Grant date	**Dec 22**	**Dec 22**	Dec 21
Share price at grant date	**123p**	**123p**	235p
Exercise price	**99p**	**189p**	189p
Option life in years	**3 years**	**3 years**	3 years
Risk-free rate	**3.3%**	**3.3%**	0.5%
Expected volatility	**51.0%**	**51.0%**	49.3%
Expected dividend yield	**0.0%**	**0.0%**	0.0%
Fair value of option	**43p**	**26p**	81p
Incremental fair value of option	**n/a**	**17p**	n/a

1 In the current year, there was a modification to the 2021 scheme relating to employees cancelling awards from previous years in substitution for awards granted under the 2023 scheme. The fair value of the modified awards has been amortised based on the incremental fair value. The incremental fair value is the difference between the fair value of the 2023 options being 43p, and the fair value of repriced previous awards, calculated using 2021 award assumptions, keeping the initial exercise price consistent. The fair value of the modified options, being 17p for 2021 modified options was recognised in operating profit.

Volatility has been estimated by taking the historical volatility in the Company's share price over a three-year period.

The resulting fair value is expensed over the service period of three years on the assumption that 27% (last year: 10%) of options will lapse over the service period as employees leave the Group.

Outstanding options granted under the UK Employee SAYE Scheme are as follows:

	Number of options		Weighted average remaining contractual life (years)		
Options granted[1]	**2023**	2022	**2023**	2022	Option price
January 2018	**–**	5,441	**–**	(0.8)	251p
January 2019	**13,016**	2,399,413	**(0.8)**	0.2	238p
February 2020	**5,732,723**	8,006,941	**0.3**	1.3	151p
February 2021	**81,037,194**	89,284,282	**1.3**	2.3	82p
February 2022	**6,333,538**	10,866,884	**2.3**	3.3	189p
February 2023	**13,935,952**	–	**3.3**	–	99p
	107,052,423	110,562,961	**1.6**	2.3	**94p**

1 For the purpose of the above table, the option granted date is the contract start date.

B. Performance Share Plan* – £7.0m

The Performance Share Plan ("PSP") is the primary long-term incentive plan for approximately 165 of the most senior managers within the Group. It was first approved by shareholders at the 2005 AGM and again at the 2020 AGM. Under the plan, annual awards, based on a percentage of salary, may be offered. The extent to which an award vests is measured over a three-year period against financial targets which for 2022/23 included Earnings Per Share ("EPS"), Return on Capital Employed ("ROCE"), Total Shareholder Return ("TSR") and strategic measures. The value of any dividends earned on the vested shares during the three years may also be paid on vesting. Awards under this plan have been made in each year since 2005. More information is available in relation to this plan within the Remuneration Report.

During the year, 22,498,271 shares (last year: 19,374,217) were awarded under the plan. The weighted average fair value of the shares awarded was 139.6p (last year: 155.1p). As at 1 April 2023, 47,532,523 shares (last year: 44,534,437) were outstanding under the plan.

13 SHARE-BASED PAYMENTS CONTINUED

C. Deferred Share Bonus Plan* – £12.2m

The Deferred Share Bonus Plan ("DSBP") was first introduced in 2005/06 as part of the Annual Bonus Scheme and was reapproved by shareholders at the 2020 AGM. It may be operated for approximately 5,000 employees within the Group. As part of the plan, the employees are required to defer a proportion of any bonus paid into shares which will be held for three years. There are no further performance conditions on these shares, other than continued employment within the Group and the value of any dividends earned on the vested shares during the deferred period may also be paid on vesting. More information is available in relation to this plan within the Remuneration Report.

During the year 29,630,372 shares (last year: no shares) have been awarded under the plan in relation to the annual bonus. As at 1 April 2023, 26,794,048 shares (last year: 190,596) were outstanding under the plan.

D. Restricted Share Plan* – £3.4m

The Restricted Share Plan ("RSP") was established in 2000 as part of the reward strategy for retention and recruitment of senior managers who are vital to the success of the business and the plan was reapproved by shareholders at the 2020 AGM. The plan operates for the senior management team. Awards vest at the end of the restricted period (typically between one and three years) subject to the participant still being in employment of the Company on the relevant vesting date. The value of any dividends earned on the vested shares during the restricted period may also be paid on vesting. More information is available in relation to this plan within the Remuneration Report.

During the year, 2,624,496 shares (last year: 2,441,809) have been awarded under the plan. The weighted average fair value of the shares awarded was 76.9p (last year: 158.7p). As at 1 April 2023, 5,557,542 shares (last year: 10,368,217) were outstanding under the plan.

E. Republic of Ireland Save As You Earn scheme – £0.2m

Sharesave, the Company's Save As You Earn scheme, was introduced in 2009 to all employees in the Republic of Ireland for a 10-year period, after approval by shareholders at the 2009 AGM and again at the 2019 AGM. The scheme allows participants to save up to a maximum of €500 (last year: €500) each month. The price at which options may be offered is 80% of the average mid-market price for three consecutive dealing days preceding the offer date. The options may normally be exercised during the six-month period after the completion of the SAYE contract.

During the year, no options were granted (last year: no options granted). As at 1 April 2023, 1,264,131 options (last year: 1,439,954) were outstanding under the scheme.

F. Marks and Spencer Employee Benefit Trust

The Marks and Spencer Employee Benefit Trust (the "Trust") holds 166,057 (last year: 264,779) shares with a book value of £0.0m (last year: £0.0m) and a market value of £0.3m (last year: £0.4m). These shares were acquired by the Trust through a combination of market purchases and new issues and are shown as a reduction in retained earnings in the consolidated statement of financial position. Awards are granted to employees at the discretion of Marks and Spencer plc and the Trust agrees to satisfy the awards in accordance with the wishes of Marks and Spencer plc under the senior executive share plans described above. Dividends are waived on all of these shares.

G. ShareBuy

ShareBuy, the Company's Share Incentive Plan, enables the participants to buy shares directly from their gross salary. This scheme does not attract an IFRS 2 charge.

* All awards both this year and last year were conditional shares. For the purposes of calculating the number of shares awarded, the share price used is the average of the mid-market price for the five consecutive dealing days preceding the grant date.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

14 INTANGIBLE ASSETS

	Goodwill £m	Brands £m	Computer software £m	Computer software under development £m	Total £m
At 3 April 2021					
Cost	135.7	118.6	1,539.6	56.9	1,850.8
Accumulated amortisation, impairments and write-offs	(112.0)	(112.5)	(1,362.2)	(32.1)	(1,618.8)
Net book value	23.7	6.1	177.4	24.8	232.0
Year ended 2 April 2022					
Opening net book value	23.7	6.1	177.4	24.8	232.0
Additions	4.8	0.1	0.9	63.8	69.6
Transfers and reclassifications	–	–	29.6	(44.6)	(15.0)
Asset write-offs	–	–	(0.6)	–	(0.6)
Amortisation charge	–	(0.6)	(93.0)	–	(93.6)
Exchange difference	0.1	–	–	–	0.1
Closing net book value	**28.6**	**5.6**	**114.3**	**44.0**	**192.5**
At 2 April 2022					
Cost	140.6	118.7	1,570.1	76.1	1,905.5
Accumulated amortisation, impairments and write-offs	(112.0)	(113.1)	(1,455.8)	(32.1)	(1,713.0)
Net book value	28.6	5.6	114.3	44.0	192.5
Year ended 1 April 2023					
Opening net book value	**28.6**	**5.6**	**114.3**	**44.0**	**192.5**
Additions	**–**	**–**	**5.3**	**79.1**	**84.4**
Acquired through business combinations	**–**	**–**	**1.5**	**1.2**	**2.7**
Transfers and reclassifications	**–**	**–**	**35.6**	**(64.2)**	**(28.6)**
Asset write-offs	**–**	**–**	**(0.7)**	**–**	**(0.7)**
Amortisation charge	**–**	**(0.6)**	**(86.4)**	**–**	**(87.0)**
Exchange difference	**(0.2)**	**–**	**–**	**–**	**(0.2)**
Closing net book value	**28.4**	**5.0**	**69.6**	**60.1**	**163.1**
At 1 April 2023					
Cost	**140.6**	**118.7**	**1,612.5**	**92.2**	**1,964.0**
Accumulated amortisation, impairments and write-offs	**(112.2)**	**(113.7)**	**(1,542.9)**	**(32.1)**	**(1,800.9)**
Net book value	**28.4**	**5.0**	**69.6**	**60.1**	**163.1**

Goodwill related to the following assets and groups of cash generating units (CGUs):

	per una £m	India £m	Sports Edit £m	Other £m	Total Goodwill £m
Net book value at 2 April 2022	**16.5**	**6.6**	**4.8**	**0.7**	**28.6**
Exchange difference	**–**	**(0.2)**	**–**	**–**	**(0.2)**
Net book value at 1 April 2023	**16.5**	**6.4**	**4.8**	**0.7**	**28.4**

14 INTANGIBLE ASSETS CONTINUED

Goodwill impairment testing

Goodwill is not amortised but is tested annually for impairment with the recoverable amount being determined from value in use calculations.

The goodwill balance relates to the goodwill recognised on the acquisition of per una £16.5m (last year: £16.5m), India £6.4m (last year: £6.6m), Sports Edit £4.8m (last year: £4.8m) and other £0.7m (last year: £0.7m).

Goodwill for India is monitored by management at a country level, including the combined retail and wholesale businesses, and has been tested for impairment on that basis.

The per una brand is a definite life intangible asset amortised on a straight-line basis over a period of 15 years. The brand intangible was acquired for a cost of £80.0m and has been fully amortised. It is held at a net book value of £nil (last year: £nil). The per una goodwill of £16.5m is tested for annually for impairment.

The cash flows used for impairment testing are based on the Group's latest budget and forecast cash flows, covering a three-year period, which have regard to historical performance and knowledge of the current market, together with the Group's views on the future achievable growth and the impact of committed cash flows. The cash flows include ongoing capital expenditure required to maintain the store network, but exclude any growth capital initiatives not committed.

Cash flows beyond this three-year period are extrapolated using a long-term growth rate based on the Group's current view of achievable long-term growth. The Group's current view of achievable long-term growth for per una is 1.6% (last year: 1.6%), which is a reduction from the overall Group long-term growth rate of 2.0% (last year: 2.0%). The Group's current view of achievable long-term growth for India is 5.5% (last year: 5.5%).

Management estimates discount rates that reflect the current market assessment of the time value of money and the risks specific to each asset or CGU. The pre-tax discount rates are derived from the Group's post-tax weighted average cost of capital ("WACC") which has been calculated using the capital asset pricing model, the inputs of which include a country risk-free rate, equity risk premium, Group size premium and a risk adjustment (beta). The post-tax WACC is subsequently grossed up to a pre-tax rate and was 13.4% for per una (last year: 10.8%) and 15.4% for India (last year: 11.3%).

The immediately quantifiable impacts of climate change and costs expected to be incurred in connection with our net zero commitments, are included within the Group's budget and three-year plan which have been used to support the impairment reviews, with no material impact on cash flows.

Management has performed sensitivity analysis on the key assumptions in the impairment model using reasonably possible changes in these key assumptions, both individually and in combination. Management has considered reasonably possible changes in key assumptions that would cause the carrying amounts of goodwill or brands to exceed the value in use for each asset.

For both per una and India respectively, there are no reasonably possible changes in key assumptions that would lead to an impairment and the assumptions do not give rise to a key source of estimation uncertainty.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

15 PROPERTY, PLANT AND EQUIPMENT

The Group's property, plant and equipment of £5,203.7m (last year: £4,902.3m) consists of owned assets of £3,747.7m (last year: £3,486.5m) and right-of-use assets of £1,456.0m (last year: £1,415.8m).

Property, plant and equipment – owned

	Land and buildings £m	Fixtures, fittings and equipment £m	Assets in the course of construction £m	Total £m
At 3 April 2021				
Cost	2,809.9	5,450.2	67.5	8,327.6
Accumulated depreciation, impairments and write-offs	(787.5)	(3,959.3)	(18.2)	(4,765.0)
Net book value	2,022.4	1,490.9	49.3	3,562.6
Year ended 2 April 2022				
Opening net book value	2,022.4	1,490.9	49.3	3,562.6
Additions	0.9	17.7	238.0	256.6
Transfers and reclassifications	3.0	175.8	(164.3)	14.5
Disposals	(15.9)	(1.9)	–	(17.8)
Impairment reversals	34.5	27.6	–	62.1
Impairment charge	(57.6)	(31.4)	–	(89.0)
Asset write-offs	0.9	(11.4)	–	(10.5)
Depreciation charge	(34.2)	(256.1)	–	(290.3)
Exchange difference	(1.7)	–	–	(1.7)
Closing net book value	1,952.3	1,411.2	123.0	3,486.5
At 2 April 2022				
Cost	2,764.8	5,275.7	141.2	8,181.7
Accumulated depreciation, impairments and write-offs	(812.5)	(3,864.5)	(18.2)	(4,695.2)
Net book value	1,952.3	1,411.2	123.0	3,486.5
Year ended 1 April 2023				
Opening net book value	**1,952.3**	**1,411.2**	**123.0**	**3,486.5**
Additions	**0.8**	**40.0**	**296.2**	**337.0**
Acquired through business combinations	**150.5**	**38.7**	**3.8**	**193.0**
Transfers and reclassifications	**15.0**	**292.3**	**(280.7)**	**26.6**
Disposals	**(2.2)**	**(2.2)**	**–**	**(4.4)**
Impairment reversals	**25.8**	**14.4**	**–**	**40.2**
Impairment charge	**(22.5)**	**(9.3)**	**–**	**(31.8)**
Asset write-offs	**2.2**	**1.5**	**–**	**3.7**
Depreciation charge	**(59.9)**	**(250.4)**	**–**	**(310.3)**
Exchange difference	**5.5**	**1.6**	**0.1**	**7.2**
Closing net book value	**2,067.5**	**1,537.8**	**142.4**	**3,747.7**
At 1 April 2023				
Cost	**2,911.4**	**5,532.3**	**160.6**	**8,604.3**
Accumulated depreciation, impairments and write-offs	**(843.8)**	**(3,994.6)**	**(18.2)**	**(4,856.6)**
Net book value	**2,067.6**	**1,537.7**	**142.4**	**3,747.7**

Asset write-offs in the year include assets with gross book value of £240.9m (last year: £383.3m) and £nil (last year: £nil) net book value that are no longer in use and have therefore been retired.

15 PROPERTY, PLANT AND EQUIPMENT CONTINUED

Right-of-use assets

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

Right-of-use assets

	Land and buildings £m	Fixtures, fittings and equipment £m	Total £m
At 3 April 2021	**1,444.7**	**51.3**	**1,496.0**
Additions	72.7	17.9	90.6
Transfers and reclassifications	0.5	–	0.5
Disposals	(7.7)	(0.2)	(7.9)
Impairment reversals	28.9	–	28.9
Impairment charge	(25.4)	–	(25.4)
Depreciation charge	(146.2)	(21.6)	(167.8)
Exchange difference	0.9	–	0.9
At 2 April 2022	1,368.4	47.4	1,415.8
Additions	**198.0**	**37.3**	**235.3**
Acquired through business combinations	**6.7**	**14.1**	**20.8**
Transfers and reclassifications	**2.1**	**(0.1)**	**2.0**
Disposals	**(27.8)**	**(10.7)**	**(38.5)**
Impairment reversals	**14.9**	**–**	**14.9**
Impairment charge	**(14.8)**	**–**	**(14.8)**
Depreciation charge	**(159.0)**	**(21.9)**	**(180.9)**
Exchange difference	**1.3**	**0.1**	**1.4**
At 1 April 2023	**1,389.8**	**66.2**	**1,456.0**

Impairment of property, plant and equipment and right-of-use assets

For impairment testing purposes, the Group has determined that each store is a separate CGU, with the exception of Outlets stores, which are considered together as one CGU. Click & Collect sales are included in the cash flows of the relevant CGU.

Each CGU is tested for impairment at the balance sheet date if any indicators of impairment and impairment reversal have been identified. Stores identified within the Group's UK store estate programme are automatically tested for impairment (see note 5).

The value in use of each CGU is calculated based on the Group's latest budget and forecast cash flows, covering a three-year period, which have regard to historic performance and knowledge of the current market, together with the Group's views on the future achievable growth and the impact of committed initiatives. The cash flows include ongoing capital expenditure required to maintain the store network, but exclude any growth capital initiatives not committed. Cash flows beyond this three-year period are extrapolated using a long-term growth rate based on management's future expectations, with reference to forecast GDP growth. These growth rates do not exceed the long-term growth rate for the Group's retail businesses in the relevant territory. If the CGU relates to a store which the Group has identified as part of the UK store estate programme, the value in use calculated has been modified by estimation of the future cash flows up to the point where it is estimated that trade will cease and then estimation of the timing and amount of costs associated with closure detailed fully in note 5. The immediately quantifiable impacts of climate change and costs expected to be incurred in connection with our net zero commitments, are included within the Group's budget and three-year plan which have been used to support the impairment reviews, with no material impact on cash flows. We also expect any potential store refurbishments to be phased over multiple years and therefore any changes required due to climate change would not have a material impact in any given year and the warehouse and support centres located in areas which we would not expect to be physically impacted by climate change. As a consequence there has been no material impact in the forecast cash flows used for impairment testing.

The key assumptions in the value in use calculations are the growth rates of sales and gross profit margins, changes in the operating cost base, long-term growth rates and the risk-adjusted pre-tax discount rate. The pre-tax discount rates are derived from the Group's weighted average cost of capital, which has been calculated using the capital asset pricing model, the inputs of which include a country risk-free rate, equity risk premium, Group size premium and a risk adjustment (beta). The pre-tax discount rates range from 12.5% to 18.1% (last year: 9.8% to 15.8%). If the CGU relates to a store which the Group has identified as part of the UK store estate programme, the additional key assumptions in the value in use calculations are costs associated with closure, the disposal proceeds from store exits and the timing of the store exits.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

15 PROPERTY, PLANT AND EQUIPMENT CONTINUED

Impairments – UK stores excluding the UK store estate programme

During the year, the Group has recognised an impairment charge of £17.3m and impairment reversals of £33.1m as a result of UK store impairment testing unrelated to the UK store estate programme (last year: impairment charge of £6.9m and impairment reversals of £63.4m). Impairment charges of £17.3m and impairment reversals of £33.1m have been recognised within adjusting items (see note 5). The impaired stores were impaired to their value-in-use recoverable amount of £109.8m, which is their carrying value at year end. The stores with impairment reversals were written back to the lower of their value-in-use recoverable amount, and the carrying value if the impairment had not occurred, of £159.7m.

For UK stores, when considering both impairment charges and reversals, cash flows beyond the three-year period are extrapolated using the Group's current view of achievable long-term growth of 2.0%, adjusted to 0% where management believes the current trading performance and future expectations of the store do not support the growth rate of 2.0%. The rate used to discount the forecast cash flows for UK stores is 12.5% (last year: 9.8%).

As disclosed in the accounting policies (note 1), the cash flows used within the impairment model are based on assumptions which are sources of estimation uncertainty and small movements in these assumptions could lead to further impairments. Management has performed sensitivity analysis on the key assumptions in the impairment model using reasonably possible changes in these key assumptions across the UK store portfolio.

A reduction in sales of 5% from the three-year plan in year 3 would increase the impairment charge by £24.2m and a 25 basis points reduction in the gross profit margin from year 3 onwards would increase the impairment charge by £1.8m. In combination a 5% reduction in sales and a 25 basis point reduction in gross profit margin would increase the impairment charge by £30.3m. A 250 basis points increase in the discount rate would increase the impairment charge by £28.8m.

A reduction in sales of 5% from the three-year plan in year 3 would reduce the reversal by £7.0m and a 25 basis points reduction in the gross profit margin from year 3 would reduce the reversal by £1.1m. In combination a 5% reduction in sales and a 25 basis point reduction in gross profit margin would reduce the reversal by £8.0m. A 250 basis points increase in the discount rate would reduce the reversal by £7.6m.

Impairments – UK store estate programme

During the year, the Group has recognised an impairment charge of £28.6m and impairment reversals of £22.0m relating to the ongoing UK store estate programme. These stores were impaired to their value-in-use recoverable amount of £307.2m, which is their carrying value at year end. The impairment charge relates to the store closure programme and has been recognised within adjusting items (see note 5). Impairment reversals predominantly reflect changes to expected store closure dates and improved trading expectations compared to those assumed at the end of the prior year end.

Where the planned closure date for a store is outside the three-year plan period, no growth rate is applied. The rate used to discount the forecast cash flows for UK stores is 12.5% (last year: 9.8%).

As disclosed in the accounting policies (note 1), the cash flows used within the impairment models for the UK store estate programme are based on assumptions which are sources of estimation uncertainty and small movements in these assumptions could lead to further impairments. Management has performed sensitivity analysis on the key assumptions in the impairment model using reasonably possible changes in these key assumptions across the UK store estate programme.

A delay of 12 months in the date of each store exit would result in a decrease in the impairment charge of £70.9m. A 5% reduction in planned sales in years 2 and 3 (where relevant) would result in an increase in the impairment charge of £12.2m.

Neither a 250 basis point increase in the discount rate, a 25 basis point reduction in management gross profit margin during the period of trading, nor a 2% increase in the costs associated with exiting a store, would result in a significant increase to the impairment charge, individually or in combination with the other reasonably possible scenarios considered.

Impairments – International stores

During the year the Group recognised an impairment charge of £0.7m (last year: £nil) in Ireland as a result of store impairment testing.

16 OTHER FINANCIAL ASSETS

	2023 £m	2022 £m
Non-current		
Other investments[1]	**7.9**	4.5
	7.9	4.5
Current		
Other investments[2]	**13.0**	17.6
	13.0	17.6

1. Includes £7.3m (last year: £3.1m) of venture capital investments managed by True Capital Limited.
2. Includes £5.6m (last year: £8.8m) of money market deposits held by Marks and Spencer plc in an escrow account.

17 TRADE AND OTHER RECEIVABLES

	2023 £m	2022 £m
Non-current		
Trade receivables	**–**	0.1
Lease receivables – net of provision for impairment	**64.6**	74.7
Other receivables	**2.5**	3.3
Loans to related parties (see note 28)	**30.0**	–
Prepayments	**201.6**	192.5
	298.7	270.6
Current		
Trade receivables	**128.3**	103.0
Less: provision for impairment of receivables	**(5.4)**	(4.8)
Trade receivables – net	**122.9**	98.2
Lease receivables – net of provision for impairment	**0.9**	0.8
Other receivables	**36.8**	27.2
Prepayments	**97.0**	76.8
Accrued income	**23.0**	14.1
	280.6	217.1

The directors consider that the carrying amount of trade and other receivables approximates their fair value. The Group's assessment of any expected credit losses is included in note 21B. Included in accrued income is £8.8m (last year: £7.7m) of accrued supplier income relating to rebates that have been earned but not yet invoiced. An immaterial amount of supplier income that has been invoiced, but not yet settled, against future trade creditor balances is included within trade creditors, where there is a right to offset.

The Group entered into finance leasing arrangements as a lessor for surplus office space in the Merchant Square building in London, which is sub-let for the remaining duration of the lease.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

17 TRADE AND OTHER RECEIVABLES CONTINUED

The maturity analysis of the Group's lease receivables is as follows:

	2023 £m	2022 £m
Timing of cash flows		
Within one year	**4.7**	4.8
Between one and two years	**4.7**	4.7
Between two and three years	**6.1**	4.7
Between three to four years	**7.8**	6.1
Between four to five years	**7.8**	7.8
More than five years	**113.3**	121.1
Total undiscounted cash flows	**144.4**	149.2
Effect of discounting	**(68.2)**	(73.7)
Present value of lease payments receivable	**76.2**	75.5
Less: provision for impairment of receivables	(10.7)	-
Net investment in the lease	**65.5**	75.5

Included within trade and other receivables is £0.4m (last year: £1.1m) which, due to non-recourse factoring arrangements in place, are held within a "hold to collect and sell" business model and are measured at FVOCI.

18 CASH AND CASH EQUIVALENTS

Cash and cash equivalents are £1,067.9m (last year: £1,197.9m). The carrying amount of these assets approximates their fair value.

The effective interest rate on short-term bank deposits is 4.1% (last year: 0.7%). These deposits have an average maturity of 18 days (last year: 39 days).

19 TRADE AND OTHER PAYABLES

	2023 £m	2022 £m
Current		
Trade payables	**801.7**	732.8
Other payables	**560.0**	523.5
Social security and other taxes	**85.3**	59.1
Accruals	**554.5**	595.2
Deferred income	**47.3**	50.3
	2,048.8	1,960.9
Non-current		
Other payables	**166.6**	174.4
Deferred income	**14.7**	13.8
	181.3	188.2

Included within current other payables is £7.2m (last year: £nil) of deferred and contingent consideration and within non-current other payables £100.6m (last year: £nil) of deferred and contingent consideration, both relating to the acquisition of Gist Limited. Also included in non-current other payables is £64.7m (last year: £172.6m) of contingent consideration relating to the investment in Ocado Retail Limited. See note 21D for further details.

A contract liability arises in respect of gift cards and voucher schemes as payment has been received for a performance obligation which will be performed at a later point in time. Included within trade and other payables are gift card/voucher scheme liabilities:

	2023 £m	2022 £m
Opening balance	**189.6**	198.1
Issues	**415.9**	404.2
Released to the income statement	**(416.3)**	(412.7)
Closing balance	**189.2**	189.6

The Group operates a number of supplier financing arrangements, under which suppliers can obtain accelerated settlement on invoices from the finance provider. This is a form of reverse factoring which has the objective of serving the Group's suppliers by giving them early access to funding. The Group settles these amounts in accordance with each supplier's agreed payment terms.

19 TRADE AND OTHER PAYABLES CONTINUED

The Group is not party to these financing arrangements and the arrangements do not permit the Group to obtain finance from the provider by paying the provider later than the Group would have paid its supplier. The Group does not incur any interest towards the provider on the amounts due to the suppliers. The Group therefore discloses the amounts factored by suppliers within trade payables because the nature and function of the financial liability remain the same as those of other trade payables.

The payments by the Group under these arrangements are included within operating cash flows because they continue to be part of the normal operating cycle of the Group and their principal nature remains operating – i.e. payments for the purchase of goods and services.

At 1 April 2023, £303.9m (last year: £330.0m) of trade payables were amounts owed under these arrangements. During the year the maximum facility available at any one time under the arrangements was £442.6m (last year: £404.1m).

20 BORROWINGS AND OTHER FINANCIAL LIABILITIES

	2023 £m	2022 £m
Current		
Lease liabilities	**216.7**	200.2
3.00% £300m Medium Term Notes 2023[1]	**185.3**	–
Interest accrued on Medium Term Notes	**42.0**	47.0
	444.0	247.2
Non-current		
3.00% £300m Medium Term Notes 2023[1]	**–**	299.1
4.75% £400m Medium Term Notes 2025[1,2]	**330.0**	409.4
3.75% £300m Medium Term Notes 2026[1]	**298.9**	298.6
3.25% £250m Medium Term Notes 2027[1]	**248.6**	248.3
7.125% US$300m Medium Term Notes 2037[3,4]	**251.8**	192.3
Revaluation of Medium Term Notes[5]	**(10.2)**	34.8
Lease liabilities	**2,064.9**	2,078.5
	3,184.0	3,561.0
Total	**3,628.0**	3,808.2

1 These notes are issued under Marks and Spencer plc's £3bn Euro Medium Term Note programme and all pay interest annually.
2 The Group occasionally enters into interest rate swaps to manage interest rate exposure. At year end, £6.1m (last year: £10.5m) of fair value adjustment for terminated hedges to be amortised over the remaining debt maturity.
3 Interest on these bonds is payable biannually.
4 US$300m Medium Term Note exposure swapped to sterling (fixed-to-fixed cross-currency interest rate swaps).
5 Revaluation consists of foreign exchange gain on revaluation of the 7.125% US$300m Medium Term Notes 2037 of £10.2m (last year: £34.8m loss)

Leases

The Group leases various stores, offices, warehouses and equipment with varying terms, escalation clauses and renewal rights.

The Group has certain leases with lease terms of 12 months or less and leases of assets with low values. The Group applies the "short-term lease" and "lease of low-value assets" recognition exemptions for these leases.

Set out below are the carrying amounts of lease liabilities and the movements during the period.

	2023 £m	2022 £m
Opening lease liabilities	**2,278.7**	2,405.9
Acquisitions	**21.3**	–
Additions	**249.4**	100.6
Interest expense relating to lease liabilities	**121.0**	124.1
Payments	**(353.8)**	(344.3)
Disposals	**(39.0)**	(8.1)
Exchange difference	**4.0**	0.5
	2,281.6	2,278.7
Current	**216.7**	200.2
Non-current	**2,064.9**	2,078.5

The maturity analysis of lease liabilities is disclosed in note 21A.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

20 BORROWINGS AND OTHER FINANCIAL LIABILITIES CONTINUED

Future cash outflows related to the post-break clause period included in the lease liability

The Group holds certain leases that contain break clause options to provide operational flexibility. In accordance with IFRS 16, the Group has calculated the full lease term, beyond break, to represent the reasonably certain lease term (except for those stores identified as part of the UK store estate programme) within the total £2,281.6m of lease liabilities held on the balance sheet.

The following amounts were recognised in profit or loss:

	2023 £m	2022 £m
Expenses relating to short-term leases	**13.2**	5.9
Expenses relating to low-value assets	**–**	1.4
Expenses relating to variable consideration	**4.9**	4.4

21 FINANCIAL INSTRUMENTS

Treasury policy

The Group operates a centralised treasury function to manage the Group's funding requirements and financial risks in line with the Board-approved treasury policies and procedures, and their delegated authorities.

The Group's financial instruments, other than derivatives, comprise borrowings, cash and liquid resources and various items, such as trade receivables and trade payables that arise directly from its operations. The main purpose of these financial instruments is to finance the Group's operations.

The Group treasury function also enters into derivative transactions, principally cross-currency swaps, cross-currency swaps and forward currency contracts. The purpose of these transactions is to manage the interest rate and foreign currency risks arising from the Group's operations and financing.

It remains the Group's policy not to hold or issue financial instruments for trading purposes, except where financial constraints necessitate the need to liquidate any outstanding investments. The treasury function is managed as a cost centre and does not engage in speculative trading.

Financial risk management

The principal financial risks faced by the Group are liquidity and funding, counterparty, foreign currency and interest rate risks. The policies and strategies for managing these risks are summarised on the following pages:

(a) Liquidity & funding risk

The risk that the Group could be unable to settle or meet its obligations as they fall due:

- The Group's funding strategy ensures a mix of funding sources offering sufficient headroom, maturity and flexibility, and cost-effectiveness to match the requirements of the Group.
- Marks and Spencer plc is financed by a combination of retained profits, bank borrowings, Medium Term Notes and committed syndicated bank facilities.
- Operating subsidiaries are financed by a combination of retained profits, bank borrowings and intercompany loans.

The Group has a committed syndicated bank revolving credit facility of £850m with a current maturity date of 13 June 2026. The facility contains a financial covenant, being the ratio of earnings before interest, tax, depreciation and amortisation; to net interest and depreciation on right-of-use assets under IFRS 16. The covenant is measured biannually. The Group was not in breach of this metric at the reporting date.

The revolving credit facility includes four sustainability metrics where the margin payable on the facility is adjusted to reflect the Group's performance against ESG targets material to the Group's "Plan A" objectives.

The Group also has a number of uncommitted facilities available to it. At year end, these amounted to £25m (last year: £25m), all of which are due to be reviewed within a year. At the balance sheet date, a sterling equivalent of £nil (last year: £nil) was drawn under the committed facilities and £nil (last year: £nil) was drawn under the uncommitted facilities.

In addition to the existing borrowings, the Group has a Euro Medium Term Note programme of £3bn, of which £1.1bn (last year: £1.3bn) was in issuance as at the balance sheet date. The initial rate of interest is fixed at the date of issue and the Notes are referred to as fixed rate borrowings throughout the Annual Report as the coupon does not change with movements in benchmark interest rates. However, the rate of interest on certain Notes varies both up and down in response to third-party credit ratings (to above/below Baa3 or above/below BBB-) that reflects the relative deterioration or improvement in the Group's cost of credit, and the interest payable on these Notes increases or decreases from the next interest payment date following a relevant credit rating downgrade or upgrade. As the original contractual terms of these Notes provide for changes in cash flows to be reset to reflect the relative deterioration or improvement in the Group's cost of credit, the Group considers these Notes to be floating rate instruments when determining amortised cost under IFRS 9 and consequently the Group applied IFRS 9 paragraph B5.4.5, which requires no adjustment to the carrying amount of the liabilities or immediate impact on profit and loss. If the Group had determined these Notes to be fixed rate instruments, the Notes would be remeasured to reflect the revised cash flows discounted at the original effective rate. This would result in initially a higher interest expense to profit or loss, offset by lower interest charges subsequently, when compared to the Group's treatment.

21 FINANCIAL INSTRUMENTS CONTINUED

Ocado Retail Limited, an associate of the Group, has entered into a £30m revolving credit facility provided by BNP Paribas. The Group, along with Ocado Group plc, jointly guarantee the facility.

The table below summarises the contractual maturity of the Group's non-derivative financial liabilities and derivatives, excluding trade payables, other payables and accruals. The carrying value of all trade payables, other payables (excluding contingent consideration payable) and accruals of £1,910.3m (last year: £1,853.3m) is equal to their contractual undiscounted cash flows (see note 19) which are due within one year. Contingent consideration (see the fair value hierarchy section within note 21) and deferred consideration of £7.2m (last year: £nil) is expected to become payable within one year and £165.3m (last year: £190.8m) between two and five years.

	Medium Term Notes £m	Lease liabilities[1] £m	Partnership liability to the Marks & Spencer UK Pension Scheme (note 12) £m	Total borrowings and other financial liabilities £m	Cash inflow on derivatives[2] £m	Cash outflow on derivatives[2] £m	Total derivative liabilities £m
Timing of cash flows							
Within one year	(75.5)	(313.2)	(71.9)	(460.6)	330.2	(333.6)	(3.4)
Between one and two years	(375.5)	(279.3)	(73.0)	(727.8)	30.9	(31.1)	(0.2)
Between two and five years	(864.3)	(786.0)	(54.4)	(1,704.7)	–	–	–
More than five years	(668.4)	(3,082.1)	–	(3,750.5)	–	–	–
Total undiscounted cash flows	(1,983.7)	(4,460.6)	(199.3)	(6,643.6)	361.1	(364.7)	(3.6)
Effect of discounting	454.2	2,181.9	7.0	2,643.1			
At 2 April 2022	(1,529.5)	(2,278.7)	(192.3)	(4,000.5)			
Timing of cash flows							
Within one year	**(252.7)**	**(318.8)**	**(73.0)**	**(644.5)**	**1,062.3**	**(1,120.6)**	**(58.3)**
Between one and two years	**(59.3)**	**(320.4)**	**(54.4)**	**(434.1)**	**145.8**	**(147.4)**	**(1.6)**
Between two and five years	**(1,002.2)**	**(805.2)**	**–**	**(1,807.4)**	**26.0**	**(26.0)**	**–**
More than five years	**(415.6)**	**(2,982.1)**	**–**	**(3,397.7)**	**207.8**	**(214.7)**	**(6.9)**
Total undiscounted cash flows	**(1,729.8)**	**(4,426.5)**	**(127.4)**	**(6,283.7)**	**1,441.9**	**(1,508.7)**	**(66.8)**
Effect of discounting	**383.4**	**2,144.9**	**2.6**	**2,530.9**			
At 1 April 2023	**(1,346.4)**	**(2,281.6)**	**(124.8)**	**(3,752.8)**			

1 Total undiscounted lease payments of £750.6m relating to the period post-break clause, and the earliest contractual lease exit point, are included in lease liabilities. These undiscounted lease payments should be excluded when determining the Group's contractual indebtedness under these leases, where there is a contractual right to break. Furthermore, £60.8m of these payments relate to leases where, following the break clause, the Group will have the ability to exit the lease at any point before the lease expiry with a maximum of six months' notice

2 Cash inflows and outflows on derivative instruments that require gross settlement (such as cross-currency swaps and forward foreign exchange contracts) are disclosed gross Cash inflows and outflows on derivative instruments that settle on a net basis are disclosed net.

(b) Counterparty risk

Counterparty risk exists where the Group can suffer financial loss through the default or non-performance of the counterparties with whom it transacts.

Exposures are managed in accordance with the Group treasury policy which limits the value that can be placed with each approved counterparty to minimise the risk of loss. The minimum long-term rating for all counterparties is long-term Standard & Poor's (S&P)/ Moody's A-/A3 (BBB+/Baa1 for committed lending banks). In the event of a rating by one agency being different from the other, reference will be made to Fitch to determine the casting vote of the rating group. In the absence of a Fitch rating the lower agency rating will prevail. Limits are reviewed regularly by senior management. The credit risk of these financial instruments is estimated as the fair value of the assets resulting from the contracts.

The table below analyses the Group's short-term investments and derivative assets by credit exposure, excluding bank balances, store cash and cash in transit.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

21 FINANCIAL INSTRUMENTS CONTINUED

	Credit rating of counterparty								
	AAA £m	AA+ £m	AA £m	AA- £m	A+ £m	A £m	A- £m	BBB £m	Total £m
Other investments[1]	–	–	–	158.5	288.6	462.0	89.0	–	998.1
Derivative assets[2]	–	–	–	–	31.9	24.4	8.7	–	65.0
At 2 April 2022	–	–	–	158.5	320.5	486.4	97.7	–	1,063.1

	AAA £m	**AA+ £m**	**AA £m**	**AA- £m**	**A+ £m**	**A £m**	**A- £m**	**BBB £m**	**Total £m**
Other investments[1]	**99.4**	**–**	**–**	**95.5**	**360.2**	**287.4**	**65.0**	**–**	**907.5**
Derivative assets[2]	**–**	**–**	**–**	**–**	**10.0**	**7.4**	**5.0**	**0.3**	**22.7**
At 1 April 2023	**99.4**	**–**	**–**	**95.5**	**370.2**	**294.8**	**70.0**	**0.3**	**930.2**

1 Includes cash on deposit and money market funds held by Marks and Spencer Scottish Limited Partnership, Marks and Spencer plc and Marks and Spencer General Insurance. Excludes cash in hand and in transit of £173.4m (last year: £217.4m).
2 Standard & Poor's equivalent rating shown as reference to the majority credit rating of the counterparty from either Standard & Poor's, Moody's or Fitch where applicable.

The Group has a very low retail credit risk due to transactions principally being of high volume, low value and short maturity.

The maximum exposure to credit risk at the balance sheet date was as follows: trade receivables £128.3m (last year: £103.0m), lease receivables £65.5m (last year: £75.5m), other receivables (including loans to related parties) £69.3m (last year: £30.5m), cash and cash equivalents £1,067.9m (last year: £1,197.9m) and derivatives £22.7m (last year: £65.0m).

Impairment of financial assets

The credit risk management practices of the Group include internal review and reporting of the ageing of trade and other receivables by days past due by a centralised accounts receivable function, and grouped by respective contractual revenue stream, along with liaison with the debtors by the credit control function.

The Group applies the IFRS 9 simplified approach in measuring expected credit losses which use a lifetime expected credit loss allowance for all trade receivables and lease receivables.

To measure expected credit losses, trade receivables have been grouped by shared credit risk characteristics along the lines of differing revenue streams such as international franchise, UK franchise, food, corporate and sundry, as well as by geographical location and days past due. In addition to the expected credit losses calculated using a provision matrix, the Group may provide additional provision for the receivables of particular customers if the deterioration of financial position was observed. The Group's trade receivables are of very low credit risk due to transactions being principally of high volume, low value and short maturity. Therefore, it also has very low concentration risk.

The expected loss rates are determined based on the average write-offs as a proportion of average debt over a period of 36 months prior to the reporting date. The historical loss rates are adjusted for current and forward-looking information where significant. The Group considers GDP growth, unemployment, sales growth and bankruptcy rates of the countries in which goods are sold to be the most relevant factors and, where the impact of these is significant, adjusts the historical loss rates based on expected changes in these factors.

Historical experience has indicated that debts aged 180 days or over are generally not recoverable. The Group has incorporated this into the expected loss model through a uniform loss rate for ageing buckets below 180 days dependent on the revenue stream and country and providing for 100% of debt aged more than 180 days past due. Where the Group specifically holds insurance or holds the legal right of offset with debtors which are also creditors, the loss provision is applied only to the extent of the uninsured or net exposure.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there may be no reasonable expectation of recovery include the failure of the debtor to engage in a payment plan, and failure to make contractual payments within 180 days past due.

Impairment losses on trade receivables are presented as net impairment losses within operating profit and subsequent recoveries are credited to the same line item.

21 FINANCIAL INSTRUMENTS CONTINUED

As at 2 April 2022	Current £m	Up to 30 days past due £m	31-60 days past due £m	61-90 days past due £m	91-180 days past due £m	181 days or more past due £m	Total £m
Gross carrying amount – trade receivables	76.7	15.8	–	1.9	7.5	1.1	103.0
Expected loss rate	2.9%	4.9%	0.0%	5.7%	7.8%	100.0%	4.6%
Lifetime expected credit loss	2.2	0.8	–	0.1	0.6	1.1	4.8
Net carrying amount	74.5	15.0	–	1.8	6.9	–	98.2

As at 1 April 2023	Current £m	Up to 30 days past due £m	31-60 days past due £m	61-90 days past due £m	91-180 days past due £m	181 days or more past due £m	Total £m
Gross carrying amount – trade receivables	**98.5**	**22.1**	**2.9**	**1.9**	**1.3**	**1.6**	**128.3**
Expected loss rate	**0.8%**	**3.2%**	**27.6%**	**31.6%**	**69.2%**	**100.0%**	**4.2%**
Lifetime expected credit loss	**0.8**	**0.7**	**0.8**	**0.6**	**0.9**	**1.6**	**5.4**
Net carrying amount	**97.7**	**21.4**	**2.1**	**1.3**	**0.4**	**–**	**122.9**

The closing loss allowances for trade receivables reconciles to the opening loss allowances as follows:

Trade receivables expected loss provision	2023 £m	2022 £m
Opening loss allowance	**4.8**	3.7
Increase in loss allowance recognised in profit and loss during the year	**5.5**	1.5
Receivables written off during the year as uncollectable	**(4.9)**	(0.4)
Closing loss allowance	**5.4**	4.8

The closing loss allowances for lease receivables reconciles to the opening loss allowances as follows:

Lease receivables expected loss provision	2023 £m	2022 £m
Opening loss allowance	**–**	11.9
Increase/(decrease) in loss allowance recognised in profit and loss during the year[1]	**10.7**	(11.9)
Closing loss allowance	**10.7**	–

1 Relates to the sub-let of previously closed offices associated with the strategic programme to centralise the Group's London Head Office functions (see note 5)

The provision for other receivables is highly immaterial (it can be quantified) and therefore no disclosure is provided.

(c) Foreign currency risk

Transactional foreign currency exposure arises primarily from the import of goods sourced from overseas suppliers and also from the export of goods from the UK to overseas subsidiaries. The most significant exposure is to the US dollar, incurred in the sourcing of Clothing & Home products from Asia.

Group Treasury hedges these Clothing & Home foreign currency exposures principally using forward foreign exchange contracts progressively based on dynamic forecasts from the business. Hedging is generally carried out in the six months before the period when purchase orders are entered into.

Other exposures arising from the export of goods to overseas subsidiaries are also hedged progressively over the course of the year before they are incurred. As at the balance sheet date, the gross notional value in sterling terms of forward foreign exchange sell or buy contracts amounted to £1,785.7m (last year: £1,865.7m) with a weighted average maturity date of six months (last year: six months).

Gains and losses in equity on forward foreign exchange contracts designated in cash flow hedge relationships as at 1 April 2023 will be reclassified to the income statement at various dates over the following 14 months (last year: 15 months) from the balance sheet date.

The foreign exchange forwards are designated as cash flow hedges of highly probable forecast transactions. Both spot and forward points are designated in the hedge relationship; under IFRS 9 the currency basis spread may be excluded from the hedge relationship and recognised in other comprehensive income – cost of hedging reserve. The change in the fair value of the hedging instrument, to the degree effective, is deferred in equity and subsequently either reclassified to profit or loss or removed from equity and included in the initial cost of inventory as part of the "basis adjustment". This will be realised in the income statement once the hedged item is sold. The Group has considered, and elected not to, recognise the currency basis spread element in the cost of hedging reserve, owing to the relatively short-dated nature of the hedging instruments.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

21 FINANCIAL INSTRUMENTS CONTINUED

The Group regularly reviews the foreign exchange hedging portfolio to confirm whether the underlying transactions remain highly probable. Any identified instance of over-hedging or ineffectiveness would result in immediate recycling to the income statement.

A change in the timing of a forecast item does not disqualify a hedge relationship nor the assertion of "highly probable" as there remains an economic relationship between the underlying transaction and the derivative.

The foreign exchange forwards are recognised at fair value. The Group has considered and elected to apply credit/debit valuation adjustments. The risks at the reporting date are representative of the financial year.

The Group also holds a number of cross-currency swaps to designate its fixed rate US dollar debt to fixed rate sterling debt. These are reported as cash flow hedges. The change in the fair value of the hedging instrument, to the degree effective, is retained in other comprehensive income, segregated by cost and effect of hedging. Under IFRS 9, the currency basis on the cross-currency swaps is excluded from the hedge designation and recognised in other comprehensive income – cost of hedging reserve. Effectiveness is *measured using the hypothetical derivative approach. The contractual terms of the cross-currency swaps include break clauses every five years which allow for the interest rates to be reset (last reset November 2022).*

The cross-currency swaps are recognised at fair value. The inclusion of credit risk on cross-currency swaps will cause ineffectiveness of the hedge relationship. The Group has considered and elected to apply credit/debit valuation adjustments, owing to the swaps' relative materiality and longer dated nature.

The Group also hedges foreign currency intercompany loans where these exist. Forward foreign exchange contracts in relation to the hedging of the Group's foreign currency intercompany loans are classified as fair value through profit and loss. The corresponding fair value movement of the intercompany loan balance resulted in a £1.8m loss (last year: £0.3m gain) in the income statement. As at the balance sheet date, the gross notional value of intercompany loan hedges was £125.8m (last year: £166.8m).

After taking into account the hedging derivatives entered into by the Group, the currency and interest rate exposure of the Group's financial liabilities, excluding short-term payables and the liability to the Marks & Spencer UK Pension Scheme, is set out below:

	2023			*2022*		
	Fixed rate £m	**Floating rate £m**	**Total £m**	Fixed rate £m	Floating rate £m	Total £m
Currency						
Sterling	**3,419.6**	**–**	**3,419.6**	3,610.6	–	3,610.6
Euro	**106.8**	**–**	**106.8**	104.3	–	104.3
Other	**101.6**	**–**	**101.6**	93.3	–	93.3
	3,628.0	**–**	**3,628.0**	3,808.2	–	3,808.2

As at the balance sheet date and excluding lease liabilities, post-hedging, the GBP and USD fixed rate borrowings are at an average rate of 5.1% (last year: 5.1%) and the weighted average time for which the rate is fixed is five years (last year: five years).

(d) Interest rate risk

The Group is exposed to interest rate risk in relation to sterling, US dollar and euro variable rate financial assets and liabilities.

The Group's policy is to use derivative contracts where necessary to maintain a mix of fixed and floating rate borrowings to manage this risk. The structure and maturity of these derivatives correspond to the underlying borrowings and are accounted for as fair value or cash flow hedges as appropriate.

At the balance sheet date, fixed rate borrowings amounted to £3,628.0m (last year: £3,808.2m) representing the public bond issues and lease liabilities, amounting to 100% (last year: 100%) of the Group's gross borrowings.

The effective interest rates at the balance sheet date were as follows:

	2023 %	2022 %
Committed and uncommitted borrowings	**N/A**	N/A
Medium Term Notes	**5.1%**	5.1%
Leases	**5.1%**	5.4%

21 FINANCIAL INSTRUMENTS CONTINUED

Derivative financial instruments

The below table illustrates the effects of hedge accounting on the consolidated statement of financial position and consolidated income statement through detailing separately by risk category and each type of hedge the details of the associated hedging instrument and hedged item.

	2 April 2022			
	Current		Non Current	
	Forward foreign exchange contracts £m	Forward foreign exchange contracts £m	Cross-currency swaps £m	Forward foreign exchange contracts £m
Hedging risk strategy	Cash flow hedges	FVTPL	Cash flow hedges	Cash flow hedges
Notional / currency legs	1,536.9	166.8	193.5	162.0
Carrying amount assets	43.0	0.6	18.5	2.9
Carrying amount (liabilities)	(2.3)	(0.9)	–	(0.4)
Maturity date	to Sep 2022	to May 2022	to Dec 2037	to Apr 2023
Hedge ratio	100%	n/a	100%	100%
Description of hedged item	Highly probable transactional FX exposures	Inter-company loans/deposits	USD fixed rate borrowing	Highly probable transactional FX exposures
Change in fair value of hedging instrument	60.1	11.1	26.7	4.8
Change in fair value of hedged item used to determine hedge effectiveness	(60.1)	(10.8)	(25.4)	(4.8)
Weighted average hedge rate for the year	GBP/USD 1.37; GBP/EUR 1.18	–	GBP/USD 1.55	GBP/USD 1.34; GBP/EUR 1.17
Amounts recognised within finance costs in profit and loss	–	0.3	(0.1)	–
Balance on cash flow hedge reserve at 2 April 2022	(32.0)	–	9.5	2.5
Balance on cost of hedging reserve at 2 April 2022	–	–	(5.0)	–

	1 April 2023			
	Current		**Non Current**	
	Forward foreign exchange contracts £m	**Forward foreign exchange contracts £m**	**Cross-currency swaps £m**	**Forward foreign exchange contracts £m**
Hedging risk strategy	**Cash flow hedges**	**FVTPL**	**Cash flow hedges**	**Cash flow hedges**
Notional / currency legs	**1,504.7**	**125.8**	**252.9**	**155.2**
Carrying amount assets	**22.6**	**–**	**0.1**	**–**
Carrying amount (liabilities)	**(56.0)**	**(2.1)**	**(5.3)**	**(1.8)**
Maturity date	**to Jul 2023**	**to Jun 2023**	**to Dec 2037**	**to May 2024**
Hedge ratio	**100%**	**n/a**	**100%**	**100%**
Description of hedged item	**Highly probable transactional FX exposures**	**Inter-company loans/deposits**	**USD fixed rate borrowing**	**Highly probable transactional FX exposures**
Change in fair value of hedging instrument	**49.6**	**(2.1)**	**30.9**	**(4.3)**
Change in fair value of hedged item used to determine hedge effectiveness	**(49.6)**	**0.3**	**(30.0)**	**4.3**
Weighted average hedge rate for the year	**GBP/USD 1.20; GBP/EUR 1.14**	**–**	**GBP/USD 1.19**	**GBP/USD 1.22; GBP/EUR 1.12**
Amounts recognised within finance costs in profit and loss	**–**	**(1.8)**	**0.9**	**–**
Balance on cash flow hedge reserve at 1 April 2023	**47.3**	**–**	**(7.0)**	**1.8**
Balance on cost of hedging reserve at 1 April 2023	**–**	**–**	**(5.8)**	**–**

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

21 FINANCIAL INSTRUMENTS CONTINUED

		1 April 2023				2 April 2022			
		Notional Value		Fair Value		Notional Value		Fair Value	
		Assets £m	Liabilities £m	Assets £m	Liabilities £m	Assets £m	Liabilities £m	Assets £m	Liabilities £m
Current									
Forward foreign exchange contracts	– cash flow hedges	**559.2**	**945.6**	**22.6**	**(56.0)**	1,348.8	188.1	43.0	(2.3)
	– FVTPL	**8.0**	**117.7**	**–**	**(2.1)**	37.2	129.6	0.6	(0.9)
		567.2	**1,063.3**	**22.6**	**(58.1)**	1,386.0	317.7	43.6	(3.2)
Non-current									
Cross-currency swaps	– cash flow hedges	**125.0**	**127.9**	**0.1**	**(5.3)**	193.5	–	18.5	–
Forward foreign exchange contracts	– cash flow hedges	**18.1**	**137.1**	**–**	**(1.8)**	131.1	30.9	2.9	(0.4)
		143.1	**265.0**	**0.1**	**(7.1)**	324.6	30.9	21.4	(0.4)

The Group's hedging reserves disclosed in the consolidated statement of changes in equity, relate to the following hedging instruments:

	Cost of hedging reserve CCIRS[1] £m	Deferred tax £m	**Total cost of hedging reserve £m**	Hedge reserve FX derivatives £m	Hedge reserve CCIRS £m	Hedge reserve gilt locks £m	Deferred tax £m	**Total hedge reserve £m**
Opening balance 4 April 2021	(5.8)	1.2	**(4.6)**	42.7	25.4	0.1	(13.4)	**54.8**
Add: Change in fair value of hedging instrument recognised in OCI[2]	–	–	**–**	(65.7)	(26.4)	–	–	**(92.1)**
Add: Costs of hedging deferred and recognised in OCI	0.8	–	**0.8**	–	–	–	–	**–**
Less: Reclassified to the cost of inventory	–	–	**–**	(6.5)	–	–	–	**(6.5)**
Less: Reclassified from OCI to profit or loss	–	–	**–**	–	10.5	–	–	**10.5**
Less: Deferred tax	–	0.2	**0.2**	–	–	–	15.7	**15.7**
Closing balance 2 April 2022	(5.0)	1.4	**(3.6)**	(29.5)	9.5	0.1	2.3	**(17.6)**
Opening balance 3 April 2022	**(5.0)**	**1.4**	**(3.6)**	**(29.5)**	**9.5**	**0.1**	**2.3**	**(17.6)**
Add: Change in fair value of hedging instrument recognised in OCI	**–**	**–**	**–**	**(45.3)**	**(30.9)**	**–**	**–**	**(76.2)**
Add: Costs of hedging deferred and recognised in OCI	**(0.8)**	**–**	**(0.8)**	**–**	**–**	**–**	**–**	**–**
Less: Reclassified to the cost of inventory	**–**	**–**	**–**	**123.9**	**–**	**–**	**–**	**123.9**
Less: Reclassified from OCI to profit or loss	**–**	**–**	**–**	**–**	**14.4**	**–**	**–**	**14.4**
Less: Deferred tax	**–**	**0.2**	**0.2**	**–**	**–**	**–**	**(12.6)**	**(12.6)**
Closing balance 1 April 2023	**(5.8)**	**1.6**	**(4.2)**	**49.1**	**(7.0)**	**0.1**	**(10.3)**	**31.9**

1 Cross-currency interest rate swaps
2 Other comprehensive income

21 FINANCIAL INSTRUMENTS CONTINUED

The Group holds a number of cross-currency interest rate swaps to designate its USD to GBP fixed debt. These are reported as cash flow hedges. The ineffective portion recognised in profit or loss that arises from the cash flow hedge amounts to a £0.9m gain (last year: £1.3m gain) as the loss on the hedged items was £30.0m (last year: £25.4m loss) and the movement on the hedging instruments was a £30.9m gain (last year: £26.7m gain).

Movement in hedged items and hedging instruments	**2023 £m**	2022 £m
Net gain in fair value of cross-currency interest rate swap	**30.9**	26.7
Net loss on hedged items	**(30.0)**	(25.4)
Ineffectiveness	**0.9**	1.3

Sensitivity analysis

The table below illustrates the estimated impact on the income statement and equity as a result of market movements in foreign exchange and interest rates in relation to the Group's financial instruments. The directors consider that a 2% +/- (last year: 2%) movement in interest and a 20% +/- (last year: 20%) movement in sterling against the relevant currency represent reasonably possible changes. However, this analysis is for illustrative purposes only. The directors believe that these illustrative assumed movements continue to provide sufficient guidance.

The table excludes financial instruments that expose the Group to interest rate and foreign exchange risk where such a risk is fully hedged with another financial instrument. Also excluded are trade receivables and payables as these are either sterling denominated or the foreign exchange risk is hedged.

Interest rates The impact in the income statement due to changes in interest rates reflects the effect on the Group's floating rate debt as at the balance sheet date. The impact in equity reflects the fair value movement in relation to the Group's cross-currency swaps.

Foreign exchange The impact from foreign exchange movements reflects the change in the fair value of the Group's transactional foreign exchange cash flow hedges at the balance sheet date. The equity impact shown for foreign exchange sensitivity relates to derivatives. This value is expected to be materially offset by the re-translation of the related transactional exposures.

	2% decrease in interest rates £m	2% increase in interest rates £m	20% weakening in sterling £m	20% strengthening in sterling £m
At 2 April 2022				
Impact on income statement: (loss)/gain	(19.2)	19.2	–	–
Impact on other comprehensive income: (loss)/gain	(4.2)	3.3	243.5	(243.5)
At 1 April 2023				
Impact on income statement: (loss)/gain	**(17.2)**	**17.2**	**–**	**–**
Impact on other comprehensive income: (loss)/gain	**3.0**	**(2.3)**	**227.9**	**(227.9)**

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

21 FINANCIAL INSTRUMENTS CONTINUED

Offsetting of financial assets and liabilities

The following tables set out the financial assets and financial liabilities which are subject to offsetting, enforceable master netting arrangements and similar agreements. Amounts which are set off against financial assets and liabilities in the Group's balance sheet, are set out below. For trade and other receivables and trade and other payables, amounts not offset in the balance sheet, but which could be offset under certain circumstances, are also set out. To reconcile the amount shown in the tables below to the Statement of Financial Position, items which are not subject to offsetting should be included.

	Gross financial assets/ (liabilities) £m	Gross financial (liabilities)/ assets set off £m	Net financial assets/ (liabilities) per statement of financial position £m	Related amounts not set off in the statement of financial position £m	Net £m
At 2 April 2022					
Trade and other receivables	27.9	(25.0)	2.9	–	2.9
Derivative financial assets	65.0	–	65.0	(3.4)	61.6
	92.9	(25.0)	67.9	(3.4)	64.5
Trade and other payables	(284.8)	25.0	(259.8)	–	(259.8)
Derivative financial liabilities	(3.6)	–	(3.6)	3.4	(0.2)
	(288.4)	25.0	(263.4)	3.4	(260.0)

	Gross financial assets/ (liabilities) £m	**Gross financial (liabilities)/ assets set off £m**	**Net financial assets/ (liabilities) per statement of financial position £m**	**Related amounts not set off in the statement of financial position £m**	**Net £m**
At 1 April 2023					
Trade and other receivables	**19.2**	**(16.5)**	**2.7**	**–**	**2.7**
Derivative financial assets	**22.7**	**–**	**22.7**	**(18.0)**	**4.7**
	41.9	**(16.5)**	**25.4**	**(18.0)**	**7.4**
Trade and other payables	**(317.3)**	**16.5**	**(300.8)**	**–**	**(300.8)**
Derivative financial liabilities	**(65.2)**	**–**	**(65.2)**	**18.0**	**(47.2)**
	(382.5)	**16.5**	**(366.0)**	**18.0**	**(348.0)**

Amounts which do not meet the criteria for offsetting on the balance sheet, but could be settled net in certain circumstances, principally relate to derivative transactions under International Swaps and Derivatives Association agreements where each party has the option to settle amounts on a net basis in the event of default of the other party.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets and liabilities. The Group had no level 1 investments or financial instruments.
- Level 2: not traded in an active market but the fair values are based on quoted market prices or alternative pricing sources with reasonable levels of price transparency. The Group's level 2 financial instruments include interest rate and foreign exchange derivatives. *Fair value is calculated using discounted cash flow methodology, future cash flows are estimated based on forward* exchange rates and interest rates (from observable market curves) and contract rates, discounted at a rate that reflects the credit risk of the various counterparties for those with a long maturity.
- Level 3: techniques that use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

21 FINANCIAL INSTRUMENTS CONTINUED

At the end of the reporting period, the Group held the following financial instruments at fair value:

	2023				2022			
	Level 1 £m	**Level 2 £m**	**Level 3 £m**	**Total £m**	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Assets measured at fair value								
Financial assets at fair value through profit or loss (FVTPL)								
– derivatives held at FVTPL	**–**	**–**	**–**	**–**	–	0.6	–	0.6
– other investments[1]	**–**	**12.3**	**8.6**	**20.9**	–	17.6	4.5	22.1
Derivatives used for hedging	**–**	**22.7**	**–**	**22.7**	–	64.4	–	64.4
Liabilities measured at fair value								
Financial liabilities at fair value through profit or loss								
– derivatives held at FVTPL	**–**	**(2.1)**	**–**	**(2.1)**	–	(0.9)	–	(0.9)
– Ocado contingent consideration[2]	**–**	**–**	**(64.7)**	**(64.7)**	–	–	(172.6)	(172.6)
– Cist contingent consideration[3]	**–**	**–**	**(25.0)**	**(25.0)**	–	–	–	–
Derivatives used for hedging	**–**	**(63.1)**	**–**	**(63.1)**	–	(2.7)	–	(2.7)

There were no transfers between the levels of the fair value hierarchy during the period. There were also no changes made to any of the valuation techniques during the period.

1. Within Level 3 other investments, the Group holds £7.3m of venture capital investments, managed by True Capital Limited, measured at FVTPL (last year: £3.1m) (see note 16) which are Level 3 instruments. The fair value of these investments has been determined in accordance with the International Private Equity and Venture Capital ("IPEV") Valuation Guidelines. Where investments are either recently acquired or there have been recent funding rounds with third parties, the primary input when determining the valuation is the latest transaction price.
2. As part of the investment in Ocado Retail Limited, a contingent consideration arrangement was agreed. The arrangement comprises three separate elements which only become payable on the achievement of three separate financial and operational performance targets. Last year, £33.8m was settled, relating to the first two targets. The final target relates to Ocado Retail Limited achieving a specified target level of earnings in the financial year ending November 2023, with any resulting payment due in 2024 following completion of the Ocado Retail Limited audited FY23 statutory accounts. The performance target is binary, meaning that a payment of £156.3m plus interest will be made if the performance target is met. Should the target not be met, no consideration would be payable. The fair value of the contingent consideration was estimated using an expected present value technique and was based on probability-weighting possible scenarios and applying an appropriate discount rate to reflect the timing of the possible payment. The Group has considered a range of scenarios reflecting current market uncertainty, taking into account Ocado Retail Limited's most recent trading update in March 2023, and determined a fair value of £64.7m (last year: £172.6m). If the level of earnings assumed in the probability-weighted scenarios was 10% higher or lower, the fair value of liability would increase or decrease by £17.5m respectively. A discount rate of 6.4% (last year: 4.2%) was used. During the period, a gain of £108.0m was recognised in profit or loss in relation to the remeasurement (see note 5).
3. As part of the investment in Cist Limited, the Group has agreed to pay the former owners of Cist Limited additional consideration of up to £25.0m plus interest when freehold properties are disposed of under certain conditions (for other consideration payable please see note 19). There is no minimum amount payable. The Group has the ability to retain the properties should it wish to do so, in which case the full amount of £25.0m plus interest will be payable on the third anniversary of completion.
The fair value of the contingent consideration arrangement of £25.0m was estimated by calculating the present value of the future expected cashflows. The estimates are based on a discount rate of 6.1%. A 2.5% change in the discount rate would result in a change in fair value of £1.4m.

The Marks & Spencer UK Pension Scheme holds a number of financial instruments which make up the pension asset of £6,781.9m (last year: £10,090.7m). Level 1 and Level 2 financial assets measured at fair value through other comprehensive income amounted to £2,754.7m (last year: £4,945.8m[1]). Additionally, the scheme assets include £4,027.2m (last year: £5,144.9m[1]) of Level 3 financial assets. See note 11 for information on the Group's retirement benefits.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

21 FINANCIAL INSTRUMENTS CONTINUED

The following table represents the changes in Level 3 instruments held by the Pension Schemes:

	2023 £m	2022 £m
Opening balance	**5,144.9**	4,996.9
Fair value (loss)/gain recognised in other comprehensive income[1]	**(401.8)**	191.6
Cash withdrawals	**(715.9)**	(43.6)
Closing balance	**4,027.2**	5,144.9

1 Last year restated to reflect the deferred payment due from the Marks and Spencer Scottish Limited Partnership (see note 12).

Fair value of financial instruments

With the exception of the Group's fixed rate bond debt and the Partnership liability to the Marks & Spencer UK Pension Scheme (note 12), there were no material differences between the carrying value of non-derivative financial assets and financial liabilities and their fair values as at the balance sheet date.

The carrying value of the Group's fixed rate bond debt (level 1 equivalent) was £1,346.4m (last year: £1,529.5m); the fair value of this debt was £1,264.3m (last year: £1,549.6m) which has been calculated using quoted market prices and includes accrued interest. The carrying value of the Partnership liability to the Marks & Spencer UK Pension Scheme (level 2 equivalent) is £124.8m (last year: £192.3m) and the fair value of this liability is £121.9m (last year: £187.9m).

Capital policy

The Group's objectives when managing capital are to fund investment in the transformation and deliver financial performance at an investment grade level, to safeguard its ability to continue as a going concern in order to provide optimal returns for shareholders and to maintain an efficient capital structure to reduce the cost of capital.

In doing so, the Group's strategy is to sustain a capital structure that supports an investment grade credit rating and to retain appropriate levels of liquidity headroom to ensure financial stability and flexibility. To achieve this strategy, the Group regularly monitors key credit metrics such as the gearing ratio, cash flow to net debt and fixed charge cover to maintain this position. In addition, the Group ensures a combination of appropriate committed short-term liquidity headroom with a diverse and balanced long-term debt maturity profile. As at the balance sheet date, the Group's average debt maturity profile was five years (last year: five years). During the year, the Group maintained credit ratings of Ba1 (stable) with Moody's and BB+ (stable) with Standard & Poor's.

In order to maintain or realign the capital structure, the Group will consider the appropriate level of dividends paid to shareholders and options to return capital to shareholders, issue new shares or sell assets to reduce debt.

22 PROVISIONS

	Property £m	Restructuring £m	Other £m	Total £m
At 4 April 2021	**76.7**	**28.5**	**12.1**	**117.3**
Provided in the year – charged to profit or loss	23.5	38.0	6.2	67.7
Provided in the year – charged to property, plant and equipment	5.3	–	–	5.3
Released in the year	(8.4)	(2.8)	(3.0)	(14.2)
Utilised during the year	(5.1)	(28.2)	(0.9)	(34.2)
Exchange differences	–	(0.1)	(0.2)	(0.3)
Discount rate unwind	3.8	–	–	3.8
At 2 April 2022	**95.8**	**35.4**	**14.2**	**145.4**
Analysed as:				
Current				**53.6**
Non-current				**91.8**

22 PROVISIONS CONTINUED

	Property £m	Restructuring £m	Other £m	Total £m
At 3 April 2022	**95.8**	**35.4**	**14.2**	**145.4**
Acquired through business combinations	**1.8**	**-**	**1.5**	**3.3**
Provided in the year – charged to profit or loss	**25.3**	**14.0**	**12.3**	**51.6**
Released in the year	**(46.0)**	**(0.2)**	**(0.6)**	**(46.8)**
Utilised during the year	**(3.5)**	**(32.3)**	**(3.8)**	**(39.6)**
Exchange differences	**–**	**–**	**0.1**	**0.1**
Discount rate unwind	**5.4**	**–**	**–**	**5.4**
At 1 April 2023	**78.8**	**16.9**	**23.7**	**119.4**
Analysed as:				
Current				**44.0**
Non-current				**75.4**

Property provisions relate primarily to obligations such as dilapidations arising as a result of the closure of stores in the UK, as part of the UK store estate strategic programme. These provisions are expected to be utilised over the period to the end of each specific lease (up to 10 years)

Movements in restructuring provisions relate to the utilisation and finalisation of costs associated with the strategic programme to transition to a single-tier UK distribution network; the strategic programme to reduce roles across central support centres, regional management and our UK and Republic of Ireland stores; the historical International exit strategy; the restructure of certain International franchise operations; and cost savings and transformation relating to the acquisition of Gist. Closing provisions relate primarily to the strategic programme to transition to a single-tier UK distribution network, expected to be utilised over the period of closure of sites, and the restructure of certain International franchise operations, expected to be utilised within the next year.

Other provisions include amounts in respect of probable liabilities for employee-related matters.

Provisions related to adjusting items were £100.3m at 1 April 2023 (last year: £124.9m), with a net charge in the year of £3.9m (last year: £48.2m) (see note 5).

23 DEFERRED TAX

Deferred tax is provided under the balance sheet liability method using the tax rate at which the balances are expected to unwind of 25% (last year: 19% and 25% as applicable) for UK differences and local tax rates for overseas differences. Details of the changes to the UK corporation tax rate and the impact on the Group are described in note 7.

The movements in deferred tax assets and liabilities (after the offsetting of balances within the same jurisdiction as permitted by IAS 12 – "Income Taxes") during the year are shown below.

Deferred tax assets/(liabilities)

	Land and buildings temporary differences £m	Capital allowances in excess of depreciation £m	Pension temporary differences £m	IFRS 16 adjustment £m	Other short-term temporary differences £m	Total UK deferred tax £m	Overseas deferred tax £m	Total £m
At 4 April 2021	(50.3)	22.6	(148.7)	104.9	30.6	(40.9)	(1.4)	(42.3)
(Charged)/credited to income statement	(15.4)	3.7	(14.7)	12.6	7.7	(6.1)	1.0	(5.1)
(Charged)/Credited to equity/other comprehensive income	–	–	(128.7)	–	(14.1)	(142.8)	3.0	(139.8)
At 2 April 2022	(65.7)	26.3	(292.1)	117.5	24.2	(189.8)	2.6	(187.2)
At 2 April 2022	**(65.7)**	**26.3**	**(292.1)**	**117.5**	**24.2**	**(189.8)**	**2.6**	**(187.2)**
Credited/(charged) to income statement	**3.7**	**(36.4)**	**(7.4)**	**(5.7)**	**4.9**	**(40.9)**	**(0.2)**	**(41.1)**
Credited/(charged) to equity/other comprehensive income	**–**	**–**	**158.0**	**–**	**17.6**	**175.6**	**(0.6)**	**175.0**
Acquisition of Gist	**(11.5)**	**(1.0)**	**1.0**	**–**	**0.1**	**(11.4)**	**–**	**(11.4)**
At 1 April 2023	**(73.5)**	**(11.1)**	**(140.5)**	**111.8**	**46.8**	**(66.5)**	**1.8**	**(64.7)**

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

23 DEFERRED TAX CONTINUED

Other short-term temporary differences relate mainly to employee share options and financial instruments.

The deferred tax liability on land and buildings temporary differences is reduced by the benefit of capital losses with a gross value of £230.5m (last year: £236.6m) and a tax value of £57.6m (last year: £58.6m). The gross carried forward capital losses are £348.0m (last year: £364.7m) with a tax value of £87.0m (last year: £91.2m) and are inclusive of the gross £230.5m of losses used to reduce the deferred tax liability on land and buildings.

Due to uncertainty over their future use, no benefit has been recognised in respect of trading losses carried forward in overseas jurisdictions with a gross value of £5.2m (last year: £5.6m) and a tax value of £1.3m (last year: £1.4m).

No deferred tax is recognised in respect of undistributed earnings of overseas subsidiaries and joint ventures with a gross value of £46.1m (last year: £34.2m) unless a material liability is expected to arise on distribution of these earnings under applicable tax legislation. There is a potential tax liability in respect of undistributed earnings of £4.4m (last year: £3.1m) however this has not been recognised on the basis that the distribution can be controlled by the Group, and it is not probable that the temporary difference will reverse in the foreseeable future.

24 ORDINARY SHARE CAPITAL

	2023		2022					
	Ordinary shares of £0.01 each		Ordinary shares of £0.25 each		Ordinary shares of £0.01 each		Deferred shares of £0.24 each	
	Shares	**£m**	Shares	£m	Shares	£m	Shares	£m
Issued and fully paid								
At start of year	**1,958,905,344**	**19.7**	1,956,513,591	489.2	–	–	–	–
Shares issued in respect of employee share option schemes	**–**	**–**	1,266,035	0.3	–	–	–	–
Subdivision of ordinary share capital	**–**	**–**	(1,957,779,626)	(489.5)	1,957,779,626	19.6	1,957,779,626	469.9
Repurchase of deferred shares	**–**	**–**	–	–	–	–	(1,957,779,626)	(469.9)
Shares issued in respect of employee share option schemes	**6,028,587**	**0.1**	–	–	1,125,718	0.1	–	–
At end of year	**1,964,933,931**	**19.8**	–	–	1,958,905,344	19.7	–	–

Nominal value reduction

In July 2021, the Company reduced the nominal value of its ordinary shares from £0.25 to £0.01. The reduction was completed by subdividing each £0.25 ordinary share in issue into 1 ordinary share of £0.01 and 1 deferred share of £0.24. All deferred shares were then bought back for total aggregate consideration of £0.01 and cancelled. The Company's issued share capital remained unchanged and each shareholder's proportionate interest in the share capital of the Company remained unchanged. Aside from the change in nominal value, the rights attaching to the ordinary shares (including voting and dividend rights and rights on a return of capital) remain unchanged. The repurchase and cancellation of the shares resulted in an increase to the Company's capital redemption reserve of £469.9m.

Issue of new shares

A total of 6,028,587 (last year: 2,391,753) ordinary shares having a nominal value of £0.1m (last year: £0.4m) were allotted during the year under the terms of the Company's share schemes which are described in note 13 of the Group financial statements. The aggregate consideration received was £0.1m (last year: £0.3m).

25 CONTINGENCIES AND COMMITMENTS

A. Capital commitments

	2023 £m	2022 £m
Commitments in respect of properties in the course of construction	**100.8**	59.8
Software capital commitments	**6.1**	6.1
	106.9	65.9

Last year, the Group committed to invest up to £25.0m, over a three-year period to 2024/25, in an innovation and consumer growth fund managed by True Capital Limited. The fund can drawdown amounts at any time over the three-year period to make specific investments. At 1 April 2023, the Group had invested £7.5m (last year: £3.3m) of this commitment, which is held as a non-current other investment and measured at fair value through profit or loss (see note 16).

B. Other material contracts

In the event of termination of our trading arrangements with certain warehouse operators, the Group has a number of options and commitments to purchase some property, plant and equipment, at values ranging from historical net book value to market value, which are currently owned and operated by the warehouse operators on the Group's behalf. These options and commitments would have no material impact on the Group's statement of financial position.

See note 12 for details on the Partnership arrangement with the Marks & Spencer UK Pension Scheme.

26 ANALYSIS OF CASH FLOWS GIVEN IN THE STATEMENT OF CASH FLOWS

Cash flows from operating activities

	2023 £m	2022 £m
Profit on ordinary activities after taxation	**364.5**	309.0
Income tax expense	**111.2**	82.7
Finance costs	**205.5**	214.4
Finance income	**(166.1)**	(33.9)
Operating profit	**515.1**	572.2
Share of results of Ocado Retail Limited	**29.5**	(13.9)
Increase in inventories	**(58.5)**	(46.5)
Increase in receivables	**(33.7)**	(2.9)
Increase in payables	**82.1**	289.1
Depreciation, amortisation and write-offs	**523.2**	510.7
Non-cash share based payment expense	**38.0**	38.8
Defined benefit pension funding	**(36.8)**	(36.8)
Adjusting items net cash outflows[1,2]	**(67.9)**	(45.8)
Adjusting items M&S Bank[3]	**(2.0)**	(16.0)
Adjusting operating profit items	**111.5**	136.8
Cash generated from operations	**1,100.5**	1,385.7

1 Excludes £11.5m (last year: £5.6m) of surrender payments included within repayment of lease liabilities in the consolidated statement of cash flows relating to leases within the UK store estate programme.
2 Adjusting items net cash outflows relate to strategic programme costs associated with the UK store estate, UK logistics, UK structural simplification programme, the utilisation of the provisions for International store closures and impairments, and legal costs related to the acquisition of Gist Limited.
3 Adjusting items M&S Bank relates to M&S Bank income recognised in operating profit offset by charges incurred in relation to the insurance mis-selling provision, which is a non-cash item.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

27 ANALYSIS OF NET DEBT

A. Reconciliation of movement in net debt

	At 4 April 2021 £m	Cash flow £m	Changes in fair values £m	Lease additions and remeasurements £m	Exchange and other non-cash movements[1] £m	At 2 April 2022 £m
Net debt						
Bank loans and overdrafts (see note 20)	(4.7)	4.7	–	–	–	–
Cash and cash equivalents (see note 18)	674.4	531.7	–	–	(8.2)	1,197.9
Net cash per statement of cash flows	669.7	536.4	–	–	(8.2)	1,197.9
Current other financial assets (see note 16)	18.4	(0.8)	–	–	–	17.6
Liabilities from financing activities						
Medium Term Notes (see note 20)	(1,682.1)	244.0	–	–	(91.4)	(1,529.5)
Lease liabilities (see note 20)	(2,405.9)	344.3	–	(100.6)	(116.5)	(2,278.7)
Partnership liability to the Marks & Spencer UK Pension Scheme (see note 12)	(185.5)	–	–	–	(2.4)	(187.9)
Derivatives held to hedge Medium Term Notes	(8.1)	–	26.6	–	–	18.5
Liabilities from financing activities	(4,281.6)	588.3	26.6	(100.6)	(210.3)	(3,977.6)
Less: Cashflows related to interest and derivative instruments	77.6	(208.7)	(26.6)	–	221.0	63.3
Net debt	(3,515.9)	915.2	–	(100.6)	2.5	(2,698.8)

	At 3 April 2022 £m	Cash flow £m	Changes in fair values £m	Lease additions and remeasurements £m	Exchange and other non-cash movements[1] £m	**At 1 April 2023 £m**
Net debt						
Cash and cash equivalents (see note 18)	1,197.9	(130.5)	–	–	0.5	**1,067.9**
Net cash per statement of cash flows	1,197.9	(130.5)	–	–	0.5	**1,067.9**
Current other financial assets (see note 16)	17.6	(5.3)	–	–	0.7	**13.0**
Liabilities from financing activities						
Medium Term Notes (see note 20)	(1,529.5)	262.3	–	–	(79.2)	**(1,346.4)**
Lease liabilities (see note 20)	(2,278.7)	353.8	–	(270.7)	(86.0)	**(2,281.6)**
Partnership liability to the Marks & Spencer UK Pension Scheme (see note 12)	(187.9)	66.0	–	–	–	**(121.9)**
Derivatives held to hedge Medium Term Notes	18.5	(57.4)	33.7	–	–	**(5.2)**
Liabilities from financing activities	(3,977.6)	624.7	33.7	(270.7)	(165.2)	**(3,755.1)**
Less: Cashflows related to interest and derivative instruments	63.3	(171.7)	(33.7)	–	179.1	**37.0**
Net debt	(2,698.8)	317.2	–	(270.7)	15.1	**(2,637.2)**

1 Exchange and other non-cash movements includes interest paid on Medium Term Notes of £65.4m (last year: £79.6m), interest paid on lease liabilities of £116.7m (last year: £121.1m) and interest paid on the Partnership liability to the Marks & Spencer UK Pension Scheme of £4.3m (last year: £4.4m)

27 ANALYSIS OF NET DEBT CONTINUED

B. Reconciliation of net debt to statement of financial position

	2023 £m	2022 £m
Statement of financial position and related notes		
Cash and cash equivalents (see note 18)	**1,067.9**	1,197.9
Current other financial assets (see note 16)	**13.0**	17.6
Medium Term Notes – net of foreign exchange revaluation (see note 20)	**(1,356.6)**	(1,494.7)
Lease liabilities (see note 20)	**(2,281.6)**	(2,278.7)
Partnership liability to the Marks & Spencer UK Pension Scheme (see note 12 and 21)	**(124.8)**	(192.3)
	(2,682.1)	(2,750.2)
Interest payable included within related borrowing and the partnership liability to the Marks & Spencer UK Pension Scheme	**44.9**	51.4
Net debt	**(2,637.2)**	(2,698.8)

28 RELATED PARTY TRANSACTIONS

A. Subsidiaries

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Company and its subsidiaries are disclosed in the Company's separate financial statements.

B. Joint ventures and associates

Ocado Retail Limited
The following transactions were carried out with Ocado Retail Limited, an associate of the Group.

Loan to Ocado Retail Limited

	2023 £m	2022 £m
Opening balance	**–**	–
Loans advanced	**30.0**	–
Interest charged	**0.9**	–
Closing balance	**30.9**	–

The loan matures during 2039/40 and accrues interest at Sterling Overnight Index Average ("SONIA") plus an applicable margin.

Parent guarantee
Ocado Retail Limited has entered into a £30.0m revolving credit facility provided by BNPP, of which £25.0m was drawn at 1 April 2023 (last year: undrawn). The Group, along with Ocado Group plc, jointly guarantee the facility.

Sales and purchases of goods and services

	2023 £m	2022 £m
Sales of goods and services	**35.7**	36.1
Purchases of goods and services	**0.1**	0.2

Included within trade and other receivables is a balance of £2.9m (last year: £1.9m) owed by Ocado Retail Limited.

Nobody's Child Limited
Nobody's Child Limited became an associate of the Group in November 2021.

During the year, the Group made purchases of goods amounting to £6.3m (last year: £1.2m)

At 1 April 2023, there was no balance included within trade and other payables (last year: £0.2m) owed to Nobody's Child Limited, and a £0.7m balance included within other financial assets (last year: £0.7m) owed from Nobody's Child Limited.

C. Marks & Spencer UK Pension Scheme

Details of other transactions and balances held with the Marks & Spencer UK Pension Scheme are set out in notes 11 and 12.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

28 RELATED PARTY TRANSACTIONS CONTINUED

D. Key management compensation

The Group has determined that the key management personnel constitute the Board and the members of the Executive Committee.

	2023 £m	2022 £m
Salaries and short-term benefits	**14.3**	15.3
Share-based payments	**4.8**	2.1
Total	**19.1**	17.4

E. Other related party transactions

The Group acquired 77.7% of the issued share capital of The Sports Edit Limited ("TSE") in February 2022. A further 4.8% of TSE's issued share capital was owned by Mr. Justin King, a Non-Executive Director of the Group (the "JK TSE Shares"). Following shareholder approval, the Group acquired the JK TSE Shares from Mr. Justin King at a total purchase price of £0.3m in July 2022.

29 INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

The Group holds a 50% interest in Ocado Retail Limited, a company incorporated in the UK. The remaining 50% interest is held by Ocado Group plc. Ocado Retail Limited is an online grocery retailer, operating through the ocado.com and ocadozoom.com websites.

Ocado Retail Limited is considered an associate of the Group as certain rights are conferred on Ocado Group plc for an initial period of at least five years from acquisition in August 2019, giving Ocado Group plc control of the company. Following this initial period, a reassessment of control will be required as the Group will have an option to obtain more control over Ocado Retail Limited if certain conditions are met. If the Group is deemed to have obtained control, Ocado Retail Limited will then be consolidated as a subsidiary of the Group. Through Board representation and shareholder voting rights, the Group is currently considered to have significant influence, therefore the investment in Ocado Retail Limited is treated as an associate and applies the equity method of accounting.

Ocado Retail Limited had a financial year end date of 27 November 2022, aligning with its parent company, Ocado Group plc. For the Group's purpose of applying the equity method of accounting, Ocado Retail Limited has prepared financial information to the nearest quarter-end date of its financial year end, as to do otherwise would be impracticable. The results of Ocado Retail Limited are incorporated in these financial statements from 28 February 2022 to 26 February 2023. There were no significant events or transactions in the period from 27 February 2023 to 1 April 2023.

The carrying amount of the Group's interest in Ocado Retail Limited is £756.9m (last year: £800.4m). The Group's share of Ocado Retail Limited losses of £43.5m (last year: loss of £18.6m) includes the Group's share of underlying losses of £29.5m, which includes £13.2m of exceptional income before tax related to insurance receipts (last year: share of underlying profit: £13.9m) and adjusting item charges of £14.0m (last year: £32.5m) (see note 5).

Summarised financial information in respect of Ocado Retail Limited (the Group's only material associate) is set out below and represents amounts in the Ocado Retail Limited financial statements prepared in accordance with IFRS, adjusted by the Group for equity accounting purposes.

	As at 26 Feb 2023 £m	As at 27 Feb 2022 £m
Ocado Retail Limited		
Current assets	**220.0**	291.2
Non-current assets	**618.7**	590.1
Current liabilities	**(267.7)**	(223.3)
Non-current liabilities	**(421.7)**	(449.8)
Net assets	**149.3**	208.2

	28 Feb 2022 to 26 Feb 2023 £m	29 Feb 2021 to 27 Feb 2022 £m
Revenue	**2,222.0**	2,248.8
(Loss)/profit for the period	**(59.0)**	27.8
Other comprehensive income	**–**	–
Total comprehensive (loss)/income	**(59.0)**	27.8

29 INVESTMENTS IN JOINT VENTURES AND ASSOCIATES CONTINUED

Reconciliation of the above summarised financial information to the carrying amount of the interest in Ocado Retail Limited recognised in the consolidated financial statements:

	As at 1 Apr 2023 £m	As at 2 Apr 2022 £m
Ocado Retail Limited		
Net assets	**149.3**	208.2
Proportion of the Group's ownership interest	**74.6**	104.1
Goodwill	**449.1**	449.1
Brand	**236.2**	242.7
Customer relationships	**67.1**	77.7
Other adjustments to align accounting policies	**(75.8)**	(78.9)
Acquisition costs	**5.7**	5.7
Carrying amount of the Group's interest in Ocado Retail Limited	**756.9**	800.4

In addition, the Group holds immaterial investments in joint ventures and associates totalling £11.0m (last year: £10.5m). The Group's share of profits totalled £0.5m (last year: £0.7m loss).

30 GOVERNMENT SUPPORT

The Group benefited from business rates relief of £nil in the year (last year: £62.2m (including UK: £59.8m)).

There are no unfulfilled conditions or contingencies attached to these grants.

31 BUSINESS COMBINATION

On 30 September 2022, the Group completed the acquisition of 100% of the issued share capital and voting rights of Gist Limited ("Gist"), a non-listed logistics and supply chain business based in the UK, thereby obtaining control. Gist provides the majority of M&S Food logistics services via a network of primary and secondary distribution centres located across the UK and the Republic of Ireland, including a number of freehold warehouses. The acquisition is expected to accelerate the Group's multi-year plan to modernise its Food supply chain network to support growth.

The acquisition has been accounted for as a business combination using the acquisition method of accounting in accordance with IFRS 3 *Business Combinations and consequently the Gist assets acquired, and liabilities assumed, have been recorded by the Group at fair value.*

	As at 30 Sep 2022 £m
Fair value of consideration transferred	
Cash	**170.6**
Deferred consideration	**83.5**
Contingent consideration	**23.7**
Settlement of pre-existing relationship	**(18.2)**
Total consideration transferred	**259.6**
Fair value of identifiable net assets	
Intangible assets	**2.7**
Property, plant and equipment[1]	**213.8**
Inventories	**3.3**
Trade and other receivables[2]	**88.0**
Cash and cash equivalents	**67.8**
Trade and other payables	**(74.1)**
Borrowings and other financial liabilities	**(21.3)**
Provisions	**(2.9)**
Deferred tax liabilities	**(11.5)**
Total identifiable net assets acquired	**265.8**
Gain on bargain purchase	**(6.2)**
Net cash outflow arising on acquisition	
Cash consideration	**170.6**
Less: cash and cash equivalents acquired	**(67.8)**
	102.8

1 Property, plant and equipment principally comprises the distribution warehouses which were fair valued following a review undertaken by RICS registered valuers.
2 The fair value of trade and other receivables is considered equivalent to the gross contractual amount and the Group expects to collect substantially all of these.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

31 BUSINESS COMBINATION CONTINUED

The acquisition resulted in a gain on bargain purchase due to the estimated fair value of the identifiable net assets acquired exceeding the element of the purchase price treated as consideration. The gain has been recognised within adjusting items (see note 5).

A bargain purchase has arisen as a result of a combination of factors including the previous owner's decision to sell Gist and the element of the acquisition price relating to settling the pre-existing relationship, as opposed to forming part of the purchase consideration.

The Group incurred acquisition-related costs of £6.8m, predominantly transaction costs, which have been recognised within adjusting items (see note 5).

Since the acquisition date, Gist, as a standalone entity, contributed £84.2m of revenue and £0.1m of loss before tax to the Group's results. If the acquisition had occurred on 3 April 2022, the Group estimates that consolidated pro-forma revenue would have been c.£100m higher and profit before tax would have been c.£1m higher. In determining these amounts, the Group has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on 3 April 2022.

Settlement of pre-existing relationship

The Group and Gist were parties to a long-term supply contract under which Gist supplied the Group with logistics services at agreed contract rates. This pre-existing relationship was effectively terminated at the acquisition date.

The Group has attributed £18.2m of the consideration transferred to the settlement of the pre-existing relationship. The fair value of the settlement has been determined based on an assessment of the difference between current market rates and the rates previously agreed in the higher cost legacy supply contract. This amount has been recognised within adjusting items (see note 5).

32 CONTINGENT ASSETS

The Group is currently seeking damages from an independent third party following its involvement in anti-competitive behaviour that adversely impacted the Group. The Group expects to receive an amount from the claim (either in settlement or from the legal proceedings), a position reinforced by recent court judgments in similar claims. The value of the claim is confidential and is therefore not disclosed.

33 SUBSEQUENT EVENTS

The Board has approved a tender offer to repurchase c.£225m of the Group's Medium Term Notes which will be announced on 24 May 2023.

COMPANY STATEMENT OF FINANCIAL POSITION

	Notes	As at 1 April 2023 £m	As at 2 April 2022 £m
Assets			
Non-current assets			
Investments in subsidiary undertakings	C6	**8,006.9**	9,403.7
Total assets		**8,006.9**	9,403.7
Liabilities			
Current liabilities			
Amounts owed to subsidiary undertakings		**2,541.0**	2,541.2
Total liabilities		**2,541.0**	2,541.2
Net assets		**5,465.9**	6,862.5
Equity			
Ordinary share capital	C7	**19.8**	19.7
Share premium account	C7	**910.7**	910.6
Capital redemption reserve		**2,680.4**	2,680.4
Merger reserve	C7	**–**	870.9
Retained earnings		**1,855.0**	2,380.9
Total equity		**5,465.9**	6,862.5

The Company's loss for the year was £1,429.5m (last year: loss of £357.3m).

The financial statements were approved by the Board and authorised for issue on 23 May 2023. The financial statements also comprise the notes C1 to C7.

Stuart Machin Chief Executive Officer

Katie Bickerstaffe Co-Chief Executive Officer

Registered number: 04256886

COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Ordinary share capital £m	Share premium account £m	Capital redemption reserve £m	Merger reserve £m	Retained earnings £m	Total £m
At 4 April 2021	**489.2**	**910.4**	**2,210.5**	**1,262.0**	**2,316.9**	**7,189.0**
Loss for the year	–	–	–	–	(357.3)	(357.3)
Capital contribution for share-based payments	–	–	–	–	30.2	30.2
Shares issued on exercise of employee share options	0.4	0.2	–	–	–	0.6
Buy back and cancellation of own shares[1]	(469.9)	–	469.9	–	–	–
Reclassification from merger reserve	–	–	–	(391.1)	391.1	–
At 2 April 2022	**19.7**	**910.6**	**2,680.4**	**870.9**	**2,380.9**	**6,862.5**
At 3 April 2022	**19.7**	**910.6**	**2,680.4**	**870.9**	**2,380.9**	**6,862.5**
Loss for the year	**–**	**–**	**–**	**–**	**(1,429.5)**	**(1,429.5)**
Capital contribution for share-based payments	**–**	**–**	**–**	**–**	**32.7**	**32.7**
Shares issued on exercise of employee share options	**0.1**	**0.1**	**–**	**–**	**–**	**0.2**
Reclassification from merger reserve (see note C7)	**–**	**–**	**–**	**(870.9)**	**870.9**	**–**
At 1 April 2023	**19.8**	**910.7**	**2,680.4**	**–**	**1,855.0**	**5,465.9**

1 On 8 July 2021, the Company reduced the nominal value of its 1,957,779,626 ordinary shares in issue at that date from £0.25 to £0.01. The reduction was completed by subdividing each £0.25 ordinary share in issue into 1 ordinary share of £0.01 and 1 deferred share of £0.24. All deferred shares were then bought back for total aggregate consideration of £0.01 and cancelled. The Company's issued share capital remained unchanged and each shareholder's proportionate interest in the share capital of the Company remained unchanged. Aside from the change in nominal value, the rights attaching to the ordinary shares (including voting and dividend rights and rights on a return of capital) remained unchanged.

COMPANY STATEMENT OF CASH FLOWS

	52 weeks ended 1 April 2023 £m	52 weeks ended 2 April 2022 £m
Cash flow from investing activities		
Dividends received	**–**	33.8
Additional investment in subsidiary	**–**	(33.8)
Net cash (used in)/generated from investing activities	**–**	–
Cash flows from financing activities		
Shares issued on exercise of employee share options	**0.2**	0.6
Repayment of intercompany loan	**(0.2)**	(0.6)
Net cash generated from/(used in) financing activities	**–**	–
Net cash inflow from activities	**–**	–
Cash and cash equivalents at beginning and end of year	**–**	–

NOTES TO THE COMPANY FINANCIAL STATEMENTS

C1 ACCOUNTING POLICIES

General information

Marks and Spencer Group plc (the "Company") is a public limited company domiciled and incorporated in England and Wales under the Companies Act 2006. The address of the Company's registered office is Waterside House, 35 North Wharf Road, London W2 1NW, United Kingdom.

The principal activities of the Company and the nature of the Company's operations is as a holding entity.

These financial statements are presented in sterling, which is the Company's functional currency, and are rounded to the nearest hundred thousand.

The Company's accounting policies are the same as those set out in note 1 of the Group financial statements, except as noted below.

Investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment. The Company grants share-based payments to the employees of subsidiary companies. Each period the fair value of the employee services received by the subsidiary as a capital contribution from the Company is reflected as an addition to investments in subsidiaries.

Loans from other Group undertakings and all other payables are initially recorded at fair value, which is generally the proceeds received. They are then subsequently carried at amortised cost. The loans are non-interest bearing and repayable on demand.

In accordance with the exemption allowed by Section 408(3) of the Companies Act 2006, the Company has not presented its own income statement or statement of comprehensive income.

Key sources of estimation uncertainty

Impairment of investments in subsidiary undertakings
The carrying value of the investment in subsidiary undertakings is reviewed for impairment or impairment reversal on an annual basis. The recoverable amount is determined based on value in use which requires the determination of appropriate assumptions (which are sources of estimation uncertainty) in relation to the cash flows over the three-year strategic plan period, the long-term growth rate to be applied beyond this three-year period and the risk-adjusted pre-tax discount rate used to discount the assumed cash flows to present value.

Estimation uncertainty arises due to changing economic and market factors, the channel shift from stores to online, increasing technological advancement and the Group's ongoing strategic transformation programmes. See note C6 for further details on the assumptions and associated sensitivities.

The Company's financial risk is managed as part of the Group's strategy and policies as discussed in note 21 of the Group financial statements.

C2 EMPLOYEES

The Company had no employees during the current or prior year. Directors received emoluments in respect of their services to the Company during the year of £1,273,406 (last year: £1,174,790). The Company did not operate any pension schemes during the current or preceding year. For further information see the Remuneration Report.

C3 AUDITOR'S REMUNERATION

Auditor's remuneration in respect of the Company's annual audit has been borne by its subsidiary Marks and Spencer plc and has been disclosed on a consolidated basis in the Company's consolidated financial statements as required by Section 494(4)(a) of the Companies Act 2006.

C4 DIVIDENDS

The Company suspended dividend payments at the start of the pandemic to protect the balance sheet. This enabled it to invest in its transformation priorities and trusted value. Consistent with that announcement, the Board does not expect to pay a dividend in 2022/23.

However, with the business generating an improved operating performance and having a strengthened balance sheet with credit metrics consistent with investment grade, the Board plans to restore a modest annual dividend to shareholders starting with an interim dividend with the results in November.

C5 RELATED PARTY TRANSACTIONS

During the year, the Company did not receive a dividend from Marks and Spencer plc (last year: £33.8m) and decreased its loan from Marks and Spencer plc by £0.2m (last year: £0.6m). The outstanding balance was £2,541.0m (last year: £2,541.2m) and is non-interest bearing. There were no other related party transactions.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

C6 INVESTMENTS

A. Investments in subsidiary undertakings

	2023 £m	2022 £m
Beginning of the year	**9,403.7**	9,730.8
Contributions to subsidiary undertakings relating to share-based payments	**32.7**	30.2
Additions	**–**	33.8
Impairment charge	**(1,429.5)**	(391.1)
End of year	**8,006.9**	9,403.7

Shares in subsidiary undertakings represent the Company's investment in Marks and Spencer plc, Marks and Spencer Holdings Limited and Marks and Spencer (A2B) Limited.

During last year, the Company purchased additional shares in Marks and Spencer Holdings Limited (£33.8m). This allowed Marks and Spencer Holdings Limited to settle the contingent consideration that became payable during the prior year as a result of the investment in Ocado Retail Limited.

Impairment of investments in subsidiary undertakings
The Company evaluates its investments in subsidiary undertakings annually for any indicators of impairment or impairment reversal. The Company considers the relationship between its market capitalisation and the carrying value of its investments, among other factors, when reviewing for indicators of impairment. As at 1 April 2023, the market capitalisation of the Group was significantly below the carrying value of its investment in Marks and Spencer plc of £8,830.2m, indicating a potential impairment, despite strong Group performance.

The recoverable amount of the investment in Marks and Spencer plc has been determined based on a value in use calculation. The Company has updated its assumptions as at 1 April 2023, reflecting the latest budget and forecast cash flows covering a three-year period. The pre-tax discount rate of 12.5% (last year: 9.8%) was derived from the Group's weighted average cost of capital, the inputs of which include a country risk-free rate, equity risk premium, Group size premium and a risk adjustment (beta). The long-term growth rate of 2.0% (last year: 2.0%), was based on inflation forecasts by recognised bodies with reference to rates used within the retail industry.

The Company has determined that the recoverable amount of its investment in Marks and Spencer plc is £7,400.7m and as a result has recognised an impairment of £1,429.5m. This impairment primarily relates to the impact of market volatility on the discount rate as a result of changes in the macro-economic environment.

Sensitivity analysis
As disclosed in the accounting policies note C1, the cash flows used within the value in use model, the long-term growth rate and the discount rate are sources of estimation uncertainty. Management has performed a sensitivity analysis on the key assumptions and using reasonably possible changes would result in the following impacts:

- A 5% reduction in cash flows from the three-year plan would result in an additional impairment charge of £374.6m;
- A 50-basis point decrease in the long-term growth rate would result in an additional impairment charge of £286.4m; and
- A 250-basis point increase in the discount rate would result in an additional impairment charge of £1,403.9m.

In the event that all three were to occur simultaneously, an additional impairment charge of £1,881.6m would be recorded.

C6 INVESTMENTS CONTINUED

B. RELATED UNDERTAKINGS

In accordance with Section 409 of the Companies Act 2006, a full list of related undertakings, the country of incorporation and the effective percentage of equity owned, as at 1 April 2023 is disclosed below. All undertakings are indirectly owned by the Company, unless otherwise stated.

Subsidiary and other related undertakings registered in the UK[i]

Name	Share class	Proportion of shares held (%)
Founders Factory Retail Limited	£0.0001 ordinary (25.001% of total capital)	0.004
Registered office: Founders *Factory (Level 7) Arundel* Street Building 180 Strand, 2 Arundel Street, London WC2R 3DA	£0.0001 preferred (74.999% of total capital)	100
Hedge End Park Limited	£1 ordinary A	–
Registered Office: 33 Holborn, London, EC1N 2HT	(50% of total capital)	
	£1 ordinary B	100
	(50% of total capital)	
Marks and Spencer Company Archive (CIC) [ii]	N/A	–
Marks and Spencer Guernsey Investments LLP	Partnership interest	100
Marks and Spencer Pension Trust Limited [iii][iv]	£1 ordinary A	100
	£1 ordinary B	–
	£1 ordinary C	–
Marks and Spencer plc [v]	£0.25 ordinary	100
Marks and Spencer Scottish Limited Partnership [iv]	Partnership interest	100
Registered Office: 2-28 St Nicholas Street, Aberdeen, AB10 1BU		

Name	Share class	Proportion of shares held (%)
Ocado Retail Limited	£0.01 ordinary	50
Registered Office: Apollo Court 2 Bishop Square, *Hatfield Business Park*, Hatfield, Hertfordshire, AL10 9NE		
Amethyst Leasing (Holdings) Limited	£1 ordinary	100
M & S Limited	£1 ordinary	100
Manford (Textiles) Limited	£1 ordinary	100
Marks and Sparks Limited	£1 ordinary	100
Marks and Spencer (Northern Ireland) Limited	£1 ordinary	100
Registered Office: C/O Pricewaterhousecoopers, Waterfront Plaza, 8 *Laganbank Road*, Belfast, BT1 3LR		
Marks and Spencer Property Developments Limited	£1 ordinary	100
Nobody's Child Limited	£0.01 ordinary	–
Registered Office: 10-11 Greenland Place, Camden, London, NW1 0AP	(72.910% of total capital)	
	£0.01 Preference	100
	(27.090% of total capital)	
St. Michael (Textiles) Limited	£1 ordinary	100

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

C6 INVESTMENTS CONTINUED

B. RELATED UNDERTAKINGS CONTINUED

UK registered subsidiaries exempt from audit

The following UK subsidiaries will take advantage of the audit exemption set out within section 479A of the Companies Act 2006 for the year ended 1 April 2023. Unless otherwise stated, the undertakings listed below are registered at Waterside House, 35 North Wharf Road, London, W2 1NW, United Kingdom and have a single class of ordinary share with a nominal value of £1. All undertakings are indirectly owned by the Company, unless otherwise stated.

Name	Proportion of shares held (%)	Company Number
Amethyst Leasing (Properties) Limited	100	4246934
Busyexport Limited	100	4411320
Marks and Spencer (Initial LP) Limited [iv]	100	SC315365
Registered Office: 2 Semple Street, Edinburgh EH3 8BL		
Marks and Spencer (Property Ventures) Limited	100	5502513
Marks and Spencer 2005 (Brooklands Store) Limited	100	5502608
Marks and Spencer 2005 (Chester Satellite Store) Limited (in liquidation)	100	5502519
***Marks and Spencer 2005* (Chester Store) Limited**	100	5502542
Marks and Spencer 2005 (Fife Road Kingston Store) Limited	100	5502598
Marks and Spencer 2005 *(Glasgow Sauchiehall Store) Limited*	100	5502546
Marks and Spencer 2005 (Hedge End Store) Limited	100	5502538
Marks and Spencer 2005 (Kensington Store) Limited	100	5502478
Marks and Spencer 2005 (Kingston-on-Thames Satellite Store) Limited	100	5502523
Marks and Spencer 2005 (Kingston-on-Thames Store) Limited	100	5502520
Marks & Spencer Outlet Limited	100	4039568
Marks & Spencer Simply Foods Limited	100	4739922
***Marks and Spencer* (Property Investments) Limited**	100	5502582
Marks and Spencer Chester Limited	100	5174129
Marks and Spencer France Limited	100	5502548
Marks and Spencer International *Holdings Limited*	100	2615081
Marks and Spencer (Investment Holdings) Limited	100	13587353
Marks and Spencer (A2B) Limited [v]	100	14228803
Marks and Spencer 2005 (Parman House Kingston Store) Limited	100	5502588
Marks and Spencer 2005 (Pudsey Store) Limited	100	5502544
Marks and Spencer 2005 (Warrington Gemini Store) Limited	100	5502502
Marks and Spencer Holdings Limited [v]	100	11845975
***Marks and Spencer Hungary Limited* (in liquidation)**	100	8540784
Marks and Spencer Investments	100	4903061
Marks and Spencer Property Holdings Limited	100	2100781
Ruby Properties (Cumbernauld) Limited	100	4922798
Ruby Properties (Hardwick) Limited	100	4716018
Ruby Properties (Long Eaton) Limited	100	4716031
Ruby Properties (Thorncliffe) Limited	100	4716110
Ruby Properties (Tunbridge) Limited	100	4716032
Simply Food (Property Investments)	100	5502543
Simply Food (Property Ventures) Limited	100	2239799
Marks and Spencer (Bradford) Limited	100	10011863
Marks and Spencer (Jaeger) Limited	100	13098074
Marks and Spencer Pearl (1) Limited	100	14276824
Marks and Spencer Pearl (Daventry) Limited	100	14267865
Gist Limited	100	502669
St. Michael Finance Limited	100	1339700
The Sports Edit Limited	82.583	9331295

The Company will guarantee the debts and liabilities of the above UK subsidiary undertakings at the balance sheet date of £89.5m in accordance with section 479C of the Companies Act 2006. The Company has assessed the probability of loss under the guarantee as remote.

(i) All companies registered at Waterside House, 35 North Wharf Road, London, W2 1NW, United Kingdom, unless otherwise stated
(ii) No share capital, as the company is limited by guarantee. Marks and Spencer plc is the sole member.
(iii) In accordance with the articles of association of Marks and Spencer Pension Trust Limited, the holders of B and C ordinary shares are both directors of that company
(iv) Marks and Spencer (Initial LP) Limited and Marks and Spencer Pension Trust Limited are the limited partners, Marks and Spencer plc is the General Partner
(v) Interest held directly by Marks and Spencer Group plc.

C6 INVESTMENTS *CONTINUED*

B. RELATED UNDERTAKINGS CONTINUED

International subsidiary undertakings[i]

Name	Registered address	Country	Share class	Proportion of shares held by subsidiary (%)
Marks and Spencer (Australia) Pty Limited	Minter Ellison 'Governor Macquarie Tower' Level 40 1 Farrer Place Sydney NSW 2000 Australia	Australia	AUD 2 Ordinary	100
Marks and Spencer (Shanghai) Limited	Unit 03-04 16/F, Eco City 1788, 1788 West Nan Jing Road, Shanghai, China	China	USD NPV	100
Marks and Spencer Czech Republic a.s	Jemnická 1138/1, Michle, Praha 4, 140 00, Czech Republic	Czech Republic	CZK 1,000 Ordinary	100
			CZK 100,000 Ordinary	100
			CZK 1,000,000 Ordinary	100
Marks and Spencer Services S.R.O	Jemnická 1138/1, Michle, Praha 4, 140 00, Czech Republic	Czech Republic	CZK NPV	100
Marks and Spencer Marinopoulos Greece SA	33-35 Ermou Street, Athens 10563, Greece	Greece	€3 Ordinary	80[ii]
			€3 Preference	100
Ignazia Limited	Heritage Hall, Le Marchant Street, St Peter Port, GY1 4JH, Guernsey	Guernsey	£1 Ordinary	100
Teranis Limited	Heritage Hall, Le Marchant Street, St Peter Port, GY1 4JH, Guernsey	Guernsey	£1 Ordinary	100
Marks and Spencer (Ireland) Limited	24/27 Mary Street, Co. Dublin, D01 YE83, Ireland	Ireland	Ordinary of €1.25	100
Marks and Spencer Pensions Trust (Ireland) Company Limited By Guarantee	24-27 Mary Street, Dublin 1, Ireland	Ireland	N/A[iii]	–
M & S Mode International B.V.	Basisweg 10 1043 AP Amsterdam Netherlands	Netherlands	€100 Ordinary	100
Marks and Spencer (Nederland) B.V.	Basisweg 10, 1043 AP, Amsterdam, Netherlands	Netherlands	€450 Ordinary	100
Marks and Spencer BV	Basisweg 10, 1043 AP, Amsterdam, Netherlands	Netherlands	€100 Ordinary	100
Marks and Spencer Stores BV	Basisweg 10, 1043 AP, Amsterdam, Netherlands	Netherlands	€450 Ordinary	100
Marks & Spencer (Portugal) Lda.	Avenida da Liberdade 249, 8º, 1250-143, Lisbon, Portugal	Portugal	€1 Ordinary	100
M.S. General Insurance L.P.	Heritage Hall, Le Marchant Street, St Peter Port, GY1 4JH, Guernsey	Guernsey	Partnership Interest	100
Marks and Spencer (Hong Kong) Investments Limited	Suites 807-13, 8/F, South Tower, World Finance Centre, Harbour City, Kowloon, Hong Kong	Hong Kong	No Par Value Ordinary	100
Marks and Spencer (India) pvt Limited	Plot No 64, 2nd Floor, Holly Hocks, Sector 44, Gurgaon – 122 002, Haryana, India	India	INR10 Ordinary	100
Marks and Spencer Reliance India pvt Ltd	4th Floor, Court House, Lokmanya Tilak Marg, Dhobi Talao, Mumbai, 400 002, India	India	INR 10 Class A (14.619% of total capital)	51
			INR 10 Class B (43.544% of total capital)	100
			INR 5 Class C[iv] (41.837% of total capital)	0
Aprell Limited	24/29 Mary Street, Dublin 2, Ireland	Ireland	€1 25 Ordinary	100
Marks and Spencer (Singapore) Investments Pte. Ltd.	77 Robinson Road, #13-00 Robinson 77, Singapore 068896, Singapore	Singapore	SGD NPV	100
Marks and Spencer (SA) (Pty) Limited	Woolworths House, 93 Longmarket Street, Cape Town 8001, South Africa	South Africa	ZAR 2 Ordinary	100
Marks and Spencer Romania SA (in liquidation)	84 GEN. H. M. BERTHELOT Street, Space B, Room 5, Ground floor, 1st District, Bucharest, Romania	Romania	RON 18.30 Ordinary	100
Marks and Spencer Clothing Textile Trading J.S.C.	Havalani Karsisi istanbul Dunya Ticaret Merkezi A3 Blok, Kat:11 Yesilkoy, Bakirkoy Istanbul Turkey	Turkey	TRL 25.00 Ordinary	100
Gist Distribution Limited	24-27 Mary Street, Dublin 1, Ireland	Ireland	€1 Ordinary	100

NOTE: A number of the companies listed are legacy companies which no longer serve any operational purpose.
(i) The shares of all international subsidiary undertakings are held by companies within the Group other than the Company (Marks and Spencer Group plc).
(ii) 20% of ordinary shares are owned by JV partner
(iii) No share capital as the company is limited by guarantee
(iv) INR 5 Class C shares 100% owned by JV partner.

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

C7 SHARE CAPITAL AND OTHER RESERVES

Issue of new shares

In July 2021, the Company reduced the nominal value of its ordinary shares from £0.25 to £0.01. The reduction was completed by subdividing each £0.25 ordinary share in issue into one ordinary share of £0.01 and one deferred share of £0.24. All deferred shares were then bought back for total aggregate consideration of £0.01 and cancelled. The Company's issued share capital remained unchanged and each shareholder's proportionate interest in the share capital of the Company remained unchanged. Aside from the change in nominal value, the rights attaching to the ordinary shares (including voting and dividend rights and rights on a return of capital) remained unchanged. The repurchase and cancellation of the shares resulted in an increase to the Company's capital redemption reserve of £469.9m.

Merger reserve

The Company's merger reserve was created as part of a Group reorganisation that occurred in 2001/02 and has an economical relationship to the Company's investment in Marks and Spencer plc. In 2019/20, an amount equal to the impairment charge of £1,086.3m was transferred from the merger reserve to retained earnings as that amount had become a realised profit in accordance with TECH 02/17. Following the reversal of impairment recognised in 2020/21, an amount equal to the reversal of £951.0m was transferred from retained earnings to the merger reserve, in accordance with TECH 02/17. In the prior year, an amount equal to the impairment of £391.1m was transferred from the merger reserve to retained earnings in accordance with TECH 02/17. In the current year, an amount equal to the remaining merger reserve balance of £870.9m has been transferred from the merger reserve to retained earnings, as part of the £1,429.5m impairment charge for the year.

GROUP FINANCIAL RECORD

	2023 52 weeks £m	2022 52 weeks £m	2021 53 weeks £m	2020 52 weeks £m	2019 52 weeks £m
Income statement					
Revenue[1]					
UK Clothing & Home	**3,658.3**	3,308.3	2,239.0	3,209.1	3,499.8
UK Food	**7,218.0**	6,639.6	6,138.5	6,028.2	5,903.4
Total UK	**10,876.3**	9,947.9	8,377.5	9,237.3	9,403.2
International	**1,055.0**	937.2	789.4	944.6	974.1
Revenue before adjusting items	**11,931.3**	10,885.1	9,166.9	10,181.9	10,377.3
Adjusting items included in revenue	**–**	–	(11.2)	–	–
Revenue	**11,931.3**	10,885.1	9,155.7	10,181.9	10,377.3
Adjusted operating profit/(loss)[1]					
UK Clothing & Home	**323.8**	330.7	(130.8)	223.9	355.2
UK Food	**248.0**	277.8	228.6	236.7	212.9
Ocado	**(29.5)**	13.9	78.4	2.6	–
Other	**(0.5)**	13.0	1.9	16.8	27.0
Total UK	**541.8**	635.4	178.1	480.0	595.1
International	**84.8**	73.6	44.1	110.7	130.5
Total adjusted operating profit	**626.6**	709.0	222.2	590.7	725.6
Adjusting items included in operating profit	**(111.5)**	(136.8)	(252.9)	(335.9)	(427.5)
Total operating profit/(loss)	**515.1**	572.2	(30.7)	254.8	298.1
Net interest payable	**(173.3)**	(199.3)	(219.1)	(211.2)	(239.7)
Pension finance income	**28.7**	13.2	47.2	23.6	25.8
Net finance costs before adjusting items	**(144.6)**	(186.1)	(171.9)	(187.6)	(213.9)
Adjusting items included in net finance costs	**105.2**	5.6	(6.8)	–	–
Net finance costs	**(39.4)**	(180.5)	(178.7)	(187.6)	(213.9)
Profit before tax and adjusting items	**482.0**	522.9	50.3	403.1	511.7
Profit/(loss) on ordinary activities before taxation	**475.7**	391.7	(209.4)	67.2	84.2
Income tax (expense)/credit	**(111.2)**	(82.7)	8.2	(39.8)	(38.9)
Profit/(loss) after taxation	**364.5**	309.0	(201.2)	27.4	45.3

GROUP FINANCIAL RECORD CONTINUED

		2023 52 weeks	2022 52 weeks	2021 53 weeks	2020 52 weeks	2019 52 weeks
Basic earnings per share[1]	Basic earnings/Weighted average ordinary shares in issue	**18.5p**	15.7p	(10.1p)	1.3p	2.5p
Adjusted basic earnings per share[1]	Adjusted basic earnings/Weighted average ordinary shares in issue	**18.1p**	21.7p	1.4p	16.7p	23.7p
Dividend per share declared in respect of the year		**–**	–	–	3.9p	13.3p
Dividend cover	Adjusted earnings per share/ Dividend per share	**–**	–	–	4.3x	1.8x
Retail fixed charge cover[3]	Operating profit before depreciation/Fixed charges	**3.7x**	3.5x	2.0x	3.4x	3.6x
Statement of financial position						
Net assets (£m)		**2,814.9**	2,917.9	2,285.8	3,708.5	2,469.2
Net debt[2] (£m)		**2,637.2**	2,698.8	3,515.9	3,950.6	3,981.5
Capital expenditure (£m)		**402.8**	300.2	146.9	332.0	294.5
Stores and space						
UK stores		**1,064**	1,035	1,037	1,038	1,043
UK selling space (m sq ft)		**16.8**	16.7	16.8	16.8	17.2
International stores		**406**	452	472	483	445
International selling space (m sq ft)		**4.8**	5.0	5.1	5.0	4.9
Staffing (full-time equivalent)						
UK		**47,266**	42,550	44,423	49,094	50,578
International		**4,826**	4,558	4,754	4,894	4,862

The above results are prepared under IFRS for each reporting period on a consistent basis, with the exception of the adoption of IFRS 16 in 2020 for which the comparative period of 2019 has been restated.

1. Based on continuing operations.
2. Excludes accrued interest.
3. Calculated on Marks and Spencer Group plc's consolidated basis.

GLOSSARY

The Group tracks a number of alternative performance measures in managing its business, which are not defined or specified under the requirements of IFRS because they exclude amounts that are included in, or include amounts that are excluded from, the most directly comparable measure calculated and presented in accordance with IFRS, or are calculated using financial measures that are not calculated in accordance with IFRS.

The Group believes that these alternative performance measures, which are not considered to be a substitute for or superior to IFRS measures, provide stakeholders with additional helpful information on the performance of the business. These alternative performance measures are consistent with how the business performance is planned and reported within the internal management reporting to the Board. Some of these alternative performance measures are also used for the purpose of setting remuneration targets.

These alternative performance measures should be viewed as supplemental to, but not as a substitute for, measures presented in the consolidated financial information relating to the Group, which are prepared in accordance with IFRS. The Group believes that these *alternative performance measures are useful indicators of its performance. However, they may not be comparable with similarly titled* measures reported by other companies due to differences in the way they are calculated.

Alternative performance measure ("APM")	Closest equivalent statutory measure	Reconciling items to statutory measure	Definition and purpose
Income Statement Measures			
Sales	Revenue	Consignment sales	Sales includes the gross value of consignment sales (excluding VAT). Where third-party branded goods are sold on a consignment basis, only the commission receivable is included in statutory revenue. This measure has been introduced given the Group's focus on launching and growing third-party brands and is consistent with how the business performance is reported and assessed by the Board and the Executive Committee.
Clothing & Home store / Clothing & Home online sales	None	Not applicable	The growth in sales on a year-on-year basis is a good indicator of the performance of the stores and online channels.

	2022/23 £m	2021/22 £m	%
UK Clothing & Home			
Store sales[1]	**2,538.6**	2,209.5	14.9
Consignment sales	**(21.4)**	(8.6)	
Store revenue	**2,517.2**	2,200.9	14.4
Online sales[1]	**1,176.4**	1,122.7	4.8
Consignment sales	**(35.3)**	(15.3)	
Online revenue	**1,141.1**	1,107.4	3.0
UK Clothing & Home sales	**3,715.0**	3,332.2	11.5
Consignment sales	**(56.7)**	(23.9)	
Total UK Clothing & Home revenue	**3,658.3**	3,308.3	10.6

1 UK Clothing & Home store sales excludes revenue from "shop your way" and Click & Collect, which are included in UK Clothing & Home online sales.

There is no material difference between sales and revenue for UK Food and International.

GLOSSARY CONTINUED

Alternative performance measure ("APM")	Closest equivalent statutory measure	Reconciling items to statutory measure	Definition and purpose
Like-for-like sales growth	Movement in revenue per the income statement	Revenue from non like-for-like stores Consignment sales	The period-on-period change in sales (excluding VAT) from stores which have been trading and where there has been no significant change (greater than 10%) in footage for at least 52 weeks and online sales. The measure is used widely in the retail industry as an indicator of sales performance. It excludes the impact of new stores, closed stores or stores with significant footage change.

	2022/23 £m	2021/22 £m	%
UK Food			
Like-for-like	**6,872.2**	6,519.2	5.4
Net new space[1]	**345.8**	120.4	
Total UK Food sales	**7,218.0**	6,639.6	8.7
UK Clothing & Home			
Like-for-like	**3,647.0**	3,280.4	11.2
Net new space	**68.0**	51.8	
Total UK Clothing & Home sales	**3,715.0**	3,332.2	11.5

1 *UK Food net new space includes £1st third-party revenue.*

M&S.com sales / Online sales	None	Not applicable	Total sales through the Group's online platforms. These sales are reported within the relevant UK Clothing & Home, UK Food and International segment results. The growth in sales on a year-on-year basis is a good indicator of the performance of the online channel and is a measure used within the Group's incentive plans. Refer to the Remuneration Report for an explanation of why this measure is used within incentive plans.
International online	None	Not applicable	International sales through International online platforms. These sales are reported within the International segment results. The growth in sales on a year-on-year basis is a good indicator of the performance of the online channel. This measure has been introduced given the Group's focus on online sales.

	2022/23 £m	2021/22 £m	%
International sales			
Stores	**874.5**	764.7	14.4
Online	**180.5**	172.5	4.6
At reported currency	**1,055.0**	937.2	12.6

Sales growth at constant currency	None	Not applicable	The period-on-period change in sales retranslating the previous year sales at the average actual periodic exchange rates used in the current financial year. This measure is presented as a means of eliminating the effects of exchange rate fluctuations on the period-on-period reported results.

	2022/23 £m	2021/22 £m	%
International sales			
At constant currency	**1,055.0**	948.3	11.2
Impact of FX retranslation	**–**	(11.1)	
At reported currency	**1,055.0**	937.2	12.6

Alternative performance measure ("APM")	*Closest equivalent statutory measure*	*Reconciling items to statutory measure*	**Definition and purpose**
Adjusting items	None	Not applicable	Those items which the Group excludes from its adjusted profit metrics in order to present a further measure of the Group's performance. Each of these items, costs or incomes, is considered to be significant in nature and/or quantum or are consistent with items treated as adjusting in prior periods. Excluding these items from profit metrics provides readers with helpful additional information on the performance of the business across periods because it is consistent with how the business performance is planned by, and reported to, the Board and the Executive Committee.
Adjusted operating profit Operating profit before adjusting items	Operating profit	Adjusting items (See note 5)	Operating profit before the impact of adjusting items. The Group considers this to be an important measure of Group performance and is consistent with how the business performance is reported and assessed by the Board and the Executive Committee.
Adjusted operating margin Operating margin before adjusting items	None	Not applicable	Adjusted operating profit as a percentage of sales.
Finance income before adjusting items	Finance income	Adjusting items (See note 5)	Finance income before the impact of adjusting items. The Group considers this to be an important measure of Group performance and is consistent with how the business performance is reported and assessed by the Board and the Executive Committee.
Finance costs before adjusting items	Finance costs	Adjusting items (See note 5)	Finance costs before the impact of adjusting items. The Group considers this to be an important measure of Group performance and is consistent with how the business performance is reported and assessed by the Board and the Executive Committee.
Net interest payable on leases	Finance income/costs	Finance income/costs (See note 6)	The net of interest income on subleases and interest payable on lease liabilities. This measure has been introduced as it allows the Board and Executive Committee to assess the impact of IFRS 16 Leases.
Net financial interest	Finance income/costs	Finance income/costs (See note 6)	Calculated as net finance costs, excluding interest on leases and adjusting items. The Group considers this to be an important measure of Group performance and is consistent with how the business performance is reported and assessed by the Board and the Executive Committee.
EBIT before adjusting items	EBIT[1]	Adjusting items (See note 5)	Calculated as profit before the impact of adjusting items, net finance costs and tax as disclosed on the face of the consolidated income statement. This measure is used in calculating the return on capital employed for the Group.
Ocado Retail Limited EBITDA	EBIT[1]	Not applicable	Calculated as Ocado Retail Limited earnings before interest, tax, depreciation, amortisation, impairment and exceptional items.
Profit before tax and adjusting items	Profit before tax	Adjusting items (See note 5)	Profit before the impact of adjusting items and tax. The Group considers this to be an important measure of Group performance and is consistent with how the business performance is reported and assessed by the Board and the Executive Committee. This is a measure used within the Group's incentive plans. Refer to the Remuneration Report for an explanation of why this measure is used within incentive plans.
Adjusted basic earnings per share	Earnings per share	Adjusting items (See note 5)	Profit after tax attributable to owners of the parent and before the impact of adjusting items, divided by the weighted average number of ordinary shares in issue during the financial year. This is a measure used within the Group's incentive plans. Refer to the Remuneration Report for an explanation of why this measure is used.

GLOSSARY CONTINUED

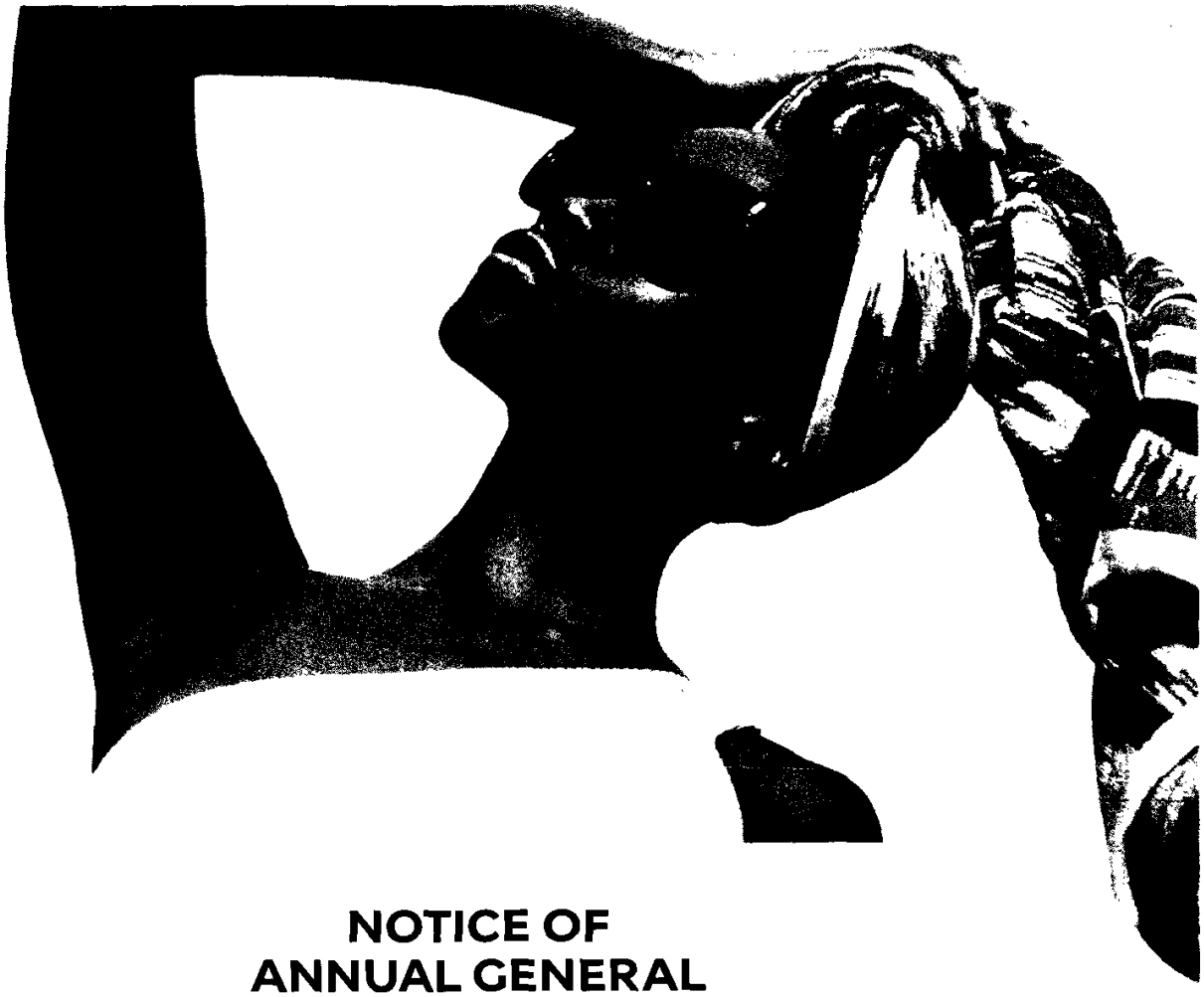
Alternative performance measure ("APM")	Closest equivalent statutory measure	Reconciling items to statutory measure	Definition and purpose
Adjusted diluted earnings per share	Diluted earnings per share	Adjusting items (See note 5)	Profit after tax attributable to owners of the parent and before the impact of adjusting items, divided by the weighted average number of ordinary shares in issue during the financial year adjusted for the effects of any potentially dilutive options.
Effective tax rate before adjusting items	Effective tax rate	Adjusting items and their tax impact (See note 5)	Total income tax charge for the Group excluding the tax impact of adjusting items divided by the profit before tax and adjusting items. This measure is an indicator of the ongoing tax rate for the Group.
Bought-in margin	None	Not applicable	Difference between landed cost of stock and selling value, expressed as a percentage of total exc VAT sales.
Balance Sheet Measures			
Net debt	None	Reconciliation of net debt (see note 27)	Net debt comprises total borrowings (bank and bonds net of accrued interest and lease liabilities), the spot foreign exchange component of net derivative financial instruments that hedge the debt and the Scottish Limited Partnership liability to the Marks and Spencer UK Pension Scheme less cash, cash equivalents and unlisted and short-term investments. Net debt does not include contingent consideration as it is conditional upon future events which are not yet certain at the balance sheet date. This measure is a good indication of the strength of the Group's balance sheet position and is widely used by credit rating agencies.
Net debt excluding lease liabilities	None	Reconciliation of net debt (see note 27) Lease liabilities (see note 20)	Calculated as net debt less lease liabilities. This measure is a good indication of the strength of the Group's balance sheet position and is widely used by credit rating agencies.
Cash Flow Measures			
Free cash flow from operations	Operating profit	See Financial Review	Calculated as operating profit less adjusting items within operating profit, depreciation and amortisation before adjusting items, cash lease payments, working capital, defined benefit scheme pension funding, capex and disposals, financial interest, taxation, employee-related share transactions, share of (profit)/loss from associate, adjusting items in cashflow and loans to associates.
Free cash flow	Operating profit	See Financial Review	Calculated as free cash flow from operations less acquisitions, investments and divestments. This measure shows the cash generated by the Group during the year that is available for returning to shareholders and is used within the Group's incentive plans.
Free cash flow after shareholder returns	Operating profit	See Financial Review	Calculated as free cash flow less dividends paid. This measure shows the cash retained by the Group in the year.
Other Measures			
Capital expenditure	None	Not applicable	Calculated as the purchase of property, plant and equipment, investment property and intangible assets during the year, less proceeds from asset disposals excluding any assets acquired or disposed of as part of a business combination or through an investment in an associate.

Alternative performance measure ("APM")	Closest equivalent statutory measure	Reconciling items to statutory measure	Definition and purpose
Return on capital employed ("ROCE")	None	Not applicable	Calculated as being adjusted operating profit divided by the average of opening and closing capital employed. The measures used in this calculation are set out below:

	2022/23 £m	2021/22 £m
Operating profit	**515.1**	572.2
Adjusting items included in operating profit (see note 5)	**111.5**	136.8
Adjusted operating profit	**626.6**	709.0
Net assets	**2,814.9**	2,917.9
Add back:		
Partnership liability to the Marks & Spencer UK Pension Scheme	**124.8**	192.3
Deferred tax liabilities	**72.3**	187.2
Non-current borrowings and other financial liabilities	**3,184.0**	3,561.0
Retirement benefit deficit	**4.6**	5.7
Derivative financial instruments	**42.5**	–
Current tax liabilities	**38.5**	34.0
Less:		
Investment property	**(11.8)**	(15.0)
Derivative financial instruments	**–**	(61.4)
Retirement benefit assets	**(482.0)**	(1,043.9)
Current tax assets	**(6.5)**	–
Deferred tax assets	**(7.6)**	–
Net operating assets	**5,773.7**	5,777.8
Add back: Provisions related to adjusting items	**100.3**	124.9
Capital employed	**5,874.0**	5,902.7
Average capital employed	**5,888.4**	5,788.3
ROCE %	**10.6%**	12.2%

This measure is used within the Group's incentive plans. Refer to the Remuneration Report for an explanation of why this measure is used within incentive plans.

1 EBIT is not defined within IFRS but is a widely accepted profit measure being earnings before interest and tax.



NOTICE OF ANNUAL GENERAL MEETING 2023

TUESDAY 4 JULY 2023 AT 11AM
HELD AT, AND BROADCAST FROM, WATERSIDE HOUSE
35 NORTH WHARF ROAD, LONDON W2 1NW

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to the action you should take, you should immediately consult your stockbroker, bank manager, solicitor, accountant or other independent professional adviser authorised under the Financial Services and Markets Act 2000 if you are resident in the United Kingdom or, if you reside elsewhere, another appropriately authorised financial adviser. If you have sold or otherwise transferred all your shares in the Company, please forward this document and accompanying documents (except any personalised form of proxy, if applicable) to the purchaser or transferee, or to the stockbroker or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee.

DEAR SHAREHOLDER

"I am pleased to announce the 22nd Annual General Meeting of Marks and Spencer Group Plc will be held on 4 July 2023."

Nick Folland
General Counsel & Company Secretary

ANNUAL GENERAL MEETING ("AGM")
The AGM is a key date in the Board's calendar, providing you, as shareholders, with an opportunity to vote on key aspects of the Company's business, and to hear updates on the Company's performance and strategy progress throughout the year. It also provides the directors with the opportunity to hear directly from you and respond to any questions you may have.

The success of our AGM format over the past three years has demonstrated the power a digitally-enabled meeting has to drive shareholder engagement, with participation levels trebling in 2022 vs 2019. We are therefore confident that our approach to a digitally-enabled AGM makes it far more accessible, and is the most democratic way for the directors and shareholders to interact and engage.

For this reason, the 2023 AGM will again be a fully digitally-enabled meeting, broadcast from M&S' Waterside House Support Centre at 11am on Tuesday 4 July 2023.

Anita Anand, leading radio and television broadcaster, journalist and author, will again be joining this year's meeting to act as your shareholder advocate. Anita's role is to ensure your views and questions are put to the Board.

For statutory and regulatory purposes, the place of meeting will be Waterside House, 35 North Wharf Road, London W2 1NW. Shareholders are invited to participate in the AGM electronically via the Lumi AGM platform, which you can access by logging on to https://web.lumiagm.com/161-121-785. On this website, you will be able to submit questions and your voting instructions, both during the meeting and in advance. A step-by-step guide on how to join the meeting electronically and submit your votes and questions can be found on pages 228 and 229.

We strongly encourage you to log on and submit any questions you might have in advance of the meeting, so that your views are heard even if you are unable to participate live.

Shareholders are advised not to travel to the venue on the day, as the meeting will be fully digitally-enabled. Board members will not be available for interaction with shareholders in person, as they will be taking part in the meeting broadcast under studio conditions. Any shareholders travelling to the venue against the Board's recommendation will be advised to join the meeting electronically, and will be provided with assistance to do so, if needed. Refreshments will not be provided.

YOUR VOTE COUNTS
Your vote is important to us. You can:

- Join the AGM live online and vote electronically via the Lumi AGM platform. Please see pages 228 and 229 of this Notice for further details.
- Register your proxy vote electronically by logging on to either the Lumi AGM platform, our Registrar's website, **shareview.co.uk**, or by using the services offered by Proxymity or Euroclear UK & Ireland Limited for members of CREST.
- Complete and return a paper proxy form (enclosed with this Notice if you have elected for hard copy documents, *or otherwise available from Equiniti on request*, by calling the shareholder helpline on 0345 609 0810).

VOTING BEFORE THE MEETING
All shareholders are encouraged to vote either in advance or on the day. There are several ways to submit your voting instructions before the meeting, which are available from the publication date of this Notice:

(1) The Lumi AGM platform;
(2) Equiniti's Shareview website;
(3) The CREST or Proxymity electronic proxy appointment platforms; or
(4) By completing and returning a paper proxy form.

Votes submitted electronically via the Lumi or Shareview websites, or via the CREST or Proxymity platforms, (options 1, 2 and 3 above) should be registered by no later than 11am on Friday 30 June 2023. After then, you will no longer be able to submit your proxy vote via Shareview, CREST or Proxymity. Voting via the Lumi website will also close at 11am on Friday 30 June, but will reopen for voting on the day of the meeting.

Paper proxy votes (option 4 above) must be received by no later than 11am on Friday 30 June 2023. Paper proxy forms are available from Equiniti on request; you can call our shareholder helpline on 0345 609 0810, or use any of Equiniti's alternative contact details listed on page 230.

You will be able to vote in one of three ways for each of the resolutions: "For", "Against" or "Vote Withheld". Please note that a "Vote Withheld" is not a vote in law and will not be counted in the calculation of votes "For" and "Against" each resolution.

NOTICE OF MEETING 2023 CONTINUED

JOINING THE MEETING AND VOTING ON THE DAY

You can watch the broadcast live, vote and ask questions on the day of the meeting via the Lumi website. Please refer to pages 227 to 229 for instructions on how to join the meeting and submit your votes and questions on the day.

Voting on all resolutions on the day will be by way of a poll. The Lumi website will reopen at 9.30am on Tuesday 4 July 2023, and votes can be cast once the Chairman has declared the poll open.

QUESTIONS

On the day, your questions will be posed to the Board by Anita Anand. Where we receive a number of questions covering the same topic, Anita will group these to address as many of your queries as possible. Questions may be submitted via Lumi, either in advance, to be received before 5pm on Friday 30 June 2023, or on the day (please refer to pages 227 to 229 for further details).

It is, of course, important to us that we have the opportunity to hear from you, our shareholders, directly. You will have the opportunity to ask a question live during the meeting; full details and instructions will be provided on the Lumi AGM platform on the day of the AGM. You can also send us a video recording of yourself asking your question by email to **AGMquestionsubmission@marks-and-spencer.com**, to be received by no later than 5pm on Friday 30 June 2023.

VOTING RESULTS

The results of the voting will be announced through a Regulatory Information Service and will be published on our website, **corporate.marksandspencer.com**, on 4 July 2023, or as soon as reasonably practicable thereafter.

In 2022, all resolutions were passed at the meeting with votes ranging from 70.89% to 99.99% in favour.

EXPLANATORY NOTES

An explanation of each of the resolutions to be voted on at the AGM is set out below and on pages 221 and 222.

M&S WEBSITE

Our corporate website, **corporate.marksandspencer.com**, is the principal means we use to communicate with our shareholders. There is a wealth of information online including:

- **A copy of our full Annual Report, which includes our Strategic Report.**
- **All the latest M&S news, press releases and investor presentations.**
- **A detailed account of our approach to corporate governance at M&S.**

EXPLANATORY NOTES TO THE RESOLUTIONS

1 TO RECEIVE THE REPORT AND ACCOUNTS

The Board asks that shareholders receive the Annual Report and Financial Statements for the 52 weeks ended 1 April 2023.

2 APPROVAL OF THE DIRECTORS' REMUNERATION REPORT

The Directors' Remuneration Report sets out the pay and benefits received by each of the directors for the year ended 1 April 2023. In line with legislation, this vote is advisory and the directors' entitlement to remuneration is not conditional on it.

At the Annual General Meeting on 5 July 2022, 70.89% of shareholder votes were cast in favour of the advisory resolution to approve the Directors' Remuneration Report for 2021/22. The Remuneration Committee noted the number of votes cast against the resolution, and proactively engaged with the top 40 shareholders to understand the reasons why some shareholders voted against the resolution. An update on this engagement was published in January 2023 on our corporate website, and a final summary can be found on page 129 of the Annual Report.

3 APPROVAL OF THE DIRECTORS' REMUNERATION POLICY

The Directors' Remuneration Policy (the "Policy") is set out on pages 108 to 115 of the Annual Report. It sets out the Company's policy on remuneration and potential payments to directors in the future. The Policy must be approved by shareholders (by means of a separate resolution) at least once every three years. The current Policy was approved by shareholders at the AGM in 2020 and is therefore due for renewal. The Policy for which we are seeking your approval this year is largely unchanged from that approved by shareholders in 2020. Where changes have been made, these are highlighted in the Policy. Once the Policy is approved, the Company will not be able to make a remuneration payment to a current or future director or a payment for loss of office to a current or past director unless that payment is consistent with the Policy or has been approved by a resolution of the members of the Company.

4-14 ELECTION OF DIRECTORS

The directors believe that the Board continues to maintain an appropriate balance of knowledge and skills and that all the non-executive directors are independent in character and judgement. This follows a process of formal evaluation, which confirms that each director in office at the time of the evaluation makes an effective and valuable contribution to the Board and demonstrates commitment to the role (including making sufficient time available for Board and Committee meetings and other duties as required).

Ronan Dunne joined the Board as a non-executive director on 1 August 2022. Ronan is a commercial leader with extensive international experience in the digital telecoms industry, has led businesses through technological and people transformation, and has significant financial expertise. Cheryl Potter also joined the Board as a non-executive director on 1 March 2023. Cheryl has an extensive background in private equity and brings a strong shareholder value focus to the Board, as well as being a passionate advocate for women in leadership.

In accordance with the UK Corporate Governance Code, all directors will stand for election or re-election, as relevant, at the AGM this year. Biographies are available on pages 72 to 73 of the Annual Report, with further details available on our website, corporate.marksandspencer.com. It is the Board's view that the directors' biographies illustrate why each of their contributions are, and continue to be, important to the Company's long-term sustainable success.

15-16 APPOINTMENT AND REMUNERATION OF AUDITOR
On the recommendation of the Audit & Risk Committee, the Board proposes in resolution 15 that Deloitte LLP be reappointed as auditor of the Company.

Resolution 16 proposes that the Audit & Risk Committee be authorised to determine the level of the auditor's remuneration.

17 AUTHORITY TO MAKE POLITICAL DONATIONS
The Companies Act 2006 (the "2006 Act") prohibits companies from making political donations to UK political organisations or independent candidates, or incurring UK political expenditure, unless authorised by shareholders in advance.

The Company does not make, and does not intend to make, donations to political organisations or independent election candidates, nor does it incur or intend to incur any political expenditure.

However, the definitions of political donations, political organisations and political expenditure used in the 2006 Act are very wide. As a result, they can cover activities such as sponsorship, subscriptions, payment of expenses, paid leave for employees fulfilling certain public duties, and support for bodies representing the business community in policy review or reform.

Shareholder approval is being sought on a precautionary basis only, to allow the Company and any company which, at any time during the period for which this resolution has effect, is a subsidiary of the Company, to continue to support the community and put forward its views to wider business and government interests, without running the risk of inadvertently breaching legislation.

The Board is therefore seeking authority to make political donations and to incur political expenditure not exceeding £50,000 in total. In line with best practice guidelines published by the Investment Association, this resolution is put to shareholders annually rather than every four years as permitted by the 2006 Act.

18 RENEWAL OF THE POWERS OF THE BOARD TO ALLOT SHARES
Paragraph (A) of this resolution 18 would give the directors the authority to allot ordinary shares of the Company up to an aggregate nominal amount equal to £6,550,886.24 (representing 655,088,624 ordinary shares of £0.01 each). This amount represents approximately one third (33.33%) of the Company's issued ordinary share capital as at 23 May 2023, the latest practicable date before the publication of this Notice.

In line with the latest guidance issued by the Investment Association in February 2023, paragraph (B) of this resolution would give the directors authority to allot ordinary shares in connection with a pre-emptive offer in favour of ordinary shareholders up to an aggregate nominal amount equal to £13,101,772.49 (representing 1,310,177,249 ordinary shares), as reduced by the nominal amount of any shares issued under paragraph (A) of this resolution. This amount (before any reduction) represents approximately two thirds (66.66%) of the Company's issued ordinary share capital as at 23 May 2023, the latest practicable date before the publication of this Notice.

The authorities sought under paragraphs (A) and (B) of this resolution will expire at the conclusion of the AGM in 2024 or on 1 October 2024, whichever is sooner. The directors have no present intention to exercise either of the authorities sought under this resolution; however, the Board wishes to ensure that the Company has maximum flexibility in managing the Group's capital resources. As at the date of this Notice, no shares are held by the Company in treasury.

19-20 AUTHORITY TO DISAPPLY PRE-EMPTION RIGHTS
Resolutions 19 and 20 are proposed as special resolutions. If the directors wish to allot new shares or other equity securities, or sell treasury shares for cash (other than in connection with an employee share scheme), company law requires that these shares are first offered to shareholders in proportion to their existing holdings.

At last year's AGM, two separate special resolutions were passed, in line with institutional shareholder guidelines, empowering the directors to allot equity securities for cash without first offering them to existing shareholders in proportion to their existing holdings. It is proposed that these authorities be renewed and enhanced in line with the latest institutional shareholder guidelines, including the revised Statement of Principles on Disapplying Pre-Emption Rights issued by the Pre-Emption Group in November 2022 (the "2022 Statement of Principles"). The 2022 Statement of Principles is supportive of companies who wish to seek authority for the annual disapplication of pre-emption rights to include: (i) 10% of a company's issued ordinary share capital to be issued on an unrestricted basis; and (ii) an additional 10% of a company's issued ordinary share capital to be used for either an acquisition or specified capital investment. In both cases an additional follow-on offer, up to a nominal amount equal to 20% of any allotment made under (i) or (ii), can be made to existing holders of securities not allocated shares under such allotment, as contemplated by paragraph 3 of Section 2B of the 2022 Statement of Principles. Whilst there is no current intention to make use of these authorities, the Board believes it is in the best interests of shareholders for the directors to have the flexibility to take advantage of these authorities if required.

Consequently, if approved, resolution 19, which follows the Pre-emption Group's template resolution, will authorise the directors, in accordance with the 2022 Statement of Principles, to issue shares in connection with pre-emptive offers (paragraph (A) of the resolution), or otherwise to issue shares and/or sell treasury shares for cash:

1) under paragraph (B) of the resolution, up to an aggregate nominal amount of £1,965,265.87 (representing 196,526,587 ordinary shares), being approximately 10% of the Company's issued ordinary share capital as at 23 May 2023 (the latest practicable date before the publication of this Notice); and

2) under paragraph (C) of the resolution, up to an additional aggregate amount equal to 20% of any allotment under paragraph (B) of the resolution, for the purposes of making a follow-on offer to existing shareholders as described in the 2022 Statement of Principles. The maximum additional nominal amount that could be issued under paragraph (C) of the resolution (based on the authority under paragraph (B) being used in full) is £393,053.17 (representing approximately 2% of the Company's issued ordinary share capital as at 23 May 2023).

NOTICE OF MEETING 2023 CONTINUED

The total maximum nominal amount of equity securities to which resolution 19 relates is £2,358,319.04 (representing approximately 12% of the Company's issued ordinary share capital as at 23 May 2023).

The purpose of resolution 20, which also follows the Pre-emption Group's template resolution and reflects the 2022 Statement of Principles, is to authorise the directors to allot new shares and other equity securities pursuant to the allotment authority given by resolution 18, or sell treasury shares for cash, without first being required to offer such securities to existing shareholders:

1) under paragraph (A) of the resolution, up to a further nominal amount of £1,965,265.87 (representing 196,526,587 ordinary shares), being approximately 10% of the Company's issued ordinary share capital as at 23 May 2023 (the latest practicable date before the publication of this Notice), to be used only in connection with an acquisition or specified capital investment of a kind contemplated by the 2022 Statement of Principles, and which is announced contemporaneously with the allotment, or which has taken place in the preceding 12-month period and is disclosed in the announcement of the issue; and

2) under paragraph (B) of the resolution, up to an additional aggregate amount equal to 20% of any allotment under paragraph (A) of the resolution, for the purposes of making a follow-on offer to existing shareholders as described in the 2022 Statement of Principles. The maximum additional nominal amount that could be issued under paragraph (B) of the resolution (based on the authority under paragraph (A) being used in full) is £393,053.17 (representing approximately 2% of the Company's issued ordinary share capital as at 23 May 2023).

The total maximum nominal amount of equity securities to which resolution 20 relates is £2,358,319.04 (representing approximately 12% of the Company's issued ordinary share capital as at 23 May 2023).

The authority granted by resolution 20 would be in addition to the general authority to disapply pre-emption rights under resolution 19. The maximum nominal value of equity securities that could be allotted if both authorities were used would be £4,716,638.08, which represents approximately 24% of the Company's issued ordinary share capital as at 23 May 2023, being the latest practicable date before the publication of this Notice.

The Board confirms that, should it exercise the authorities granted by resolutions 19 or 20, it intends to follow best practice as regards their use, including (i) following the shareholder protections in Part 2B of the 2022 Statement of Principles; and (ii) in respect of any follow-on offer, following the expected features set out in paragraph 3 of Part 2B of the 2022 Statement of Principles.

The directors have no current intention to allot shares except in connection with employee share schemes. These authorities will expire at the conclusion of the AGM in 2024 or on 1 October 2024, whichever is sooner.

21 AUTHORITY FOR THE COMPANY TO PURCHASE ITS OWN SHARES

Authority is sought for the Company to purchase up to 10% of its issued ordinary shares renewing the authority granted by the shareholders at previous AGMs.

The directors have no present intention of exercising the authority to purchase the Company's own ordinary shares; however, this authority would provide them with the flexibility to do so in the future, if the prevailing market conditions made such purchases in the best interests of shareholders generally.

Ordinary shares purchased by the Company pursuant to this authority may be held in treasury or may be cancelled. It remains the Company's intention to cancel any shares it buys back rather than hold them in treasury. The Company currently holds no shares in treasury. The resolution specifies the minimum and maximum prices which may be paid for any ordinary shares purchased under this authority, reflecting the requirements of the Listing Rules.

The Company has options outstanding over 106,820,843 million ordinary shares, representing 5.44% of the Company's issued ordinary share capital as at 23 May 2023, the latest practicable date before the publication of this Notice.

If the existing authority given at the 2022 AGM and the authority now being sought by this resolution were to be fully used, these options would represent 6.04% of the Company's ordinary share capital in issue at that date.

22 NOTICE OF GENERAL MEETING

In accordance with the 2006 Act, the notice period for general meetings (other than the AGM) is 21 clear days' notice unless the Company:

(i) has gained shareholder approval for the holding of general meetings on 14 clear days' notice by passing a special resolution at the most recent AGM; and

(ii) offers the facility for all shareholders to vote by electronic means.

The Company would like to preserve its ability to call general meetings (other than the AGM) on 14 clear days' notice. This shorter notice period would not be used as a matter of routine, but only where the flexibility is merited by the business of the meeting and is thought to be in the interests of shareholders as a whole.

Resolution 22 seeks such approval and, should this resolution be approved, it will remain valid until the end of the next AGM. This is the same authority as was sought and granted at last year's AGM.

RECOMMENDATION

Your directors believe that the proposals described above are in the best interests of the Company and its shareholders as a whole, and recommend you give them your support by voting in favour of all the resolutions, as they intend to in respect of their own beneficial shareholdings.

Yours faithfully,

Nick Folland

Nick Folland

General Counsel & Company Secretary

London, 23 May 2023

NOTICE OF MEETING 4 JULY 2023

Notice is given that the Annual General Meeting of Marks and Spencer Group plc (the "Company") will be held at and broadcast from Waterside House, 35 North Wharf Road, London W2 1NW, in accordance with the information provided on page 227, on Tuesday 4 July 2023 at 11am (the "AGM") for the purposes set out below.

Resolutions 1 to 18 will be proposed as ordinary resolutions, and resolutions 19 to 22 will be proposed as special resolutions.

1. To receive the Annual Report and Financial Statements for the 52 weeks ended 1 April 2023.
2. To approve the Directors' Remuneration Report for the year ended 1 April 2023, as set out on pages 100 to 129 of the Annual Report (excluding the Directors' Remuneration Policy set out on pages 108 to 115).
3. To approve the Directors' Remuneration Policy as set out on pages 108 to 115 of the Annual Report.

To re-elect the following directors who are seeking annual re-election in accordance with the UK Corporate Governance Code:

4. Archie Norman
5. Stuart Machin
6. Katie Bickerstaffe
7. Evelyn Bourke
8. Fiona Dawson
9. Andrew Fisher
10. Tamara Ingram
11. Justin King
12. Sapna Sood

To elect the following directors appointed to the Board since the last Annual General Meeting:

13. Ronan Dunne
14. Cheryl Potter
15. To resolve that Deloitte LLP be, and is hereby, reappointed as auditor of the Company to hold office until the conclusion of the next general meeting at which accounts are laid before the Company.
16. To resolve that the Audit & Risk Committee determine the remuneration of the auditor on behalf of the Board.

17. POLITICAL DONATIONS

To resolve that, in accordance with Section 366 of the Companies Act 2006, the Company, and any company which, at any time during the period for which this resolution has effect, is a subsidiary of the Company, be authorised to:

(A) make political donations to political parties or independent election candidates, not exceeding £50,000 in total;

(B) make political donations to political organisations other than political parties, not exceeding £50,000 in total; and

(C) incur political expenditure not exceeding £50,000 in total;

provided that the aggregate amount of any such donations and expenditure shall not exceed £50,000, during the period beginning with the date of the passing of this resolution and ending at the conclusion of the AGM to be held in 2024 or on 1 October 2024, whichever is sooner.

For the purpose of this resolution, the terms "political donations", "political parties", "independent election candidates", "political organisations" and "political expenditure" have the meanings set out in Sections 363 to 365 of the Companies Act 2006.

18. DIRECTORS' AUTHORITY TO ALLOT SHARES

To resolve that the directors are authorised generally and unconditionally to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for or convert any security into shares in the Company:

(A) up to a nominal amount of £6,550,886.24 (such amount to be reduced by any allotments or grants made under paragraph (B) below in excess of such sum); and

(B) comprising equity securities (as defined in Section 560(1) of the Companies Act 2006) up to a nominal amount of £13,101,772.49 (such amount to be reduced by any allotments made under paragraph (A) above) in connection with a pre-emptive offer:

(i) to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and

(ii) to holders of other equity securities as required by the rights of those securities or as the directors otherwise consider necessary;

and so that the directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with any treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter.

The authorities conferred on the directors to allot securities under paragraphs (A) and (B) will expire at the conclusion of the AGM of the Company to be held in 2024 or on 1 October 2024, whichever is sooner, unless previously revoked or varied by the Company, and such authority shall extend to the making before such expiry of an offer or an agreement that would or might require relevant securities to be allotted after such expiry, and the directors may allot relevant securities in pursuance of that offer or agreement as if the authority conferred hereby had not expired.

19. GENERAL DISAPPLICATION OF PRE-EMPTION RIGHTS

To resolve as a special resolution that, subject to the passing of resolution 18, the directors be empowered to allot equity securities (as defined in Section 560(1) of the Companies Act 2006) for cash under the authority given by that resolution 18 (set out in this Notice of Meeting), and/or to sell ordinary shares held by the Company as treasury shares for cash, as if Section 561 of the Companies Act 2006 did not apply to any such allotment or sale, provided that such authority be limited:

(A) to the allotment of equity securities and sale of treasury shares in connection with an offer of, or invitation to apply for, equity securities (but in the case of the authority granted under paragraph (B) of resolution 18, by way of a pre-emptive offer only):

(i) to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and

(ii) to holders of other equity securities as required by the rights of those securities or as the directors otherwise consider necessary;

and so that the directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with any treasury

NOTICE OF MEETING 4 JULY 2023 CONTINUED

shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter; and

(B) in the case of the authority granted under paragraph (A) of resolution 18 and/or in the case of any sale of treasury shares, to the allotment of equity securities or sale of treasury shares (otherwise than under paragraph (A) above) up to a nominal amount of £1,965,265.87; and

(C) to the allotment of equity securities or sale of treasury shares (otherwise than under paragraph (A) or paragraph (B) above) up to a nominal amount equal to 20% of any allotment of equity securities or sale of treasury shares from time to time under paragraph (B) above, such authority to be used only for the purposes of making a follow-on offer which the Board of the Company determines to be of a kind contemplated by paragraph 3 of Section 2B of the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this Notice of Meeting,

and shall expire at the conclusion of the AGM to be held in 2024 or on 1 October 2024, whichever is sooner (unless previously revoked or varied by the Company in general meeting), provided that the Company may before that date make offers, and enter into agreements, which would, or might, require equity securities to be allotted (and treasury shares to be sold) after the authority ends and the directors may allot equity securities (and sell treasury shares) under any such offer or agreement as if the authority had not ended.

20. ADDITIONAL DISAPPLICATION OF PRE-EMPTION RIGHTS

To resolve as a special resolution that, subject to the passing of resolution 18, the directors be empowered in addition to any authority granted under resolution 19 to allot equity securities (as defined in Section 560(1) of the Companies Act 2006) for cash under the authority given by that resolution 18 (set out in this Notice of Meeting) and/or to sell ordinary shares held by the Company as treasury shares for cash as if Section 561 of the Companies Act 2006 did not apply to any such allotment or sale, provided that such authority be limited:

(A) to the allotment of equity securities or sale of treasury shares up to a nominal amount of £1,965,265.87, such authority to be used only for the purposes of financing (or refinancing, if the authority is to be used within 12 months after the original transaction) a transaction which the directors of the Company determine to be either an acquisition or a specified capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this Notice of Meeting; and

(B) to the allotment of equity securities or sale of treasury shares up to a nominal amount equal to 20% of any allotment of equity securities or sale of treasury shares made under paragraph (A) above, such authority to be used only for the purposes of making a follow-on offer which the Board of the Company determines to be of a kind contemplated by paragraph 3 of Section 2B of the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this Notice of Meeting,

and shall expire at the conclusion of the AGM to be held in 2024 or on 1 October 2024, whichever is sooner (unless previously revoked or varied by the Company in general meeting) provided that the Company may before that date make offers, and enter into agreements, which would, or might, require equity securities to be allotted (and treasury shares to be sold) after the authority ends and the directors may allot equity securities (and sell treasury shares) under any such offer or agreement as if the authority had not ended.

21. COMPANY'S AUTHORITY TO PURCHASE ITS OWN SHARES

To resolve as a special resolution that the Company is authorised for the purposes of Section 701 of the Companies Act 2006 to make one or more market purchases (as defined in Section 693(4) of the Companies Act 2006) of its ordinary shares of £0.01 each, such power to be limited:

(A) to a maximum number of 196,526,587 ordinary shares;

(B) by the condition that the minimum price which may be paid for an ordinary share is £0.01 and the maximum price which may be paid for an ordinary share is the highest of:

(i) an amount equal to 105% of the average market value of an ordinary share for the five business days immediately preceding the day on which that ordinary share is contracted to be purchased; and

(ii) the higher of the price of the last independent trade of an ordinary share and the highest current independent bid for an ordinary share on the trading venue where the purchase is carried out;

in each case, exclusive of expenses, such power to apply until the end of the AGM to be held in 2024 or until 1 October 2024, whichever is sooner, but in each case so that the Company may enter into a contract to purchase ordinary shares which will or may be completed or executed wholly or partly after the power ends and the Company may purchase ordinary shares pursuant to any such contract as if the power had not ended.

22. CALLING OF GENERAL MEETINGS ON 14 DAYS' NOTICE

To resolve as a special resolution that a general meeting other than the Annual General Meeting may be called on no fewer than 14 clear days' notice.

By order of the Board

Nick Folland

Nick Folland

General Counsel & Company Secretary

London, 23 May 2023

Registered office Waterside House, 35 North Wharf Road, London W2 1NW.

Registered in England and Wales
No. 4256886.

NOTES

1. Biographies of the directors seeking election (or re-election) are given in the Annual Report on pages 72 and 73, including their membership of the principal Board Committees. The terms of the current directors' service contracts are such that all executive director appointments may be terminated by the Company giving 12 months' notice and by the individual giving six months' notice; the Chairman has a letter of appointment which requires six months' notice by either party; other non-executive directors also have letters of appointment. In accordance with the Remuneration Policy their appointments can be terminated on three months' notice by either party.

2. Registered shareholders: Members are entitled to appoint a proxy to exercise all or any of their rights to attend, speak and vote on their behalf at the AGM. Members may appoint *more than one proxy in relation to the AGM, provided that* each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. A proxy need not be a shareholder of the Company. To request one or more paper proxy forms (to appoint more than one proxy), please contact our shareholder helpline on 0345 609 0810. Please indicate the number of shares in relation to which each proxy is authorised to act in the box below the proxy holder's name. Please also indicate if the instruction is one of multiple instructions being given, and if a proxy is being appointed for less than your full entitlement, please enter the number of shares in relation to which each such proxy is entitled to act in the box below the relevant proxy holder's name. The proxy form assumes you wish to vote on all your shares in the same way. To vote only part of your holding or to vote some shares one way and some another, please contact the shareholder helpline. All proxy forms must be signed and should be returned together.

3. If you would like to submit your vote electronically in advance of the AGM, you can do so by accessing the Lumi website, **https://web.lumiagm.com/161-121-785**. Instructions are available on pages 228 and 229 of this Notice. Alternatively, you can submit your instruction by visiting **shareview.co.uk**. All advance proxy votes, regardless of how they are cast, are to be returned by 11am on Friday 30 June 2023. If you return paper and electronic instructions, those received last by the Registrar before 11am on Friday 30 June 2023 will take precedence. Electronic communication facilities are available to all shareholders and those that use them will not be disadvantaged.

4. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).

5. Votes submitted in advance of the meeting using the Lumi website will constitute an instruction to appoint the Chairman of the meeting as proxy. The shares covered by the instruction will be voted as directed by the shareholder in respect of the resolutions referred to in this Notice of Meeting at the meeting and at any adjournment of it.

6. To be valid, any proxy form or other instrument appointing a proxy delivered by post or by hand (during normal business hours only) must be received at Equiniti, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA no later than 11am on Friday 30 June 2023.

7. The appointment of a proxy electronically, the return of a completed paper proxy form, other such instrument or any CREST/Proxymity proxy instruction (as described on the following page) will not prevent a shareholder from attending and voting at the meeting if they wish to do so. You must inform the Company's Registrar in writing of any termination of the authority of a proxy.

8. Indirect shareholders: Any person to whom this Notice is sent who is a person nominated under Section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between them and the shareholder by whom they were nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the AGM. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, they may, under any such agreement, have a *right to give instructions to the shareholder as to the* exercise of voting rights.

9. The statement of the rights of shareholders in relation to the appointment of proxies in paragraphs 2 to 7 does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by shareholders of the Company.

10. Nominated Persons are reminded that they should contact the registered holder of their shares (and not the Company) on matters relating to their investments in the Company.

11. To be entitled to join the meeting, submit questions and vote (and for the purpose of the determination by the Company of the votes they may cast), shareholders must be entered on the Register of Members of the Company by 6.30pm on Friday 30 June 2023 (or, in the event of any adjournment, 6.30pm on the date which is two working days prior to the adjourned meeting). Changes to the Register of Members after the relevant deadline shall be disregarded in determining the rights of any person to join, submit questions and vote at the meeting.

12. The following documents are available for inspection at an agreed time at the Company's registered office: Waterside House, 35 North Wharf Road, London W2 1NW. Email **company.secretary@marks-and-spencer.com** during normal business hours on any weekday (excluding public holidays).

    (i) Copies of the executive directors' service contracts.

    (ii) Copies of the non-executive directors' letters of appointment.

    (iii) Copies of the directors' Deeds of Indemnity.

    (iv) A copy of the Articles of Association of the Company.

    Copies of these documents will also be available at the AGM upon request, from 9.30am on the morning of the AGM until the meeting's conclusion.

13. Shareholders are advised that, unless otherwise specified, the telephone numbers, website and email addresses set out in this Notice or proxy forms are not to be used for the purpose of serving information or documents on the Company, including the service of documents or information relating to proceedings at the Company's AGM.

14. As at 23 May 2023 (the latest practicable date before the publication of this Notice), the Company's issued share capital consists of 1,965,265,874 ordinary shares carrying one vote each. No shares are held in treasury. Therefore, the total voting rights in the Company as at 23 May 2023 are 1,965,265,874.

NOTICE OF MEETING 4 JULY 2023 CONTINUED

15. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the AGM and any adjournment thereof by using the procedures described in the CREST manual. CREST personal members or other CREST-sponsored members, and those CREST members who have appointed a service provider, should refer to their CREST sponsor or voting service provider, who will be able to take the appropriate action on their behalf.

16. For a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST proxy instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instruction, as described in the CREST manual (available via **euroclear.com**). The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by Equiniti (ID RA19) by 11am on Friday 30 June 2023. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Application Host) from which Equiniti is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

17. CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST proxy instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider, to procure that their CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred in particular to those sections of the CREST manual concerning practical limitations of the CREST system and timings.

18. The Company may treat as invalid a CREST proxy instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

19. If you are an institutional investor, you may be able to appoint a proxy electronically via the Proxymity platform, a process which has been agreed by the Company and approved by the Registrar. For further information regarding Proxymity, please go to **www.proxymity.io**. Your proxy must be lodged by 11am on Friday 30 June 2023 in order to be considered valid. Before you can appoint a proxy via this process you will need to have agreed to Proxymity's associated terms and conditions. It is important that you read these carefully as you will be bound by them and they will govern the electronic appointment of your proxy.

20. Any corporation that is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member, provided that they do not do so in relation to the same shares.

21. Under Section 527 of the Companies Act 2006, members meeting the threshold requirements set out in that section have the right to require the Company to publish on a website a statement setting out any matter relating to:

    (i) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the AGM; or

    (ii) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with Section 437 of the Companies Act 2006.

    The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with Sections 527 or 528 of the Companies Act 2006. Where the Company is required to place a statement on a website under Section 527 of the Companies Act 2006, it must forward the statement to the Company's auditor no later than the time when it makes the statement available on the website. The business that may be dealt with at the AGM includes any statement that the Company has been required to publish on a website under Section 527 of the Companies Act 2006.

22. Any member joining the meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer need be given if:

    (i) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information;

    (ii) the answer has already been given on a website in the form of an answer to a question; or

    (iii) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

    Shareholders are reminded that unacceptable behaviour will not be tolerated at the meeting and will be dealt with appropriately by the Chairman of the meeting.

23. A copy of this Notice, and other information required by Section 311A of the Companies Act 2006, can be found at **corporate.marksandspencer.com.**

24. Please see the letter dated 23 May 2023 from the General Counsel & Company Secretary on pages 219 to 220 for further explanatory notes.

INFORMATION FOR THE DAY

TIMINGS

Date: 9.00am	**Tuesday 6 June 2023** Registration opens for vote casting and question submission in advance of the meeting.
Date: 11.00am	**Friday 30 June 2023** Opportunity to submit votes and questions in advance of the meeting closes.
Date: 9.30am	**Tuesday 4 July 2023** Online meeting opens and question submission reopens.
11.00am	AGM begins and you will be able to vote once the Chairman declares the poll open.
1.00pm approx	AGM closes. The results of the poll will be released to the London Stock Exchange once collated.

PHYSICAL ATTENDANCE

Following the continued success of the Company's digitally-enabled AGMs, this year's meeting will once again be fully digitally-enabled. Shareholders are advised not to travel to the venue on the day. Please refer to the following information and the user guide provided on pages 228 to 229 for details of how to join and participate in the meeting electronically.

ELECTRONIC PARTICIPATION

Shareholders are encouraged to view and participate in the 2023 AGM electronically. This can be done by accessing the AGM website: **https://web.lumiagm.com/161-121-785**

ACCESSING THE AGM WEBSITE

Lumi AGM can be accessed online using most well-known internet browsers such as Chrome, Firefox and Safari on a PC, laptop or internet-enabled device such as a tablet or smartphone. If you wish to access the AGM using this method, please go to **https://web.lumiagm.com/161-121-785** on the day.

LOGGING IN

Go to **https://web.lumiagm.com/161-121-785** where you will then be prompted to enter your Shareholder Reference Number and PIN. These can be found printed on your Notice of Availability or Voting Card sent to you by post. Access to the AGM website to vote and submit questions **in advance** will be available from 9am on 6 June 2023 until 11am on 30 June 2023. Access to the AGM website will reopen to participate **on the day** from 9.30am on 4 July 2023.

QUESTIONS

You are able to submit questions live during the meeting on the Lumi website by clicking on the "Messaging" button. There will also be details and instructions on the Lumi website if you would like to ask a live question direct to the Board.

Alternatively, you can submit questions in advance via Lumi. A step-by-step guide to voting and question submission in advance and on the day is on pages 228 to 229.

As noted in the Company Secretary's letter on pages 219 to 220 of this Notice, Anita Anand will be posing your questions to the Board during the meeting. If you would like to ask your question yourself though, you can submit your recorded video question by email to **AGMquestionsubmission@marks-and-spencer.com**, to be received by no later than 5pm on Friday 30 June 2023. Please ensure that your question recording lasts no longer than one minute, so that we can hear from as many shareholders as possible. By submitting a video question, you consent to your video being played during the AGM broadcast; please note that the AGM recording will be made publicly available on our corporate website after the meeting.

Shareholder questions and answers will be published on the corporate website as soon as practicable after the meeting. Where we receive a number of questions covering the same topic, we will publish summarised questions and answers addressing as many questions received as possible.

VOTING

If you're voting live during the meeting, the voting options will appear on the screen after the resolutions have been proposed. Press or click the option that corresponds with the way in which you wish to vote: "For", "Against" or "Withheld".

If you make a mistake or wish to change your voting instruction, simply press or click the correct choice for that resolution until the poll is closed. If you wish to cancel your "live" vote, press "Cancel".

Please note that an active internet connection is required to successfully cast your vote when the Chairman commences polling on the resolutions. It is your responsibility to ensure connectivity for the duration of the meeting.

Advance voting is also available from 6 June 2023, and details on the different methods for voting in advance are set out in the Company Secretary's letter on pages 219 to 220 of this Notice.

A step-by-step guide to voting via the Lumi website live on the day, and in advance, is on pages 228 to 229.

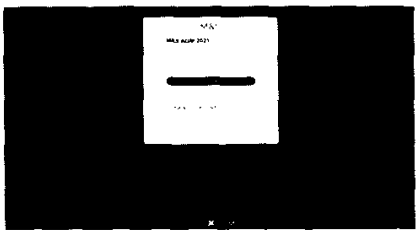
PROXIES & CORPORATE REPRESENTATIVES

If you are a duly appointed proxy or corporate representative, please contact the Company's Registrar, Equiniti, before 11am on Monday 3 July 2023 by emailing **hybrid.help@equiniti.com**, for your unique username and password to join the meeting. Please ensure a valid proxy appointment has been made by no later than the voting deadline detailed on page 219.

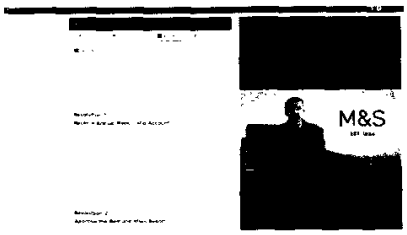
Mailboxes are monitored 9.00am to 5.00pm Monday to Friday (excluding public holidays in England & Wales).

ONLINE USER GUIDE TO THE DIGITAL 2023 ANNUAL GENERAL MEETING

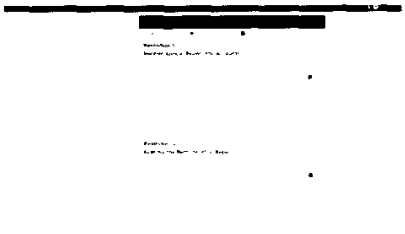
LUMI AGM PLATFORM GUIDE: BEFORE THE AGM



1 Go to **https://web.lumiagm.com/161-121-785**. You will be prompted to enter your Shareholder Reference Number ("SRN") and PIN, both of which can be found on your Notice of Availability. If you do not have your SRN, please contact Equiniti by emailing **hybrid.help@equiniti.com** quoting your full name and address. When successfully authenticated, shareholders will be taken to the Home Page.

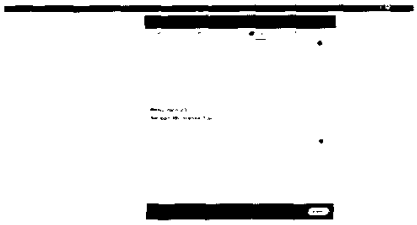


2 To cast a proxy vote, select the voting button at the top of the screen. The resolutions and voting choices will be displayed within the navigation bar. Further instructions on how to vote can be found on the Home Page and at the top of the voting page.

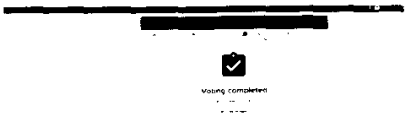


3 To vote, select your voting direction from the options shown on screen. To change your mind, simply select a different option.

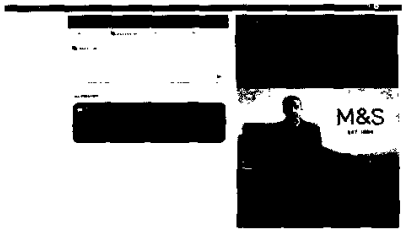
Note: Proxy voting will close at 11am on Friday 30 June 2023.



4 Scroll down the full list of resolutions and vote on each. Once completed, at the bottom of the page, select the "Submit" button to send your vote.

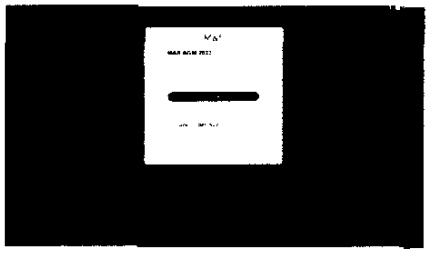


5 If you would like to change your mind, you can do so by clicking "Edit Responses".

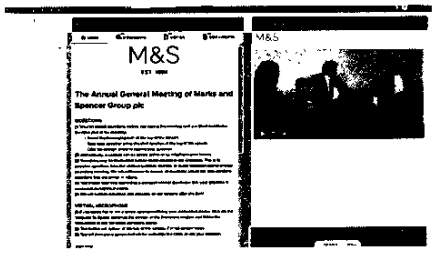


6 During the proxy voting period, shareholders can submit a question by typing it into the "Messaging" feature.

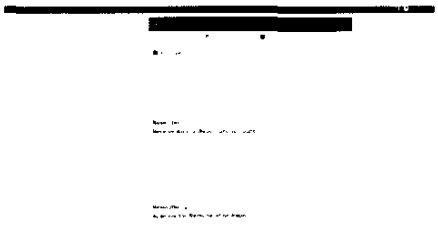
LUMI AGM PLATFORM GUIDE: ON THE DAY



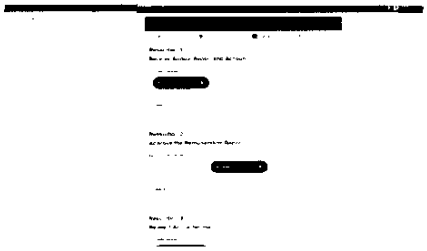
7 The AGM will commence at 11am on Tuesday 4 July 2023. It can be accessed through the same platform: **https://web.lumiagm.com/161-121-785**. You will be prompted to enter your SRN and PIN, both of which can be found on your Notice of Availability.



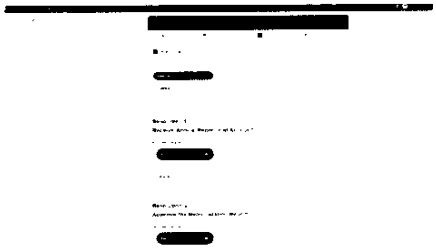
8 The meeting presentation will begin at the start of the AGM, when the Broadcast Panel will automatically appear at the side of the screen. You can expand and minimise the screen by pressing the Broadcast arrow at the top of the page.



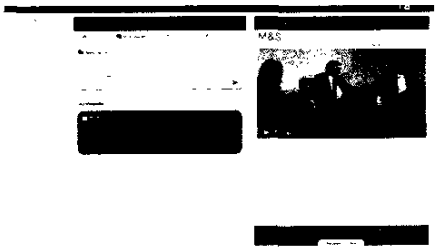
9 When the Chairman declares the poll open, a list of all resolutions and voting choices will appear on your device. Scroll through the list to view all resolutions.



10 For each resolution, select the choice corresponding with the way in which you wish to vote. When selected, a confirmation message will appear. To change your mind, simply press the correct choice which will override your previous selection. To cancel your vote, press "Cancel".



11 You can vote for all resolutions at the same time by clicking on the "Vote All" direction button at the top of the page. You will still be able to change your mind on individual resolutions if using this feature.



12 If you would like to ask a question, select the messaging option in the navigation bar at the top of the page. Type your message within the chat box at the top of the messaging screen. Click the send button to submit.

ANALYSIS OF SHARE REGISTER

Ordinary shares

As at 1 April 2023, the Company had 131,726 registered holders of ordinary shares. Their shareholdings are analysed below. It should be noted that many of our private investors hold their shares through nominee companies; therefore, the actual number of shares held privately will be higher than indicated below.

Range of shareholding	Number of shareholders	Percentage of total shareholders	Number of ordinary shares	Percentage of issued share capital
1-500	70,177	53.28	13,024,822	0.67
501-1,000	24,308	18.45	18,103,922	0.92
1,001-2,000	19,008	14.43	27,108,515	1.38
2,001-5,000	12,970	9.85	39,498,233	2.01
5,001-10,000	3,335	2.53	22,845,033	1.16
10,001-100,000	1,493	1.13	31,833,429	1.62
100,001-1,000,000	271	0.21	108,122,110	5.50
1,000,001-Highest	164	0.12	1,704,397,867	86.74
Total	**131,726**	**100**	**1,964,933,931**	**100**

Category of shareholder	Number of shareholders	Percentage of total shareholders	Number of ordinary shares	Percentage of issued share capital
Private	130,395	98.99	144,955,305	7.38
Institutional and corporate	1,331	1.01	1,819,978,626	92.62
Total	**131,726**	**100**	**1,964,933,931**	**100**

USEFUL CONTACTS

Marks and Spencer Group plc
Registered Office
Waterside House
35 North Wharf Road
London W2 1NW
Telephone +44 (0)20 7935 4422
Registered in England and Wales
(no. 4256886)

General queries
Customer queries: 0333 014 8555
Shareholder queries: 0345 609 0810

Or email:
chairman@marks-and-spencer.com

Registrar/shareholder queries
Equiniti Limited, Aspect House,
Spencer Road, Lancing, West Sussex
BN99 6DA, United Kingdom
Telephone +44 (0)345 609 0810. Please use the country code when contacting from outside the UK.

Online: **help.shareview.co.uk** (from here, you will be able to securely email Equiniti with your enquiry).

Students
Please note, students are advised to source information from our website.

Additional documents
An interactive version of our Annual Report is available online at **corporate.marksandspencer.com**.

Additionally, the Annual Report (which contains the Strategic Report) is available for download in pdf format at **corporate.marksandspencer.com**.

Nick Folland

General Counsel & Company Secretary

2023/24 FINANCIAL CALENDAR AND KEY DATES

4 July 2023	Annual General Meeting (11am)
8 November 2023*	Results, Half Year†
11 January 2024*	Results, Quarter 3 Trading Update†

† Those who have registered for electronic communication or news alerts at corporate.marksandspencer.com will receive notification by email when this is available.

* *Provisional dates.*

SHAREHOLDER QUERIES

The Company's share register is maintained by our Registrar, Equiniti. Shareholders with queries relating to their shareholding should contact Equiniti directly using one of the methods listed on page 230. For more general queries, shareholders should consult the Investors section of our corporate website.

MANAGING YOUR SHARES ONLINE

Shareholders can manage their holdings online by registering with Shareview, a secure online platform provided by Equiniti. Registration is a straightforward process and allows shareholders to:

- Sign up for electronic shareholder communications.
- Receive trading updates and other electronic-only broadcasts by the Company via email.
- View all of their shareholdings in one place.
- Update their records following a change of address.
- Have dividends paid into their bank account
- Vote in advance of Company general meetings.

M&S encourages shareholders to sign up for electronic communications as the Company has found this creates a more engaged shareholder base. The reduction in printing costs and paper usage also makes a valuable contribution to our Plan A commitments.

To find out more information about the services offered by Shareview and to register, please visit shareview.co.uk.

DIVIDENDS

The Board will not be making a final dividend payment for the 2022/23 financial year.

DUPLICATE DOCUMENTS

Many shareholders have more than one account on the Share Register and receive duplicate documentation from us as a result. If you fall into this group, please contact Equiniti to combine your accounts.

SHAREGIFT

If you have a very small shareholding that is uneconomical to sell, you may want to consider donating it to ShareGift (Registered charity no. 1052686), a charity that specialises in the donation of small, unwanted shareholdings to good causes. You can find out more by visiting sharegift.org or by calling +44 20 7930 3737.

SHAREHOLDER SECURITY

An increasing number of shareholders have been contacting us to report unsolicited and suspicious phone calls received from purported "brokers" who offer to buy their shares at a price far in excess of their market value. It is unlikely that firms authorised by the Financial Conduct Authority ("FCA") will contact you with offers like this. As such, we believe these calls are part of a scam, commonly referred to as a "boiler room". The callers obtain your details from publicly available sources of information, including the Company's Share Register, and can be extremely persistent and persuasive.

Shareholders are cautioned to be very wary of any unsolicited advice, offers to buy shares at a discount, sell your shares at a premium or requests to complete confidentiality agreements with the callers. **Remember, if it sounds too good to be true, it probably is!**

More detailed information and guidance is available on our corporate website. We also encourage shareholders to read the FCA's guidance on how to avoid scams at **fca.org.uk/*consumers/protect-yourself-scams***. *An overview of current* common scams is available on the Action Fraud website **actionfraud.police.uk**.

AGM

This year's AGM will be held at, and broadcast from, Waterside House on 4 July 2023. The meeting will start at 11am.

The 2023 AGM will be fully digitally enabled once again and will be broadcast online from Waterside House. We strongly encourage shareholders to participate in the meeting electronically by accessing the AGM website, **https://web.lumiagm.com/161-121-785**. Further details can be found on page 227 of the Notice of Meeting and in the user guide on pages 228 to 229.

The meeting will also be available to view online after the event at **corporate.marksandspencer.com**.

M&S reserves the right to retain and use footage or stills for any purpose, including Annual Reports, marketing materials and other publications.

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www.brunswickgroup.com

M&S
—EST. 1884—