Reshaping M&S

LOTS DONE

LOTS TO DO

LOTS OF OPPORTUNITY

Marks and Spencer Group plc

Annual Report & Financial Statements 2024

Reshaping M&S

Our purpose is to bring the magic of M&S through exceptional quality, value, service and innovation to every customer, whenever, wherever and however they want to shop with us. Our vision is to be the most trusted retailer, doing the right thing for customers, with quality products at the heart of everything we do. This is underpinned by our strategy to Reshape M&S for Growth, and through this, we are seeing the beginnings of a new M&S.

COVER:
Linen Blend Revere Collar Cropped Blazer (T593106J) £55
Linen Rich High Waisted Pleat Front Shorts (T593133T) £25
Linen Rich Tailored Waistcoat (T593106W) £35

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OUR ESG REPORT

Read more about **our approach to ESG in our ESG Report: corporate.marksandspencer.com/ESGReport2024**

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CELEBRATING 25 YEARS OF THE M&S MILK PLEDGE

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THE DESTINATION FOR DENIM

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WINNING IN SUMMER

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These icons, used throughout the report, indicate where you can find out more.

Read more

Link to Website

HIGHLIGHTS OF THE YEAR

Strong financial and strategic progress in 2023/24 as M&S continues to Reshape for Growth.

FINANCIAL

GROUP REVENUE
£13.0bn
22/23: +9.3%

GROUP PROFIT BEFORE TAX
£672.5m
22/23: +41.4%

NET FUNDS EXCLUDING LEASE LIABILITIES
£45.7m
22/23: 112.9%

BASIC EARNINGS PER SHARE
21.9p
22/23: +18.4%

GROUP PROFIT BEFORE TAX AND ADJUSTING ITEMS
£716.4m
22/23: +58.0%

ADJUSTED EARNINGS PER SHARE
24.6p
22/23: +45.6%

STRATEGIC

FOOD: VOLUME GROWTH
6.8%
22/23: 2.1%

CLOTHING & HOME: MARKET SHARE
10%
22/23: +0.4%

NEW FULL LINE STORES
6
22/23: +3

NEW FOOD STORES
8
22/23: +2

APP PERCENTAGE OF ONLINE ORDERS
44%
22/23: +7%

RAISED FOR YOUNGMINDS
£1.7m

ALTERNATIVE PERFORMANCE MEASURES

This 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 197 to 201 which provides a comprehensive list of APMs that we use, including an explanation of how they are calculated, how we use them and how they can be reconciled to a statutory measure where relevant.

Autograph Linen Blend Double Breasted Blazer (T504114T) £119
Autograph Linen Blend Fitted Bandeau Top (T502313T) £45
Autograph Linen Blend Tab Detail Wide Leg Trousers (T508226T) £79
Autograph Pure Cotton Collared Relaxed Shirt (T502216T) £49.50

CHAIRMAN'S LETTER

DEAR SHAREHOLDER
When asked to expand on last year's performance I said that when the "results are good the Chairman should say less." That applies this year too, so this letter will be a short one.

"BEHIND EVERY SUCCESSFUL TURNAROUND IS A RENEWAL OF CULTURE, TALENT AND LEADERSHIP.

ARCHIE NORMAN
Chairman

Our objective has always been not just to arrest the long-term drift in M&S' performance but to forge a business capable of sustained growth. This year saw growth in sales, market share and profit in almost all our main markets and a much strengthened financial position. We believe however, that we are in the foothills of what we can achieve. This report sets out why our success can evolve from a turnaround that surprised many to a repeatable pattern.

Behind every successful turnaround is a renewal of culture, talent and leadership. The M&S culture is transitioning from slow, hierarchical and inward looking, to one of equal respect, straight talking, closer to stores and closer to customers. A healthy organisation is one which embraces criticism and is comfortable with argument and debate, but once a decision is made, organises to execute with disciplined speed and efficiency. Progress towards this faster, more dynamic M&S is the wellspring of our improved competitiveness.

The Board's role is to help orchestrate and reinforce the "reshaping programme". That means having a challenging engaged Board, close to the business and adding value to the strategy as well as providing robust governance and awareness of risk. Our Board is not for the faint hearted, but our work is important and fulfilling. This year Katie Bickerstaffe is standing down following the AGM after six years at M&S. She brought a bolt of electricity to our proceedings and retires from the Board with our good wishes.

Finally, M&S is a values-led business with a unique colleague culture. The average hourly paid colleague has now seen an increase of about 40% in pay during the last years of transformation. This year many thousands received a welcome return from the Sharesave scheme. It is very well deserved, and we are grateful for their remarkable commitment and hard work. Alongside that, our shareholders are also benefitting from the resumption of dividends with a modest and initial 3p payment which should put a little kerching in everyone's pocket.

Yours sincerely,

ARCHIE NORMAN
Chairman

CHIEF EXECUTIVE'S REVIEW

Two years into our plan to Reshape for Growth we can see the beginnings of a new M&S. Food and Clothing & Home grew volume and value share ahead of the market and sales increased across stores and online. Both businesses have now delivered 12 consecutive quarters of sales growth and this trading momentum gives us wind in our sails, and confidence that our plan is working. We are becoming more relevant, to more people, more of the time.

"WE HAVE A CLEAR PLAN, A CLEAR VISION FOR THE FUTURE, AND THERE IS SO MUCH OPPORTUNITY AHEAD OF US. WE ARE AT THE BEGINNINGS OF A NEW M&S.

STUART MACHIN
Chief Executive Officer

We remained unswerving in our commitment to trusted value, offering customers exceptional quality at the very best price. Food's leading quality perception increased even further with over 1,000 products upgraded and 1,300 new lines launched. Continued progress was made on value perception with £60m invested in price. In Clothing & Home, style perception continued to improve and our decisive lead on quality and value perception was extended. Our commitment to "First Price Right Price" supported full price sell through ahead of last year.

Investment in store rotation and the end-to-end supply chain is beginning to pay off. New stores and renewals are performing ahead of forecast and attracting new customers. Supply chain modernisation supported margin growth across both businesses. In Clothing & Home, stock flow improved enabling historically low levels of stock cover, and in Food, Gist is delivering payback ahead of expectations.

Disciplined capital allocation underpins our plan, and the financial health of the business is as strong as it's been in decades. Free cash flow has increased, financial net debt has been eliminated, and returns on investment have improved. The strength of the balance sheet, coupled with the sustained improvement in performance, means we have the headroom and confidence to invest for future growth as well as introduce a 3p dividend.

Through the Reshaping M&S strategy, our focus continues to be on driving volume growth in Food and Clothing & Home to deliver the market share and margin objectives we set out at the Capital Markets Day. This year we have made a further significant investment in colleague pay. This will be funded by structural cost reductions and other efficiencies. Other cost inflation will largely be offset by reduced energy costs. Given our track record of delivering volume growth, market share and free cash flow, we are confident that we will make further progress in 2024/25 and beyond.

It has been a good year, and I would like to thank all of our colleagues for their hard work and commitment. However, there remains much work to do and that's a good thing as every challenge is an opportunity for growth. The soft wiring of the organisation – who we are and how we show up – is changing and we are building a culture where everyone is sleeves rolled up, M&S first, closer to customers and closer to colleagues. But culture change is a job that is never "done" and it is critically important to reshaping M&S.

We have made progress on "hardwiring" sustainable change – how and when we execute our strategic priorities – with progress in store rotation and supply chain. However, we need to move faster and be ruthlessly challenging on the areas where progress has been slower, building a more effective digital and technology infrastructure, accelerating the move to a truly personalised customer experience, and resetting priorities in International.

We have a clear plan, a clear vision for the future, and there is so much opportunity ahead of us. We are at the beginnings of a new M&S.

STUART MACHIN
Chief Executive Officer

OUR STRATEGIC PRIORITIES

DELIVER PROFITABLE SALES *growth*

1. EXCEPTIONAL PRODUCT, TRUSTED RETAILER
2. CUSTOMER CENTRIC BUSINESSES
3. EXPANDED GLOBAL REACH

IMPROVE OPERATING *margins*

4. STRUCTURALLY LOWER COSTS
5. HIGH PERFORMANCE CULTURE

DISCIPLINED INVESTMENT *choices*

6. ACCELERATING STORE ROTATION
7. MODERNISED SUPPLY CHAIN
8. DATA, DIGITAL AND TECHNOLOGY

DRIVE SHAREHOLDER *returns*

9. DISCIPLINED CAPITAL ALLOCATION

Read more on our Strategic Progress on pages 12 to 27.

OUR MARKETS

How M&S is responding to the external environment

FOCUS ON VALUE

76%

of consumers are still concerned about the cost-of-living crisis

Source: M&S Family Matters Index

WHAT'S THE TREND?

- While there are early signs that cost-of-living pressures are easing, it is still very much front of mind for customers. In response to our Family Matters Index, 76% of customers told us that they were still concerned about the cost-of-living crisis.
- That concern means there is a continued focus on value. Our Family Matters Index also found that almost half (47%) of customers see value as the most important consideration when deciding where to shop.
- But customers want to make sure they are getting the best quality for the best price. 96% of the M&S Collective – a community of 40,000 M&S Food customers – told us that getting "good value from the products I choose" is more important than choosing the "cheapest products available".

HOW IS M&S RESPONDING?

- M&S is committed to investing in trusted value and reducing promotions as part of our right price first time promise to customers.
- In Food, prices were lowered on more than 40 "Remarksable" products – our range of everyday grocery staples – with prices "Dropped and Locked" on a further 90 lines. These price adjustments have been met with a positive response from customers, with Remarksable sales up 34%.
- In Clothing & Home, our "Value You Can Trust" campaign, which puts a spotlight on our quality point of difference, returned for a second year in January. The campaign highlights M&S' commitment to great value which means creating clothes that are great cost per wear, hand-me-down quality, and give customers the confidence that it will fit and wash well.
- We also committed to holding the price on school uniform – an essential for millions of households across the country – for the third-year in a row. Every item of school uniform we sell is designed to be durable and pass the "hand-me-down" quality test.
- Our colleagues are customers too and we want to make sure they are incentivised to shop at M&S. This year, our industry-leading 20% colleague discount was extended to all branded products across Clothing & Home and Food, both online and instore.

HEALTHIER LIFESTYLES

4 in 5

people are actively taking steps to be healthier

Source: M&S Plate of the Nation report

WHAT'S THE TREND?

- Health is high on the agenda for customers. Our latest Family Matters Index shows that customer focus on healthy eating is a growing priority, with half of consumers planning to eat more healthily in 2024.
- The definition of "healthy" is also evolving for customers, with four out of five of the Collective telling us that they have altered their diet to improve certain aspects of their health. Trends such as high protein and gut health are influencing food choices, with almost three quarters of the Collective telling us that they have made changes to their diet to improve their gut health.
- There has also been a long-term increase in people being more active. Two million more adults are getting active on a regular basis through sport and physical activity than in 2016 (source: Sport England Active Lives Adult Survey report). This year, searches for "sportswear" on M&S.com increased 143% year-on-year.

HOW IS M&S RESPONDING?

- Our vision is to make it easier for customers to make healthier choices, in whatever way is relevant to them and their families. Through our health strategy, we are developing innovative product ranges, investing in our marketing to inspire healthier food choices and prioritising health through value mechanisms including fresh market specials and "Remarksable" offers.
- To ensure we offer healthier and affordable options for our customers, we continue to meet our commitment for at least a third of our Remarksable Value products to have the Eat Well seal, which is only given to products which meet evidence-based criteria developed by our nutritionists.
- We have launched two new sub-brand food ranges called High Protein and Good Gut. Each range meets strict nutritional criteria and prominent health claims. Over 50 new food products have been created within these ranges, and we have redeveloped a further 20 existing food products to match.
- In January 2024, M&S launched a world-first collaboration with nutrition-science company ZOE, introducing the M&S x ZOE kefir-based shot, which quickly became our top-selling line in drinks. The shot was co-created with ZOE and its co-founder Professor Tim Spector, combining our expertise in product development and trusted quality with 30 years of ZOE's scientific research.
- In Clothing & Home, M&S welcomed a host of new sportswear brands to "The Sports Edit on M&S" platform this year, including adidas and Sweaty Betty. Since "The Sports Edit on M&S.com" launched in February 2023, M&S has continued to grow market share and build credibility in sportswear, catering to a range of customer needs, from specialist performance footwear to athleisure.

SHIFTING SHOPPING BEHAVIOURS

2 in 3

shoppers now say they prefer to shop both in-store and online

Source: Bazaar Voice, The State of Omni-channel Retail report

WHAT'S THE TREND?

- The shift towards omni-channel has irreversibly changed the way we shop, and customers now expect to be able to shop with their favourite retailers however and whenever they like.
- Two-thirds of shoppers now say they prefer to shop both in-store and online with that number rising to almost three out of four for customers aged 35-44 (source: Bazaar Voice, The State of Omnichannel Retail report). 62% of non-food shopping journeys now start online (source: Retail Economics Top of Mind and Outlook for UK Retail).

HOW IS M&S RESPONDING?

- As M&S continues its transformation, there has been significant investment in creating more personalised customer experiences. We know that customers who shop with M&S through both the online and store channels spend significantly more than single channel customers, so we want to make sure they have the best possible experience both in our stores and online.
- This year, we continued the roll-out of our digital Click & Collect proposition for our Clothing & Home business, with customers now able to use the service in 95% of our stores. A greater focus on efficiency has also reduced the amount of time customers have to wait for their orders, with 75% of our customers this year being able to collect their order in 90 seconds.
- Ocado Retail is a key channel to bring together the strength of M&S' brand and our leading food quality and product development, with Ocado's proprietary technology and award-winning service to create an unrivalled online grocery offer for customers. Over the past 12 months, the M&S range on Ocado has grown by over 1,000 lines, increasing the live addressable range from 69% to over 86% and meaning that Ocado shoppers are now able to shop more M&S products than ever before.
- We also signed an agreement with HSBC to bring together rewards, Sparks, digital payments and credit to create an easier to access and more personalised in-app experience for customers where they can shop, pay, earn and redeem rewards all in one place.

SUSTAINABLE LIVING

1 in 5

people find it difficult to live sustainably

Source: M&S Family Matters Index

WHAT'S THE TREND?

- While there are continued concerns about the cost-of-living, customers still see trying to live more sustainably as important. Over a third of customers told us through our recent Family Matters Index that they would happily pay more for sustainably produced products.
- Outside of purchasing behaviours, customers are also taking other actions to try and live in a more environmentally friendly way, from reducing both household and food waste to trying to recycle as much as possible.
- Our quarterly ESG Reputation Tracker has shown that animal welfare, sustainable sourcing and reducing waste are the most important issues for customers.

HOW IS M&S RESPONDING?

- As a product-led business, we go to great lengths to source and make our products with care, to the highest standards. This approach is at the heart of how we deliver exceptional product and uphold our trusted brand.
- Our choice of fibres and how they are sourced are important and within our total Clothing & Home product footprint, the sourcing of raw materials contributes 32% of these emissions. This year we made progress, moving from 68% to 76% for responsibly sourced fibres.
- Our Farming with Nature programme supports the uptake of nature-friendly farming practices. In the 2023 WWF Basket Report, M&S was the only retailer to score 100% against the robust environmental schemes metric for our Farming with Nature standards, and three years into the programme, we are making good progress, with our growers now having set aside 8% of their land to wildlife.
- M&S leads the industry in animal welfare standards. This year, we have maintained our commitment for all fresh chicken to be higher-welfare, slower-reared, British and RSPCA Assured. We are also the only UK retailer to have converted our entire fresh offer to meet the Better Chicken Commitment, and always pay our dairy farmers a fair price, based on our longstanding M&S Milk Pledge.
- In June, we launched our Beauty Takeback Scheme, in partnership with beauty recycling experts, HANDLE. The scheme enables hard to recycle beauty packaging materials and components that commonly end up in landfill to be recycled and turned into new packaging and products. Customers can now drop their used beauty packaging into dedicated boxes located in a number of our store's beauty sections.

The M&S Collective is a community of c.40,000 of our top and core M&S Food Customers. These are our M&S super fans, they are very engaged and eager to get involved with all things M&S. The Collective is a tool in which we can provide quick turnaround research, with a variety of different research tools at our disposal.

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 M&S quarterly ESG Reputation Tracker surveys 20,000 consumers to understand their views of ESG trends and their perceptions of retailers in response to those trends. The insights are collated by Portland, an independent research consultancy.

OUR BUSINESS MODEL AND STAKEHOLDER ENGAGEMENT

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?

EXCEPTIONAL OWN-BRAND PRODUCT
M&S offers exceptional quality product, at value customers can trust. Innovation is at the heart of the design and development of products. These are sourced with care, through longstanding trusted supplier partners, with market leading animal welfare standards, ethical trading programmes and a sustainable approach to raw materials.

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 that is trusted to do the right thing by our colleagues, customers and the communities we serve.

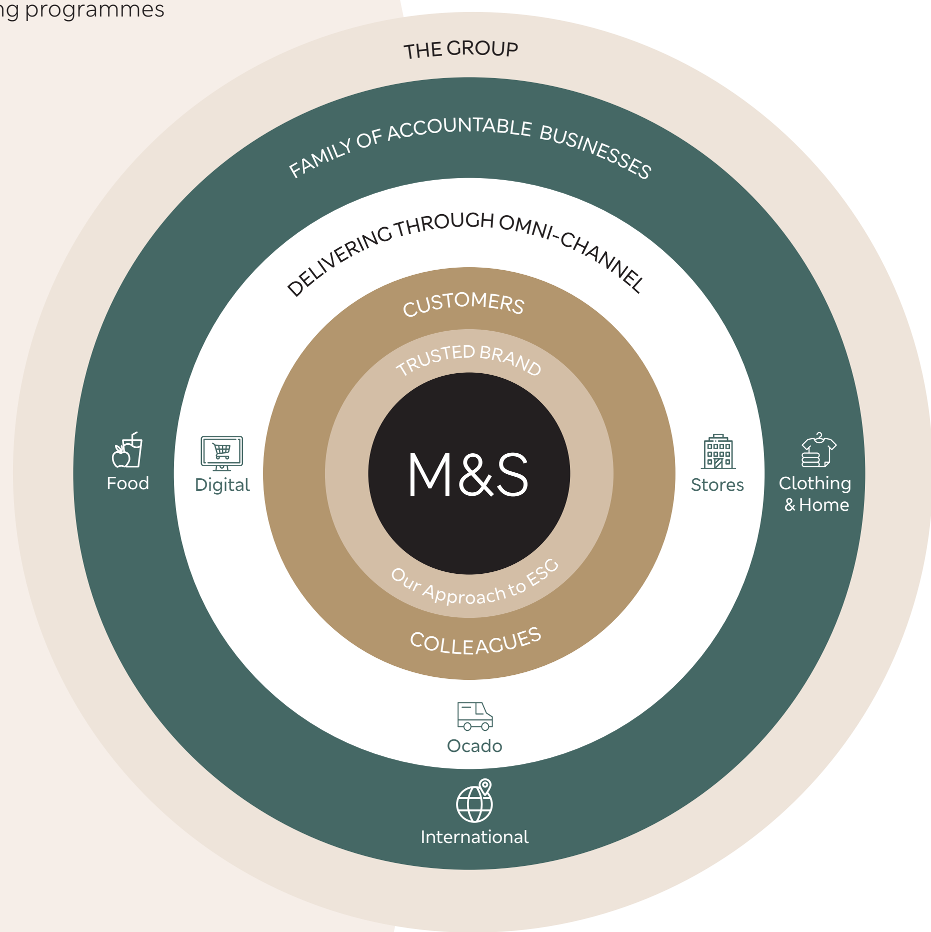
CLOSER TO CUSTOMERS
Continuously listening to the 32 million customers M&S serves every year to improve our products and deliver brilliant service. A company-wide culture that puts colleagues closer to customers to ask questions and drive change.

CLOSER TO COLLEAGUES
M&S' 64,000 colleagues all have a role to play in reshaping M&S and delivering for our customers. They bring extraordinary passion for the business and extensive technical expertise in areas such as sourcing, design and product development.

OMNI-CHANNEL ADVANTAGE
M&S has a network of 1,058 UK-owned and franchise stores, connected to the digital shopping experience, including our Clothing & Home website and app, to make it easier for customers to shop in the way they want. M&S has a 50% investment in Ocado Retail and a presence in 71 international markets.

Read more about our Strategic Progress on **pages 12 to 27**.

CREATING VALUE FOR ALL STAKEHOLDERS
1. Customers
2. Colleagues
3. Shareholders
4. Suppliers
5. Partners
6. Communities



OUR APPROACH TO ESG
Read more about our approach to ESG in our ESG Report **marksandspencer.com/ESGreport2024**

1 CUSTOMERS

WHY THEY ARE IMPORTANT
Maintaining and growing customer loyalty ensures the continued 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.

WHAT WE HEARD AND HOW WE RESPONDED
Customer immersion sessions
Throughout the year, we held customer immersion sessions at our Support Centre on a range of topics including our "Dine in Tonight" customer mission. Customers told us one of their weekly struggles was deciding what their Monday to Thursday dinner was going to be, and how to keep it interesting and varied. We therefore recently launched our £10 Cook Menu Dine In, made up of 23 mains and 16 sides to choose from, adding the variety back into midweek dinners and elevating the everyday for our customers.

Menswear deep-dive session
In summer 2023, we hosted deep-dive sessions with customers to better understand their views on our Menswear. The insights gained are shaping the strategy for the category moving forward and will continue to inform the way we grow our Menswear range, building on our style credentials to appeal to our target demographic.

The Collective
This year, we conducted over 200 surveys via our online community of 40,000 engaged Food customers ("The Collective") on a wide range of topics. These surveys typically help us to better understand our customers preferences in areas such as product development, category transformation, packaging and sustainability. 97% of customers told us receiving good value from the products they choose was important to them. In response, as part of our trusted value promise, we invested in and locked the prices of over 200 Food products. Given the growing interest from customers around gut health, this year we launched our M&S Food x ZOE Gut Shot, in partnership with nutrition-science company ZOE.

Read more about The Collective on **page 6**.

40,000
Food customers in The Collective

2 COLLEAGUES

WHY THEY ARE IMPORTANT
Reshaping M&S for growth requires a high-performance culture where everyone is accountable for delivering performance and driving change. We are committed to making M&S a great place to work, where everyone has a voice, can be themselves and be their best.

WHAT WE HEARD AND HOW WE RESPONDED
Closer to Customers programme
To ensure Support Centre colleagues can directly hear from our customers and retail colleagues, we have enhanced our Closer to Customers programme. These colleagues now spend seven days in store each year, four of them in the lead up to Christmas, which is our busiest time. This year, Support Centre colleagues spent 103,000 hours helping our stores and customers over the festive period, and our retail colleagues told us they were a real support.

Neonatal and enhanced family leave policies
After one of our store colleagues shared her own personal story during a Closer to Customer day, in May 2023 we introduced a new Neonatal Leave policy providing up to 12 weeks of additional leave for any M&S colleague whose baby requires specialist neonatal care. We received positive feedback through our Business Involvement Group and colleague networks that this improvement to colleague benefits was especially meaningful. As a result, we have worked closely with them to develop our enhanced family leave policies, so from 1 April 2024 new parents can spend more time on leave with full pay. Read more on page 40.

Colleague briefings
Through face-to-face briefings and surveys, colleagues told us that pay and benefits continue to be a priority, especially for our retail colleagues. To recognise the vital role of our store colleagues, in February 2024 we announced a record £89m investment in retail pay, raising the hourly rate to at least £12 per hour in line with the Real Living Wage.

ShareSave scheme
This year over 9,200 colleagues, the majority being customer service assistants, benefitted from the vesting of our 2020 ShareSave scheme. A number of colleagues shared how they were unsure on the options available to them on maturity, so we partnered with Wealth at Work who provided financial education sessions, helping everyone understand their shareholding options and any potential tax implications. Many of them have told us this was key to realising the benefit of the scheme.

Straight to Stuart
Through our colleague suggestion scheme, "Straight to Stuart", almost 4,000 colleagues shared ideas for ways to improve our business. This year, 120 suggestions have already been implemented, including development of a range of no/low alcohol cocktail cans. The new lines, including the M&S Low Alcohol Lime Mojito and M&S Low Alcohol Golden Spiced & Cola, launched in June and have proven a big hit with customers.

Read more on **colleague engagement in our People and Culture section on pages 38 to 41**.

68m
Shares issued to colleagues in 2020 ShareSave scheme

OUR BUSINESS MODEL AND STAKEHOLDER ENGAGEMENT CONTINUED

3 SHAREHOLDERS

WHY THEY ARE IMPORTANT

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 us to make decisions informed by their views.

WHAT WE HEARD AND HOW WE RESPONDED

Interactive Investor pilot scheme

We regularly hear from our private shareholders who hold via a nominee, that they find it difficult to join our Annual General Meetings ("AGM"). In June 2023, we partnered with Interactive Investor on a pilot scheme allowing M&S shareholders on their platform to engage and participate at our AGM with their own unique link. We also offered nominee shareholders the opportunity to join our private shareholder panel so they can engage with us directly.

Private shareholder panel

This year, we reset our private shareholder panel, making meetings more frequent, interactive, and digitally-enabled. To give our private shareholder panel the opportunity to deepen their understanding of M&S, we provided strategic updates on our different business areas. In November, the panel heard from CEO Stuart Machin who updated them after half-year results, and in March 2024 our Managing Director of Food, Alex Freudmann hosted a panel session focused on our Food business, sharing thoughts on innovation, value and quality. Panel members gave positive feedback, sharing how they found the sessions interesting and informative. Their product suggestions were shared with the Food leadership team following the meeting.

AGM

Following the 2023 AGM, a small number of our private shareholders told us they would appreciate being able to attend our AGMs in-person. While this year's meeting will remain digital in line with our digital-first approach which has driven high engagement in recent years, if a shareholder wishes to attend in person, there will be seats available at our Support Centre. These will be allocated on a first-come first-served basis. Shareholders are requested to register their intention to attend in advance, to help us manage capacity on the day. More details can be found in the Notice of Meeting on pages 202 to 213.

Engagement with institutional funds

During the year, members of our Board and Investor Relations team met over 160 institutional funds, engaging with investors who we estimate represent close to 40% of our issued share capital. The resumption of a dividend was amongst the topics discussed, with some institutions telling us that long-term growth is their top priority. Having strengthened our balance sheet and reduced our net debt in the first half of 2023/24, an interim dividend of 1p per share was paid in January 2024, and the Board is recommending a final dividend of 2p per share, subject to shareholder approval at the AGM. Read more on page 82.

Capital Markets Day

Institutional shareholders have continued to tell us they are interested in our transformation and how investment in our strategic priorities will deliver value and long-term sustainable growth. In November 2023, we held a Capital Markets Day with shareholders, led by the CEO, Co-CEO, CFO and key M&S leaders, to provide more insight on strategic progress to date and priorities moving forward.

163

Institutional investors engaged

4 SUPPLIERS

WHY THEY ARE IMPORTANT

Long-term partnerships with M&S allow suppliers to create great products, build volume at equitable prices and give them confidence to invest in sustainable solutions and innovation. Our trusted partnerships with suppliers allow us to deliver the most exciting innovation, highest quality products in the most sustainable way, to drive our vision and the magic of M&S forward.

WHAT WE HEARD AND HOW WE RESPONDED

Food supplier listening groups

We held listening groups and subsequent briefings with our Food suppliers. Key issues were raised around ways of working and forecasting demand. To tackle these, we are developing a new process for setting out our growth targets, and implementing a new system to improve forecasting accuracy for our supply chain.

C&H Supplier Summit

We invited suppliers to our C&H Supplier Summit in September 2023, our first since 2007. This was a three-day event with 30 international suppliers in attendance where we shared our ambitions to accelerate growth. Feedback highlighted the need to simplify our decision-making and use supplier expertise to solve issues such as traceability. In response to the sessions, we will be initiating mini-projects with our supplier base to share industry knowledge.

Mill Weeks

To build a more engaged relationship with our Tier 2 C&H Suppliers, we ran "Mill Weeks" in July 2023 and February 2024. Our fabric mill suppliers (responsible for knitting and weaving our fabric) were invited to our Support Centre to meet senior leaders and our internal buying and design teams. In the sessions, suppliers presented their latest textile innovations which are now feeding into the development of new garments. We also shared our ambitions for a traceable supply chain by inviting our traceability tool provider to demonstrate their technology; the aim being to support our ethical and sustainability journey.

Sri Lanka visit

In February 2024, our CEO, Managing Director of Clothing & Home ("C&H") and Director of Sourcing travelled to Sri Lanka to visit longstanding C&H suppliers, touring the manufacturing facilities and fabric mills. Developments in product, innovation and sustainability were discussed, as well as the need to maintain a two-way trusted relationship. Showing us the everyday operation of the facilities, as well as sharing fresh ideas, has strengthened our relationships and positions us to work together on future innovations.

30

International suppliers attended our C&H Summit

5 PARTNERS

WHY THEY ARE IMPORTANT

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 own-brand product.

WHAT WE HEARD AND HOW WE RESPONDED

Voice of the Partner survey

We launched an independent "Voice of the Partner" survey for our International franchise businesses which allows us to measure "partner NPS" and understand franchise colleague feedback. Key themes raised included a desire for better visibility of M&S processes and assortments for local markets. As a result, we have increased engagement through a combination of market visits, in-person events with product teams, and implementation of a multi-drop process to ease product intake and supply chain pressures.

International Business Boards

Following Voice of the Partner feedback around closer collaboration, we now periodically invite our franchise partners to our International Business Board meetings. This allows in-depth discussion and more frequent engagement between senior leaders.

Convenience Partner Conference

This year for the first time we held a Convenience Partner Conference to share our strategic direction and receive feedback from our convenience franchise partners. We used this opportunity to share many of the initiatives we are launching within our company owned estate to help our partners, grow our joint profitability and deliver consistency across our estate.

Partnership Working

We hold quarterly steering groups with our Partners and the M&S Channels Leadership teams, focused on our medium-term strategy, growth plans and risks and opportunities. We also hold monthly growth meetings that focus on the delivery of our in-year Joint Business Plan. Growth meetings also focus on Retail Standards and the delivery of our Retail KPIs.

Third-party brands – Nobody's Child

In 2021, M&S acquired a 27% stake in Nobody's Child. In May 2023, we announced fresh funding at a pivotal trading period to support the eco-conscious fashion brand's growth. For the Spring/Summer collection, we also trialled a pop-up shop concept in 30 M&S stores and saw over 86,000 M&S customers shop the brand. Nobody's Child is one of the most-loved brands at M&S and we continue to explore ways to further develop the partnership.

16

Global franchise partners

6 COMMUNITIES

WHY THEY ARE IMPORTANT

M&S makes a difference to the causes that matter to our customers and colleagues. Our continued Community acceptance and mutual respect ensures we are a force for good for the people in the places we impact. This includes the wider environment, where considerate use of resources contributes towards our long-term sustainability.

WHAT WE HEARD AND HOW WE RESPONDED

Headline charity partnership – YoungMinds

This year, we reset our Community Strategy. Through the process of identifying our headline charity partner, customers and colleagues told us their number-one priority is the mental health of their family. In October, we launched our new headline charity partnership with YoungMinds, the UK's leading mental health charity for young people. Our partnership goal is to raise £5m over three years, enabling YoungMinds to support seven million young people in managing their mental health. More information on our partnership can be found on our website.

Go to **corporate.marksandspencer.com/media/marksandspencer-youngminds**

M&S Archive

The M&S Archive welcomed record numbers of visitors to the newly redeveloped exhibition in Leeds showcasing the M&S story which, in response to visitor feedback and community consultation, now includes more interactive features. New sessions and resources, developed in consultation with teachers and learners of all ages, were added to the Archive's learning and community programmes. Over 1,150 school pupils took part in workshops at the Archive this year, with free digital resources also available to be downloaded by teachers and home educators on the Archive website, focused on M&S case studies to learn about sustainability, design and innovation.

ESG reputation tracker

This year, for the first time we ran a quarterly reputation tracker surveying 20,000 consumers on their views on ESG and perceptions of how well retailers are tackling ESG issues. With a year's worth of insight, we now have a much clearer picture of what customers care most about when it comes to ESG, including animal welfare and responsible sourcing.

Read more about the ESG reputation tracker on **page 7**.

1,150

School pupils participated in the Archive's outreach workshops

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 interests of all M&S stakeholders, while preserving M&S' reputation and ensuring our long-term sustainability.

Our complete s.172 Statement: **pages 80-82**.

STRATEGIC PROGRESS

RESHAPING FOR GROWTH

Over the past two years, the strategy of reshaping M&S has delivered growth in sales, market share, margins, return on capital and free cash flow. The programme is in its early stages with substantial scope for further operational efficiency and sustainable growth and we are laser-focused on the continued execution of the plan which we set out at the Capital Markets Day in 2022.

CREATING EXCEPTIONAL PRODUCTS

Our vision is to be the UK's most trusted retailer, with exceptional quality products at the heart of everything we do. The M&S Food model is focused on a tightly edited range and concentrated supply base, consistently innovating and improving products, whilst investing in trusted value. As we evolve the range and open larger renewal format stores, customer appeal is broadening to family shoppers. Clothing & Home's transition to a new trading model includes buying more deeply into core lines, translating fashion trends into greater newness and concentrating supply with strategic partners and a faster supply chain. This is resulting in improved perceptions in style, quality and value, and reduced promotion and markdown. Market share increased to 10.0% (from 9.6%) in Clothing and 3.7% (from 3.55%) in Food in the 52 weeks ending March 2024. There are substantial opportunities for growth to achieve our ambition of a 1% market share increase in both businesses between FY23 and FY28.

RESHAPING THE CHANNELS OF GROWTH

A more productive store estate is critical to long term growth as performance is constrained by legacy stores that are more expensive to operate and do not demonstrate the M&S brand of today. Rotation towards a target estate of 180 full line and 420 Food stores provides significant opportunity to invest and grow in the years ahead. New and renewed stores are attracting new customers and returns on investment have been strong. Investment is planned to increase as attractive new sites are secured, and as renewal performance continues to be robust.

Our long-term objective for M&S.com's share of Clothing & Home sales is to grow towards 50%, having increased from 22% five years ago. Online growth has increased, supported by better product and more effective marketing. Despite this, profitability is not yet market leading despite our scale advantage. There is much more to do to develop the online and M&S App experience and customer engagement , whilst growing partner brands. All of this will help retain customers within our M&S eco-system.

Image: M&S Liverpool One Foodhall

STRATEGIC PROGRESS CONTINUED

RESHAPING FOR GROWTH CONTINUED

Results for Ocado Retail are reported by the Ocado Group, and are not consolidated in these accounts. We believe the Ocado Retail model of automated fulfilment powered by Ocado technology, and M&S product, could be the most competitive model for online grocery sales in the UK. M&S Food has worked closely with Ocado Retail to reset the business and we are now seeing encouraging active customer and sales growth, although profitability is well below the original business plan and expectations. There is enormous opportunity to improve trust in value, website experience, logistics, and supply chain, which will be the focus for the next two to three years.

The transformation in our International business has not made as much progress as our UK businesses, so it is now undergoing a reset. Over time, we plan to leverage our UK business and trusted brand to increase global reach through capital light partnerships and a multi-platform online business.

INCREASING EFFICIENCY OF OPERATIONS

In Food, the integration of the Gist acquisition has generated strong returns and provides the foundation for a ten-year programme to invest in, and modernise, the supply chain.

The Clothing & Home supply chain is now more focused with fewer, more strategic suppliers having also rationalised the number of distribution centres in the UK. There is lots to do to reduce costs, improve stock flow and drive availability with plans to modernise our merchandise and range management technology.

With the evolution towards an omni-channel and personalised customer experience, a more effective digital and technology infrastructure is a critical enabling step and progress to date has been slower than planned. With new leadership soon to be in place, we expect to accelerate change and increase investment in core technology infrastructure, including an upgrade in SAP starting this year.

Overall, these operational improvements mean there is substantial further scope for structural cost reduction. With continuing cost headwinds, notably from investment in colleague pay, the structural cost programme is critical to our profit progression. The £180m delivered to date has supported a 0.8% pt. reduction in UK operating costs as a percent of sales. We are increasing the objective for cost reduction from £400m to £500m, to be delivered by 2027/28. This will support continued delivery of our target operating margins of over 4% in Food and over 10% in Clothing & Home, as well as further investment in quality and value.

GENERATING CASH FOR INVESTMENT AND SHAREHOLDER RETURNS.

Our financial goals prioritise operating cash flow generation and a strong balance sheet to provide the capacity for investment in growth and structural cost reduction. Free cash flow has increased and we have net funds excluding lease liabilities at the year end. The returns we are delivering on recent investments have been in excess of our cost of capital and the minimum hurdle rates set out at the last Capital Markets Day. The business now has the capacity to increase capital allocated to the rotation and renewal of stores, to invest in the Food and Clothing & Home supply chains and in improved digital and online capability.

The stronger financial position and performance also provides the opportunity to restore dividend payments at a sustainable level, with a proposed final dividend of 2p resulting in a full year dividend of 3p for 2023/24.

Image: M&S Liverpool One

STRATEGIC PROGRESS CONTINUED

FOOD, INVESTING IN INNOVATION AND VALUE, ATTRACTING FAMILY SHOPPERS

M&S Food is gaining new customers and broadening its appeal. Our objective is to grow volume and market share by investing in value, quality, and innovation, growing through new space, store rotation and renewal, and investing in the supply chain to improve availability and efficiency.

STRATEGIC KPI'S: FOOD

Market share of M&S sales in stores increased to	Value NPS	Quality NPS
3.7%	**+2%**	**+69%**
22/23: 3.6%	22/23: -3%	22/23: +66%

LONG TERM CHANGES, IMPROVING THE GROWTH POTENTIAL OF FOOD INCLUDE:

- Investing in trusted value, with promotions reducing to 12% sales versus 26% in 2017/18.
- Upgrading and innovating one third of the range each year, driving volume lines and development in health.
- Developing bigger, 'fresh market' style stores in the renewal format offering a broader range, and improved customer experience, increasingly catering to family shoppers.
- Increasing the share of larger baskets by a quarter since 2019/20.

MARKET LEADING VOLUME GROWTH IN 2023/24

In 2023/24, Food sales grew 13.0% with LFL sales up 11.3%. As a result of sales and volume growth, the benefits of sourcing and structural cost reduction and the acquisition of Gist, adjusted operating profit increased to £395.3m (4.8% margin) from £248.0m (3.4% margin) last year.

- Prices were lowered on more of our 'Remarksable Value' products, with over half of the range in M&S' healthier 'Eat Well' range. Remarksable sales grew 34%. We also 'Dropped and Locked' prices on a further 90 lines, building customer trust in M&S value for money in an increasingly promotional market.
- 1,300 new lines were launched, including category resets in basket building products such as biscuits and hot beverages, and product development in high protein and gut health. We also upgraded the quality of more than 1,000 customer favourites.
- With the price of eating out increasing, the 'Dine-In' offer, which provides an 'always on' restaurant quality alternative, saw sales growth of over 40%.
- Market share of M&S sales in stores increased to 3.7% (from 3.6% in 2022/23) driven by growth in volume, larger baskets and across all demographics. Once M&S on Ocado is included, market share increases to 4.2% (from 4.0% in 2022/23).
- Customer perceptions of value, quality and sustainability all improved.

Image: M&S Food Ambassador Tom Kerridge visiting one of our Oakham Gold slower-reared, higher-welfare, RSPCA assured chicken farmers.

STRATEGIC PROGRESS CONTINUED

FOOD, INVESTING IN INNOVATION AND VALUE, ATTRACTING FAMILY SHOPPERS

In 2024/25, further value investment is planned, with a focus on driving volume growth further, together with renewing and developing key product ranges such as the recent 'Cook' menu, 'Dine-In' launch and further investment in quality.

STORE RENEWAL AND EXPANSION CONTINUES TO PLAN
Six new Foodhalls were opened as part of full line store rotations, and we opened eight standalone Food stores. New Simply Food stores averaged c.13,000 sq. ft compared with a current average of c.8,000 sq. ft, enabling the ranging of a fuller catalogue, illustrating the growth opportunity for the business.

- Eight Food stores were also renewed, bringing the total to 104, with renewal store sales performing ahead of plan.
- Renewals that opened in 2022/23 saw sales increase by a further 14% in 2023/24, with healthy customer metrics for frequency and basket size.

LEADING *Innovation* WITH THE M&S FOOD X ZOE GUT SHOT

Awareness of gut health is continuing to grow, and customers are on the hunt for products that support better digestive function. In January, searches for 'gut health' were up 247% on Ocado.com compared to 2021 and gut health was named as a top food trend by Kantar in 2023.

In response to growing demand, M&S leveraged expertise in product development, quality and innovation, to embark on a collaboration with leading nutrition-science company ZOE – the company's first retail partnership.

The result of this year-long product development journey was the launch of the M&S Food x ZOE Gut Shot which is packed with over five billion live cultures from 14 strains of friendly bacteria, high in fibre and a source of calcium.

The revolutionary new product, which combines the best of science, taste and innovation to offer customers a convenient way to improve their gut health, is proving a hit with customers, with 1.1m gut shots sold in the three months from launch.

1.1m
gut shots sold in the three months from launch

- The ten 'full' Food renewals opened since 2019 with annualised trading are expected to pay back the capital invested in four years.
- This year, we expect to open nine new Food locations and to accelerate investment in renewal, completing around 25 schemes, strengthening the pipeline of openings.

GOOD PROGRESS ON THE FOOD 'BACKBONE' PROGRAMME
The Food supply chain programme is driving a series of changes to create a more modern cost competitive flow of product from field or factory through to checkout. This will drive availability and reduce waste and costs to distribute whilst creating a more sustainable operation.

- Long term supplier commitments and joint efficiency plans delivered cost of goods savings enabling investment in value and quality, with further progress planned this year.
- The Gist acquisition has delivered logistics savings which were greater than expected and a rapid pay back on invested capital, largely through integrated management. Despite this, the network is old and a high cost to serve. This year will see the first steps in new capacity investment as we develop the longer-term network plan.
- The roll out of a new forecasting and ordering system reached c.50% of lines with availability increasing without increasing waste, although there is substantial scope for improvement. In 2024/25 we expect to complete roll out to all categories. Alongside this, we are working on a more consistent approach to space and range changes.
- A new retail operations programme 'One Best Way' was trialled in the year, succeeding the former 'Operation Vangarde', and started to deliver further availability and productivity benefits.
- Over 100m pieces of plastic packaging have been removed, including through the introduction of first-to-market fully recyclable takeaway cups. £1m is being invested to reduce carbon emissions in the creation of our RSPCA Assured milk.

M&S Food is a unique model driven by its focussed own label range, integrated relationships with core suppliers, continuous focus on quality and innovation and its commitment to provide better quality and sustainability, at great value for money. Our confidence in growth is underpinned by the fact that market share is substantially higher than average in some parts of the UK, showing the potential.

CELEBRATING 25 YEARS OF THE M&S *Milk* PLEDGE

At M&S, we are committed to trusted value. That means giving customers confidence in a great everyday price but more importantly, reassuring them that we will never compromise on the quality and standards they expect.

This year, we are celebrating 25 years of our milk pledge. It was introduced as a commitment to pay farmers a transparent and market-leading price, taking into account the costs of production and recognising the hard work and dedication of our farmers to meet our higher welfare, RSPCA Assured standards.

M&S is the only retailer to sell 100% RSPCA Assured milk. Our collaborative and supportive approach ensures our 40 M&S Select dedicated milk pool farmers across the UK have the confidence to invest in their businesses and meet the higher welfare standards we expect.

We were the first retailer to offer 'best before' labelling on fully recyclable milk bottles, following the removal of coloured plastic caps, helping customers to tackle food waste and play their part in a circular economy – two key areas where customers want to make an impact.

100%
RSPCA Assured milk

40
M&S Select dedicated milk pool farmers across the UK

STRATEGIC PROGRESS CONTINUED

CLOTHING & HOME GROWTH REFLECTING THE TRANSITION TO A NEW TRADING MODEL

The improved performance of Clothing & Home is driven by better product, style and quality at everyday great value. This is appealing to a broader customer base, showing the growth potential from improving the product and online shopping experience, and the store environment through renewal.

STRATEGIC KPI'S: CLOTHING & HOME

Market share increased to	Perception for style	Perception for value
10.0%	**29%**	**43%**
22/23: 9.6%	22/23: 25%	22/23: 39%

LONG TERM CHANGES, IMPROVING THE GROWTH POTENTIAL OF CLOTHING & HOME INCLUDE:

- Reducing the long tail of option count, with double digit percentage reduction in womenswear since 2019/20.
- Buying bolder and deeper, growing lines with over £1m of sales by c.50% over the last two years.
- A shift to everyday trusted value, with full price sales mix increasing from 63% to 81% since 2019/20.
- Improving stock flow with stock cover now less than 12 weeks, compared with 18 weeks in 2018/19.
- Increased focus on availability, with more controls on stock flow into the UK and onto stores based on demand.

DELIVERING SALES AND MARKET SHARE GROWTH ACROSS CATEGORIES

In 2023/24, overall Clothing & Home sales grew 5.3% with LFL sales up 5.2%. As a result of improved gross margin supported by full price sales growth and the benefits of the structural cost reduction programme, adjusted operating profit increased to £402.8m (10.3% margin) from £323.8m (8.7% margin) last year. Sales in heartland categories of women's and menswear outperformed, due to improved product style, quality, and value. Particular highlights were:

- Robust performance in core product in categories such as denim/casual bottoms, knitwear, and bras.
- Quality improvement translating into top tier sales growth with men's Autograph sales up over 50%.
- Growth in holiday sales of c.15%, reflecting a return to travel and events.
- Clothing market share increased to 10.0% (from 9.6%), and full price share up to 12.4% (from 11.6%).
- Customer perceptions of style, quality and value all improved further year on year.

Image: Two members of our Clothing & Home product development team in the pattern room at the M&S Store Support Centre.

STRATEGIC PROGRESS CONTINUED

CLOTHING & HOME GROWTH REFLECTING THE NEW TRADING MODEL CONTINUED

We remain laser-focused on the growth opportunities across women's, men's, kidswear, and core Home. As part of this, we are simplifying the bulky 'two-person' delivered furniture operation. This will impact annual online sales by c.£80m but will release space and resources to expand the growing core Home business.

STORE ROTATION GENERATING STRONG RETURNS

Store sales increased 4.1%, with a good performance in shopping centre and retail park stores. We opened six full line stores, which sell both Clothing & Home and Food and closed twelve, of which five were relocations. All replacement stores substantially outperformed the closed stores and exceeded forecast returns:

- Full line openings included the relocation to five former Debenhams stores in Leeds, Manchester, Liverpool, Birmingham and Thurrock and a new store in Purley Way.
- Performance of the relocations to date has been very strong, with the stores attracting new customers and delivering sales growth of c.50% from similar space, as we move to the renewal format in better locations.
- New stores typically require substantially less energy to operate relative to sales and generate a lower carbon footprint, supporting reduction in Scope 1 and 2 emissions.
- Since 2019, £100m of capital has been invested into twelve full line stores, with expected pay back of c.2 years.
- In 2024/25 we anticipate opening up to four new full line stores and are implementing a refreshed renewal format, while progressing asset disposals.
- We continue to seek new sites, to enable us to accelerate store closures and create an estate we are proud of by 2027/28.

THE DESTINATION FOR *Denim*

We are number one in the market for womenswear denim. In fact, one in every five women who bought a pair of jeans in the past year, bought a pair from M&S, and we sold ten pairs every minute.

Over the year, our market share has grown by 4%, driven by the introduction of more fits and trend-led styles, including wide leg, cargo, crease front flare and carrot.

The resurgence of the flare and wide leg trend has led to the fit accounting for 15% of jean sales this year vs 10% in 2022/23. To respond to demand, we broadened our range of wide leg options by 50%, including the on-trend, super wide-leg fit Palazzo Jeans (£45), selling over 10,000 pairs since launching in Q4.

We didn't stop at jeans either. Over the year we elevated our denim collection with shirts, jackets and shackets, as well as denim skirts and shorts which have been a huge hit with customers, with more than 1.7m units sold this year – a 53% increase vs 2022/23.

Not only do we deliver on denim for our customers, but we also make and source it in a way that's good for the planet. The cotton in our denim is 100% responsibly sourced, we use technology to reduce water in production and replace the use of chemicals with laser technology to create different washes.

4%
growth in market share for denim

10
pairs of jeans sold every minute

Winning IN SUMMER

The strategy for last summer's womenswear collection focused on trend-inspired pieces and wardrobe essentials that offer the versatility to be dressed up or down for multiple events, underpinned by great style and exceptional quality, at a great price.

We continued to invest in value, with strong opening price points across summer essentials, including beach dresses from £15, better cotton tees from £6.50 and swimsuits from £15.

By leveraging near-shore supply routes, we were also quicker to respond to emerging trends, like summer knits which were a big hit with customers and thanks to improved supply routes, we were able to respond with 50,000 products sold across crochet dresses, vests and cardigans.

Another standout growth category was swim with sales +21% vs the previous summer. Key styles our customers loved included our tummy control swimsuits, where we sold 350,000 units.

As a result, we restored our number one market share position in womenswear during the summer months for the first time in four years. Our Spring/Summer marketing campaigns also helped increase style perceptions by +7ppts over the period.

21%
increase in sales of swimwear vs 2022/23

+7PPTS
increase in style perceptions of M&S across a two-year period (April 2022- April 2024)

ONLINE GROWTH ACCELERATING

Online sales increased 7.8%. After a slow start, growth accelerated in the second half, as the effectiveness of online marketing started to improve, particularly in womenswear.

- Overall participation in C&H sales increased to 32%.
- The M&S App continued to grow, accounting for 44% of online orders (2022/23: 37%).
- Partner brand sales grew 33%, with new partners added including adidas, Puma, and Sweaty Betty, supporting the growth of average basket value.
- The removal of unprofitable lines, logistics efficiencies and reduced failed deliveries, enabled sales growth to convert to an increased online operating margin of 8.2% (2022/23: 5.0%).

There is substantial opportunity to improve the online and M&S App experience, make further improvements to fulfilment, and invest in systems changes to support delivery of the brands strategy.

PROGRESS ON PHASE ONE OF THE SUPPLY CHAIN 'END TO END' PROGRAMME.

Our ambition is to move from a slow-moving operation with a broad supply base and distribution centre's which store stock, to a group of strategic suppliers with a rationalised network of automated DCs, where full visibility enables us to flow stock more directly to the customer.

- We have begun to consolidate knitwear, denim, and lingerie across fewer suppliers. The number of fabric mills has also reduced as volumes are combined.
- In UK logistics, volumes were consolidated into nine core sites. Investment in omni-channel capability and the increased use of hub stores for returns consolidation delivered cost savings. This year, further investment will be made in boxed storage and hanging goods automation, creating capacity for growth.
- Investment into a new planning, merchandising and range management platform starts this year, to deliver efficiencies in the planning process, in sourcing, and in stock flow.
- Progress on Plan A was made with the use of recycled polyester increasing to c.70%, and 100% of cotton is now responsibly sourced in clothing.

We are at the beginnings of a new Clothing, Home and Beauty business, with a better product and trading model and an improving customer proposition, which is resonating with a broader customer base. There is substantial opportunity and restructuring plans are underway across the product offer, store estate, online experience, and supply chain which offer the potential for sustained growth.

STRATEGIC PROGRESS CONTINUED

INTERNATIONAL RESET TO ADDRESS SLOW GROWTH

The International business' objective is to drive growth by leveraging the UK business and M&S brand through capital light franchise partnerships and a multi-platform online business with global reach. In more recent years, the business has not delivered consistent growth. This year, priorities for International have been reset under new leadership, to provide stronger foundations for long-term growth. We remain committed to the opportunity to expand global reach as outlined at the Capital Markets Day in 2022.

SLOW GROWTH IN PARTNERSHIP MARKETS

International (excluding Republic of Ireland) sales declined 1.0% at constant currency to £719.1m. As a result of weaker sales growth in the second half and action to reduce stock levels, adjusted operating profit declined to £47.7m (6.6% margin) from £67.9m (9.1% margin) last year.

- Retail sales growth was weaker in the second half, declining 3.6% in constant currency against tough comparatives and a softer market backdrop. Action was taken in India to clear overstocks and reduce inventory holdings.
- Online sales were £118.6m in 2023/24, down 10.2% as promotional activity was reduced and changes were made to the delivery proposition to improve profitability.
- Operational investments are focused on reducing delivery times and cost to serve, for instance through a new e-commerce distribution centre in Poland for direct shipment of online orders to the EU from Q4 2024/25.

The business has strong franchise and JV partnerships in high growth markets. The longer-term opportunity is to work with partners to deliver the best of M&S on a global scale, with more choice and more timely flow of new products.

IMPROVED PROFITABILITY IN THE REPUBLIC OF IRELAND

Sales in the Republic of Ireland were encouraging, growing by 2.4% at constant currency to £320.7m.

- Operating profit before adjusting items improved to £27.9m from £16.9m last year.
- Lower supply chain costs in the Food business drove much of the improvement.
- Food has made progress on local sourcing and has successfully expanded its presence through franchising with Applegreen, which now operates ten stores.

From the 2024/25 financial year, the results of the Republic of Ireland will be reported as part of a new UK and Republic of Ireland segment within both Food and Clothing & Home.

Image: The Foodhall in our Riyadh Park Mall store in Saudi Arabia.

STRATEGIC PROGRESS CONTINUED

OCADO RETAIL STARTING TO DELIVER IMPROVED REVENUE GROWTH

Results for Ocado Retail are reported by Ocado Group and are not consolidated in these accounts. M&S accounts for the joint venture as an associate interest.

Our vision for Ocado Retail remains to combine the magic of M&S Food with Ocado's unique and proprietary technology to offer unbeatable choice, compelling service, and reassuringly good value, underpinned by efficient and effective operations.

OCADO RETAIL IS IN THE EARLY STAGES OF DRIVING GROWTH

Revenue increased 11.2% to £2.47bn, and adjusted EBITDA was £26.8m (2022/23: loss £15.1m). While adjusted EBITDA improved, M&S group's share of adjusted loss increased to £37.3m (2022/23: £29.5m) due to higher interest costs on shareholder loan funding and a write off of a deferred tax asset in the current year.

The rate of revenue growth accelerated during the year, driven by increased choice of M&S products, and improved value for money and service as part of the Ocado Retail 'Perfect Execution' programme. This has been reflected in a sharp improvement in net promoter scores. Despite this, profitability is well below original expectations and there is considerable scope to leverage our combined capabilities in sourcing and marketing, and to develop Ocado's delivery service and online experience.

INCREASED CHOICE, AVAILABILITY, AND VALUE

- 4,800 M&S Food products were available on Ocado.com by year end, a 20% increase on last year. Availability has improved considerably, although there is further opportunity on the most important lines and at key event periods.
- Ocado's price inflation was less than the market, driven by improved value for money on M&S products, as well as reductions under the Big Price Drop campaign. As a result of greater choice and improved value, sales of M&S products grew 15% in Q4 and represented 30% of basket items.

DEVELOPING MORE EFFECTIVE AND EFFICIENT OPERATIONS

- The new Luton Customer Fulfilment Centre opened in September 2023 and delivered a rapid ramp up in operations as business transferred from less productive capacity at Hatfield, with the new site also providing a test bed for on-grid robotic picking. With capacity fees for Hatfield continuing to be charged by Ocado Group, we do not currently expect Ocado Retail to reap the full financial benefit of transferring to the new site.
- Ocado Retail still operates on legacy technology for its website, last mile delivery and supply chain systems. It will be migrating to Ocado Technology's much delayed 'Ocado Smart Platform' solution over the course of the next 18 months, which is anticipated to offer customers increased convenience and greater personalisation, as well as long-term operational efficiencies for the business.

Although the financial performance of Ocado Retail remains disappointing, the revenue improvement this year under the new management team has been marked. In a world where several operators have exited the online food delivery market, the potential competitive advantages of the M&S/Ocado combination are increasingly evident.

Image: The Ocado retail team delivering M&S products to a customer.

OUR KEY PERFORMANCE INDICATORS

FINANCIALS

GROUP REVENUE

£13.0bn 22/23: +9.3%

23/24	**13.0**
22/23	11.9
21/22	10.9
20/21	9.0

Group statutory revenue was £13.0bn, an increase of 9.3% vs 2022/23. This was driven by Clothing & Home sales up 5.3% and Food sales up 13.0%.

ADJUSTED RETURN ON CAPITAL EMPLOYED (ADJUSTED ROCE)

14.1% 22/23: +3.5% pts APM

23/24	**14.1**
22/23	10.6
21/22	12.2
20/21	3.8

A focus on operational cashflow generation combined with a disciplined approach to capital allocation has driven improved return on capital employed and substantial deleveraging.

GROUP PROFIT BEFORE TAX AND ADJUSTING ITEMS

£716.4m 22/23: +58.0% APM

23/24	**716.4**
22/23	453.3
21/22	509.7
20/21	3.1

Group profit before tax and adjusting items was £716.4m, up 58% vs 2022/23.

GROUP PROFIT BEFORE TAX

£672.5m 22/23: +41.4%

23/24	**672.5**
22/23	475.7
21/22	391.7
20/21	(201.2)

Group profit before tax was £672.5m, up 41.4% on 2022/23.

ADJUSTED BASIC EARNINGS PER SHARE (EPS)

24.6p 22/23: + 45.6% APM

23/24	**24.6**
22/23	16.9
21/22	16.2
20/21	(0.1)

Adjusted basic earnings per share was 24.6p due to higher adjusted profit year on year.

BASIC EARNINGS PER SHARE

21.9p 22/23: + 18.4%

23/24	**21.9**
22/23	18.5
21/22	10.7
20/21	(9.7)

Basic earnings per share was 21.9p (2022/23: 18.5p).

DIVIDEND PER SHARE

3.0p

23/24	**3.0**
22/23	0.0
21/22	0.0
20/21	0.0

The stronger financial position and performance also provides the opportunity to restore dividend payments at a sustainable level, with a proposed final dividend of 2.0p, resulting in a full year dividend of 3.0p for 2023/24.

FREE CASH FLOW FROM OPERATIONS

£413.7m 22/23: + 142.8% APM

23/24	**413.7**
22/23	170.4
21/22	739.6
20/21	273.7

In 2023/24, M&S generated free cash flow of £413.7m, compared with £170.4m last year, as a result of increased profits and supported by working capital inflows due to the timing of payments over year end, including the effects of Easter.

APM Read more about our alternative performance measures on **page 2.**

FINANCIAL REVIEW

"A focus on operational cash flow generation combined with a disciplined approach to capital allocation has driven improved return on capital employed.

JEREMY TOWNSEND
Chief Financial Officer

FINANCIAL SUMMARY

52 weeks ended	30 Mar 24 £m	1 Apr 23 Restated £m[1]	Change vs 2022/23 %
Group statutory revenue	**13,040.1**	**11,931.3**	**9.3**
Group sales	**13,109.3**	**11,988.0**	**9.4**
UK Food	8,158.8	7,218.0	13.0
UK Clothing & Home	3,910.7	3,715.0	5.3
International	1,039.8	1,055.0	(1.4)
Group operating profit before adjusting items	**838.6**	**626.6**	**33.8**
UK Food	395.3	248.0	59.4
UK Clothing & Home	402.8	323.8	24.4
International	75.6	84.8	(10.8)
Share of result in Ocado Retail Limited	(37.3)	(29.5)	(26.4)
M&S Bank and other segments	2.2	(0.5)	n/a
Interest payable on lease liabilities	(110.5)	(111.1)	0.5
Net financial interest	(11.7)	(62.2)	81.2
Profit before tax and adjusting items	**716.4**	**453.3**	**58.0**
Adjusting items	(43.9)	22.4	(296.0)
Profit before tax	**672.5**	**475.7**	**41.4**
Profit after tax	**425.2**	**364.5**	**16.7**
Basic earnings per share	21.9p	18.5p	18.4
Adjusted basic earnings per share	24.6p	16.9p	45.6
Dividend per share	3.0p	–	n/a
Net debt	**(2.17bn)**	**(2.64bn)**	**(17.8)**
Net funds/(debt) excluding lease liabilities	**45.7**	**(355.6)**	**112.9**
Group capex and disposals	**(423.2)**	**(409.2)**	**(3.4)**
Free cash flow from operations	**413.7**	**170.4**	
Adjusted return on capital employed	**14.1%**	**10.6%**	**33.0**

Notes:
1. Due to a change in the Group's classification of pension net finance income as an adjusting item (see note 5 to the financial information), the comparative amounts have been restated. The impact on the 52 weeks ended 1 April 2023 income statement is a decrease to the adjusting items charge of £28.7m (resulting in a net adjusting items credit), a decrease to profit before tax & adjusting items of £28.7m, a decrease to adjusted earnings per share of 1.2p. There is no impact on profit before tax, earnings per share or net assets.

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 £13,109.3m. This was an increase of 9.4% versus 2022/23, driven by Food sales up 13.0% and Clothing & Home sales up 5.3%. Statutory revenue in the period was £13,040.1m, an increase of 9.3% versus 2022/23.

The Group generated profit before tax and adjusting items of £716.4m compared with £453.3m in the prior year. Prior year results have been restated to reflect net finance income on the IAS19 pension surplus which has been reclassified as an adjusting item.

Adjusting items were a net charge of £43.9m, compared with a credit of £22.4m in the prior year. The net charge in the period primarily consists of costs relating to the UK store rotation plans and the ceasing of operations at Ocado Retail's Hatfield CFC, partially offset by a credit relating to the remeasurement of Ocado Retail contingent consideration to nil.

As a result, the Group generated a statutory profit before tax of £672.5m, compared with £475.7m in the prior year.

Adjusted basic EPS was 24.6p, up 45.6% on 2022/23 reflecting higher adjusted profit in the period. Basic EPS was 21.9p, up 18.4% on 2022/23, reflecting the increased profit in the period.

A final dividend of 2p per share has been declared, payable on 5 July 2024, resulting in a full year dividend of 3p.

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

UK: FOOD

UK Food sales increased 13.0%, with like-for-like sales up 11.3%, underpinned by strong innovation and broadening customer appeal.

Change vs 2022/23 %	Q1	Q2	Q3	Q4	FY
Food	15.1	14.2	10.5	13.0	13.0
Food like-for-like sales	12.5	11.0	9.9	11.9	11.3

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

52 weeks ended	30 Mar 24	1 Apr 23	Change vs 2022/23 %
Transactions, m (average/week)	9.7	9.0	7.8
Basket value inc VAT (£)	16.0	15.2	5.3
Total sales ex VAT £m[1]	**8,158.8**	**7,218.0**	**13.0**

1. Includes M&S.com and third-party sales by Gist Limited.

Like-for-like sales growth of 11.3% was driven by volume growth of 5.2% as customer numbers, particularly those completing larger shops, increased. Basket value was up 5.3% and larger basket transactions continued to grow with the value of baskets over £30 up 15.0%.

52 weeks ended	30 Mar 24 £m	1 Apr 23 £m	Change vs 2022/23 %
Sales	8,158.8	7,218.0	13.0
Operating profit before adjusting items	395.3	248.0	59.4
Adjusted operating margin	*4.8%*	*3.4%*	*1.4% pts*

Operating profit before adjusting items was £395.3m compared with £248.0m in 2022/23, with an adjusted operating margin of 4.8%.

Food adjusted operating margin increased by 1.4% pts. Gross margin improved 0.7% pts whilst continued investment in trusted value was funded by the lowering cost programme.

Operating costs as a percent to sales reduced 0.7% pts as sales growth of 13.0% exceeded cost growth of 9.9%. The impact of investment in colleague pay and energy headwinds was largely offset by structural cost savings and other efficiencies, part of which came from the acquisition of Gist. Cost growth was therefore largely driven by volume and investments in colleagues and technology.

The 0.7% pt reduction breaks down as follows:

- Store staffing was down 0.3% pts, with colleague pay investment partly offset by structural cost savings.
- Other store costs were level, as sales leverage was offset by energy inflation headwinds.
- Distribution and warehousing costs were down 0.2% pts, with the effects of inflation and volume growth offset by benefits from the acquisition of Gist.
- Central costs decreased 0.2% pts as sales leverage was partly offset by technology investments and colleagues.

Operating profit margin before adjusting items	%
2022/23	**3.4**
Gross margin	0.7
Store staffing	0.3
Other store costs	0.0
Distribution and warehousing	0.2
Central costs	0.2
2023/24	**4.8**

UK: CLOTHING & HOME

Clothing & Home sales increased 5.3% driven by strong full price sales growth, with promotions and markdown reducing. Sales mix by channel evolved during the year with stronger online growth in the second half.

Change vs 2022/23 %	Q1	Q2	Q3	Q4	FY
Clothing & Home sales[1]	7.4	4.1	4.8	5.0	5.3
Clothing & Home like-for-like sales	7.2	3.8	4.8	5.1	5.2
Clothing & Home online sales	3.1	6.0	10.9	10.3	7.8
Clothing & Home store sales	9.4	3.2	2.0	2.4	4.1
Clothing & Home statutory revenue	*7.1*	*4.1*	*4.5*	*4.7*	*5.0*

1. 'Sales' are statutory revenue plus the gross value of consignment sales ex. VAT

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

ONLINE

52 weeks ended	30 Mar 24	1 Apr 23	Change vs 2022/23 %
Active customers (m)[1]	9.4	9.2	2.2
Frequency[2]	3.5	3.4	2.9
Transactions (m)	33.2	31.1	6.8
Average Basket value £[3]	63.7	61.7	3.2
Returns rate (%)[4]	31.3	29.5	1.8% pts
Sales ex VAT £m	**1,268.4**	**1,176.4**	**7.8**

1. Active customers is the count of unique customers who transacted online in the last 52 weeks.
2. Frequency is the count of purchasing transactions divided by customers.
3. Prior year average basket value has been restated to reflect alternative source data as a result of cookie compliance tracking.
4. Returns rate represents returns on dispatch sales.

Online sales increased by 7.8%. Active customers increased by 2.2% as ranges have begun to appeal to a more customers. Average basket value grew 3.2% reflecting higher average selling price, including a higher mix of brand partner sales, and reduced promotions.

The online returns rate increased year on year as expected, driven by a higher sales mix of partner brands and growth in more trend-led product.

STORES

52 weeks ended	30 Mar 24	1 Apr 23	Change vs 2022/23 %
Transactions, m (average/week)	1.8	1.8	–
Average basket value inc VAT pre returns (£)	39.2	37.4	4.8
Sales ex VAT £m	**2,642.3**	**2,538.6**	**4.1**

UK Clothing & Home store sales increased 4.1%, with strong growth in shopping centres and retail parks, supported by the opening of six new stores in the renewal format.

TOTAL CLOTHING & HOME

52 weeks ended	30 Mar 24 £m	1 Apr 23 £m	Change vs 2022/23 %
Statutory revenue	3,841.5	3,658.3	5.0
Sales	3,910.7	3,715.0	5.3
Operating profit before adjusting items	**402.8**	**323.8**	**24.4**
Adjusted operating margin	*10.3%*	*8.7%*	*1.6% pts*

Operating profit before adjusting items was £402.8m compared with £323.8m in 2022/23, with an adjusted operating margin of 10.3%.

Clothing & Home adjusted operating margin increased by 1.6% pts. Gross margin increased 1.5% pts, as buying headwinds including currency, were more than offset by the annualisation of pricing action and increased full price sales.

Operating costs as a percent of sales were 0.1% pts lower than last year, as cost growth of 5.1% was marginally lower than sales growth. Cost inflation was largely offset by structural cost reduction. Whilst further cost increases, largely in the second half, were driven by an increase in investments in technology, in store service and colleagues.

The 0.1% pt reduction breaks down as follows:

- Store staffing costs increased 0.3% pts, driven by investment in service and colleague pay, partly offset by structural cost savings.
- Other store costs decreased 0.7%, structural cost reduction and one-off savings more than offset inflationary headwinds.
- Distribution and warehousing costs were down 0.5% pts, with the effects of inflation and volume growth offset by structural cost savings and efficiencies.
- Central costs increased 0.8% pts, driven by investment in colleagues and an increase in technology spend, including a new planning platform and system changes to support the growth in partner brands.

Operating profit margin before adjusting items	Online %
2022/23	**8.7**
Gross margin	1.5
Store staffing	(0.3)
Other store costs	0.7
Distribution and warehousing	0.5
Central costs	(0.8)
2023/24	**10.3**

As outlined above, the overall Clothing & Home adjusted operating margin increased by 1.6% pts. Store margin increased 0.8% pts to 11.3% and online margin increased 3.3% pts to 8.2%.

INTERNATIONAL

International sales excluding Republic of Ireland, decreased by 3.0% (1.0% at constant currency) to £719.1m. This was predominantly due to lower shipments to partners as a result of weaker sales in the second half. Adjusted operating margin declined 2.6% pts due to lower sales, and action taken to reduce stock levels in India.

Sales in Republic of Ireland grew 2.2% (2.4% at constant currency), driven by Food performance. Adjusted operating margin increased by 3.3% pts, largely driven by lower supply chain costs in Food.

From 2024/25 financial year the results of the Republic of Ireland will be reported as part of a new UK and Republic of Ireland segment within both Food and Clothing & Home.

52 weeks ended	30 Mar 24 £m	1 Apr 23 £m	Change vs 2022/23 %	Change vs 2022/23 CC %
International excl. Republic of Ireland:				
Sales	719.1	741.0	(3.0)	(1.0)
Operating profit before adjusting items	47.7	67.9	(29.7)	(26.9)
Adjusted operating margin	*6.6%*	*9.2%*	*(2.6% pts)*	*(2.4% pts)*
Republic of Ireland:				
Sales	320.7	313.9	2.2	2.4
Operating profit before adjusting items	27.9	16.9	65.1	66.7
Adjusted operating margin	*8.7%*	*5.4%*	*3.3% pts*	*3.4% pts*

FINANCIAL REVIEW CONTINUED

OCADO RETAIL LIMITED

The Group holds a 50% interest in Ocado Retail Limited ("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 28 May 2023, 27 August 2023, 3 December 2023 and 3 March 2024.

Revenue increased by £248.3m in the 53 weeks to 3 March 2024. This was driven by active customer growth and higher average selling prices, whilst items per basket declined.

M&S penetration of basket increased by 0.2% pts versus the prior year, with growth increasing to 1.3% pts in the final quarter reflecting an increased number of M&S products on the Ocado website and improved availability.

53 weeks ended	3 Mar 24 £m	26 Feb 23 £m	Change £m
Revenue	2,470.3	2,222.0	248.3
Adjusted EBITDA	26.8	(15.1)	41.9
Adjusting items[1]	(61.1)	21.2	(82.3)
Depreciation and amortisation	(61.2)	(69.4)	8.2
Operating loss	**(95.5)**	**(63.3)**	**(32.2)**
Net interest charge	(30.3)	(14.3)	(16.0)
Taxation	(7.9)	18.6	(26.5)
Loss after tax	**(133.7)**	**(59.0)**	**(74.7)**
M&S 50% share of loss after tax	**(67.0)**	**(29.5)**	**(37.5)**
Reported in M&S Group adjusted profit before tax	(37.3)	(29.5)	(7.8)
Reported in M&S Group adjusting items	(29.7)	–	(29.7)

1. Adjusting items are defined within the Ocado Group Plc Annual Report and Accounts 2023. Adjusting items relating to UK network capacity review, which is new in the year, have been reported in M&S Group adjusting items. All other adjusting items have been reported in M&S Group underlying results.

EBITDA before adjusting items improved versus last year driven by revenue growth and leverage over fixed costs.

Adjusting items within the Ocado Retail results primarily relate to the ceasing of operations at the Hatfield site. These are reported within adjusting items in M&S Group share of Ocado Retail results.

Net interest charge increased, driven by higher interest expense on loans from shareholders, of which the M&S share is reported in the Group's finance income (£6.0m in 2023/24 £0.9m in 2022/23).

Tax was a charge of £7.9m compared with a credit of £18.6m last year, driven by the write-off of a deferred tax asset in the current year.

Overall Ocado Retail reported a loss after tax of £133.7m. M&S group share was £67.0m, of which £37.3m is reported in M&S Group adjusted profit before tax and £29.7m related to the ceasing of operations at Hatfield, is reported within M&S Group adjusting items.

M&S BANK AND SERVICES

M&S Bank and Services generated a profit before adjusting items of £2.2m, compared with a loss of £0.5m in 2022/23, largely driven by a provision release following the exit of M&S Energy.

On 9 April 2024, the Group and HSBC UK agreed a new seven-year deal focused on enhancing M&S' credit offering and payment solutions through M&S Bank and bringing together digital payments and loyalty for M&S customers.

Net finance cost

52 weeks ended	30 Mar 24 £m	1 Apr 23 £m	Change vs 2022/23 £m
Interest payable	(53.3)	(76.3)	23.0
Interest income	52.3	23.8	28.5
Net interest payable	**(1.0)**	**(52.5)**	**51.5**
Unwind of discount on Scottish Limited Partnership liability	(4.1)	(4.3)	0.2
Unwind of discount on provisions	(6.6)	(5.4)	(1.2)
Net financial interest	**(11.7)**	**(62.2)**	**50.5**
Net interest payable on lease liabilities	**(110.5)**	**(111.1)**	**0.6**
Net finance costs before adjusting items	**(122.2)**	**(173.3)**	**51.1**
Adjusting items included in net finance cost	80.5	133.9	(53.4)
Net finance costs	**(41.7)**	**(39.4)**	**(2.3)**

Net finance costs before adjusting items decreased £51.1m to £122.2m. This was driven by higher average interest rates on cash balances, an increase in interest receivable on shareholder loans to Ocado Retail, and reduced interest expense with 2023 maturing bonds being fully repaid in the period, and part of 2025 and 2026 bonds repurchased.

Adjusting items within net finance costs reflects a credit of £80.5m, £64.7m relates to the remeasurement of Ocado Retail contingent consideration to nil; £24.0m net finance income relating to the IAS19 pension surplus, which was reclassified as an adjusting item in the period and the comparative restated; and a charge of £8.2m reflecting the discount unwind on deferred and contingent consideration on the acquisition of Gist Limited.

GROUP PROFIT BEFORE TAX AND ADJUSTING ITEMS

Group profit before tax and adjusting items was £716.4m, up 58.0% on 2022/23. The profit increase was primarily due to strong growth in Food and Clothing & Home and reduced interest expense, partly offset by an increased share of net loss of the Ocado Retail investment.

GROUP PROFIT BEFORE TAX

Group profit before tax was £672.5m, up 41.4% on 2022/23. This includes a net charge for adjusting items of £43.9m (2022/23: credit of £22.4m).

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 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 aid comparability from one period to the next.

52 weeks ended	30 Mar 24 £m	1 Apr 23 Restated £m	Change vs 2022/23 £m
Included in share of result of associate – Ocado Retail Limited	**(42.6)**	**(14.0)**	**(28.6)**
Ocado Retail Limited – UK network capacity review	(29.7)	–	(29.7)
Amortisation and fair value adjustments arising as part of the investment in Ocado Retail Limited	(12.9)	(14.0)	1.1
Included in operating profit	**(81.8)**	**(97.5)**	**15.7**
Strategic programmes – Store estate	(93.0)	(51.3)	(41.7)
Strategic programmes - Furniture simplification	(18.3)	–	(18.3)
Strategic programmes – Organisation	(3.5)	(10.7)	7.2
Strategic programmes – Structural simplification	–	(16.4)	16.4
Strategic programmes – UK logistics	5.3	(10.5)	15.8
Store impairments, impairment reversals and other property charges	35.1	15.1	20.0
M&S Bank transformation and insurance mis-selling provisions	(7.0)	(2.0)	(5.0)
Acquisition of Gist Limited	(0.4)	(22.1)	21.7
Franchise restructure	–	0.4	(0.4)
Included in net finance income/(costs)	**80.5**	**133.9**	**(53.4)**
Remeasurement of Ocado Retail Limited contingent consideration	64.7	108.0	(43.3)
Pension net finance income	24.0	28.7	(4.7)
Net finance costs incurred in relation to Gist Limited deferred and contingent consideration	(8.2)	(2.8)	(5.4)
Adjustments to profit before tax	**(43.9)**	**22.4**	**(66.3)**

Adjusting items recognised were a net charge of £43.9m. These include:

A charge of £29.7m included within the share of result in associate. This reflects the group share of costs relating to the ceasing of operations at Ocado Retail's Hatfield CFC and wider network review. A non-cash charge of £12.9m with respect to the amortisation of intangible assets acquired on the purchase of our share in Ocado Retail is included in the Group results.

A charge of £93.0m in relation to store estate rotation plans. This reflects the revised view of store exit routes, assumptions, estimated closure costs, charges relating to the impairment of buildings, fixtures and fittings, and accelerated depreciation.

A charge of £18.3m in relation to furniture simplification, this reflects one-off costs relating to the exit of the two-person furniture delivery operation. The charge primarily relates to contractual obligations with suppliers and redundancy costs.

A non-cash charge of £3.5m within organisation relating to an increase in the IFRS 9 impairment held in relation to the finance lease receivable for the sublet of previously closed Merchant Square offices.

A credit of £5.3m within logistics. This reflects the latest view of estimated closure costs of a further distribution centre, announced in January 2023, part of the long-term strategic programme to transition to a single-tier UK distribution network.

A non-cash net credit of £35.1m in relation to store impairment reversals, driven by revised future cash flow projections in relation to the carrying value of stores.

A charge of £7.0m in relation to M&S Bank transformation and insurance mis-selling provisions £2.0m of which has been incurred in relation to M&S Bank insurance mis-selling provisions. The remaining £5.0m relates to legal and consultancy costs recognised in the period in connection to the new seven-year deal with HSBC. Under the terms of the new agreement, material charges are expected over the next seven years. For further details see note 5 to the financial statements.

TAXATION

The effective tax rate on profit before tax and adjusting items was 33.2% (2022/23 restated for pension income: 26.4%). 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), non-deductible Ocado joint venture losses, and due to a deferred tax charge arising from the reduction of buildings residual value to nil.

Without the impact of the above deferred tax item, the effective tax rate on adjusted profit before tax and adjusting items is 30.2%. In 2024/25 we expect the effective tax rate on profit before tax and adjusting items to be at a similar rate of c.30%.

The effective tax rate on statutory profit before tax was 36.8% (2022/23: 23.4%). This is higher than the effective tax rate on profit before adjusting items due to the impact of non-taxable adjusting items.

Prior year deferred tax liabilities have been restated as an error was identified within the Group's deferred tax calculations which was triggered by a series of historic changes in the residual value applied to buildings impacting the portion of the asset to be recovered through use and the portion through sale. In line with IAS 8, the Group has restated balances as at 1 April 2023 and 2 April 2022.

The impact on the financial results as at 1 April 2023 was a £134.1m increase in deferred tax liabilities recognised in relation to buildings following management's downwards revision of its estimate of the residual value of buildings. There is no impact on cash flow statement in any years. See note 1 to the financial statements for more detail.

FINANCIAL REVIEW CONTINUED

EARNINGS PER SHARE
Basic earnings per share was 21.9p (2022/23: 18.5p). Adjusted basic earnings per share was 24.6p (2022/23 restated for pension income: 16.9p) due to higher adjusted profit year on year.

The weighted average number of ordinary shares in issue during the period was 1,973.2m (2022/23: 1,963.5m), with the weighted average number of diluted ordinary shares 2,075.9m (2022/23: 2,033.9m).

CASH FLOW

	30 Mar 24 £m	1 Apr 23 £m	Change vs 2022/23 £m
Operating profit	**714.2**	**515.1**	**199.1**
Adjusting items within operating profit	124.4	111.5	12.9
Operating profit before adjusting items	**838.6**	**626.6**	**212.0**
Depreciation and amortisation before adjusting items	526.3	523.2	3.1
Cash lease and surrender payments	(345.5)	(353.8)	8.3
Working capital	77.2	(14.7)	91.9
Non-cash pension expense	5.3	4.6	0.7
Defined benefit scheme pension funding	(0.4)	(36.8)	36.4
Capex and disposals	(423.2)	(409.2)	(14.0)
Financial interest	(31.2)	(66.5)	35.3
Taxation	(191.2)	(70.6)	(120.6)
Employee-related share transactions	22.2	37.9	(15.7)
Share of result from Associate	37.3	29.5	7.8
Loans to Associates	(62.0)	(30.0)	(32.0)
Share of results in other joint ventures	0.3	–	0.3
Adjusting items in cash flow	(40.0)	(69.9)	29.9
Free cash flow from operations	**413.7**	**170.4**	**243.3**
Acquisitions, investments, and divestments	(2.6)	(106.8)	104.2
Free cash flow	**411.1**	**63.6**	**347.5**
Dividends paid	(19.6)	–	(19.6)
Free cash flow after shareholder returns	**391.5**	**63.6**	**327.9**
Opening net debt excluding lease liabilities	**(355.6)**	**(420.1)**	**64.5**
Free cash flow after shareholder returns	391.5	63.6	327.9
Exchange and other non-cash movements excluding leases	9.8	0.9	8.9
Closing net funds/ (debt) excluding lease liabilities	**45.7**	**(355.6)**	**401.3**
Opening net debt	**(2,637.2)**	**(2,698.8)**	**61.6**
Free cash flow after shareholder returns	391.5	63.6	327.9
Decrease in lease obligations	243.5	231.8	11.7
New lease commitments and remeasurements	(176.0)	(249.4)	73.4
New leases from acquisitions	–	(21.3)	21.3
Exchange and other non-cash movements	12.4	36.9	(24.5)
Closing net debt	**(2,165.8)**	**(2,637.2)**	**471.4**

The business generated free cash flow from operations of £413.7m, a year on year improvement of £243.3m. This was driven by higher operating profit as a result of strong performance across Food and Clothing & Home, working capital inflow and reduced interest expense.

Cash inflow from working capital was £77.2m, an improvement of £91.9m versus the prior year, which was driven by a higher year-end payables balance partly due to the timing of Easter.

Decreased defined benefit scheme pension funding reflects a deferral of the SLP payment into the pension scheme.

Increased taxation was principally due to the increased profit in the year.

Cash outflow from adjusting items was £40.0m. This included £24.5m relating to the store estate strategy, £5.9m relating to structural simplification, £2.6m relating to the logistics strategy, £2.6m in relation to M&S financial services transformation, £2.0m relating to the M&S Bank insurance mis-selling provisions, and £1.4m payment to Gist.

Loans to Associates principally reflects a £60.0m drawdown of the shareholder loan facility by Ocado Retail.

After dividend payments of £19.6m, reflecting payment of an interim dividend in January, the business generated free cash flow after shareholder returns of £391.5m, resulting in a further reduction of net debt.

CAPITAL EXPENDITURE

52 weeks ended	30 Mar 24 £m	1 Apr 23 £m	Change vs 2022/23 £m
UK store remodelling	51.5	70.5	(19.0)
New UK stores	77.4	55.0	22.4
International	18.0	28.9	(10.9)
Supply chain	69.3	36.8	32.5
IT and M&S.com	80.8	109.5	(28.7)
Property asset replacement	99.1	102.1	(3.1)
Capital expenditure before property acquisitions and disposals	**396.1**	**402.8**	**(6.7)**
Property acquisitions and disposals	(6.1)	(1.1)	(5.0)
Capital expenditure	**390.0**	**401.7**	**(11.7)**
Movement in capital accruals and other items	33.2	7.5	25.7
Capex and disposals as per cash flow	**423.2**	**409.2**	**14.0**

Group capital expenditure before property acquisitions and disposals decreased £6.7m to £396.1m due to increased investment in new UK stores and supply chain, partially offset by reduced spend UK store remodelling, technology and International.

UK store remodelling costs were primarily driven by eight store renewals in the period, four of which were full line renewals, and one extension.

Spend on new UK stores primarily related to the opening of six full line and eight Food stores in the period.

Supply chain expenditure reflects investment in expanding Clothing & Home fulfilment capabilities, as well as replacement of vehicles and handling equipment.

IT and M&S.com spend includes technology replacement, network upgrades, and continued investment in website and app development. The reduction versus prior year was largely due to completion of retail initiatives.

Property asset replacement largely relates to reinvestment in and replacement of core assets across the store estate, including building repairs, self-service tills and click-and-collect facilities, as well as spend on energy efficiency initiatives and maintenance.

The movement in capital accruals was largely driven by the timing of payments relating to new stores and remodelling and property maintenance.

NET DEBT
Group net debt decreased £471.4m since the start of the year driven by free cash flow after shareholder returns of £391.5m and a net decrease in lease liabilities of £70.1m.

The composition of Group net debt is as follows:

52 weeks ended	30 Mar 24 £m	1 Apr 23 £m	Change vs 2022/23 £m
Cash and cash equivalents	1,022.4	1,067.9	(45.5)
Medium Term Notes	(921.7)	(1,346.4)	424.7
Current financial assets and other	26.9	44.8	(17.9)
Partnership liability	(81.9)	(121.9)	40.0
Net funds / (debt) excluding lease liabilities	**45.7**	**(355.6)**	**401.3**
Lease liabilities	(2,211.5)	(2,281.6)	70.1
Group net debt	**(2,165.8)**	**(2,637.2)**	**471.4**

FINANCIAL REVIEW CONTINUED

The Medium-Term Notes include four bonds, with maturities out to 2037, and the associated accrued interest. During the period the maturing 2023 bond was fully repaid, and part of 2025 and 2026 bonds were repurchased. The USD 300m 2037 bond is valued by reference to the embedded exchange rate in the associated cross currency swaps. The full breakdown of maturities is as follows:

Bond and maturity date	Value (£m)
Jun 2025, GBP	205.6
May 2026, GBP	200.8
Jul 2027, GBP	248.9
Dec 2037, USD	251.8
Total principal value	**907.1**
Interest and FX revaluation	14.6
Total carrying value	**921.7**

Lease Liabilities	30 Mar 24 £m	1 Apr 23 £m	Change vs 22/23 £m	Average lease length to break[1]
Full line stores[2]	(860.1)	(882.2)	22.1	c.19yrs
Simply Food stores[2]	(682.2)	(689.9)	7.7	c.9yrs
Offices, warehouses and other[2]	(459.7)	(504.8)	45.1	c.15yrs
International	(209.5)	(204.7)	(4.8)	
Total lease liability	**(2,211.5)**	**(2,281.6)**	**70.1**	

1. Liability-weighted average lease length to break.
2. Last year comparative categories have been restated.

New lease commitments and remeasurements in the period were £176.0m, largely relating to 16 UK lease additions, lease additions in India, and UK property liability remeasurements. This was offset by £243.5m of capital lease repayments.

Full-line store lease liabilities include £126.5m relating to stores identified as part of the store estate strategic programme. The average lease lengths on these stores are skewed by five particularly long leases which are trading well in locations the business wishes to remain in. Excluding these five leases, the average term to break of leases outside the programme is c.15 years.

Simply Food store lease liabilities include £28.3m relating to stores identified as part of the Store estate strategic programme.

Within offices, warehouses and other lease liabilities, £139.9m relates to the sublet lease on our Merchant Square offices.

International leases relate primarily to India (c.£117m) and Ireland (c.£55m).

PENSION

At 30 March 2024, the IAS 19 net retirement benefit surplus was £77.2m (2022/23: £477.4m). There has been a decrease of £400.2m since the start of the year largely driven by a narrowing in the credit spreads of corporate bonds relative to government bonds. 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 (statutory surplus of £652m), primarily due to lower assumed life expectancy.

The Company and Trustees 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.

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 (2022/23: £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 entitled 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. As it is not a transferable financial instrument, 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.

The Group and the Pension scheme are in ongoing discussions to ensure that the distributions to the scheme are appropriate. During the period, the Group and the Pension Scheme Trustees agreed to amend the distribution dates in relation to the first limited partnership interest so that the Pension Scheme received £40.0m in October 2023 and is scheduled to receive £89.7m in June 2024. Additionally, the Group and the Pension Scheme Trustees agreed to amend the distribution dates in respect of the second interest so that the Pension Scheme is entitled to £38.3m in June 2024 and is scheduled an annual distribution of £36.4m from June 2024 to June 2031. If the ongoing discussions are successfully concluded, the profile of contributions to the scheme would be revised so that distributions in the year would substantially reduce and the Group would commit to extending the distribution profile, if required, to ensure that the scheme was fully funded.

LIQUIDITY

At 30 March 2024, the Group held cash and cash equivalents of £1,022.4m (2022/23: £1,067.9m). In the period, the Group bought back £276.8m of medium-term maturities and subsequently fully repaid £128.1m for the 2023 maturing bond.

The Group currently has an unused £850m revolving credit facility, the expiry of which has been extended to June 2027, on terms linked to delivery of its net zero roadmap. With the facility undrawn, the Group had total liquidity headroom of £1.9bn at 30 March 2024.

DIVIDEND

With the Group generating a further improvement in operating performance, balance sheet and credit metrics, a final dividend of 2p has been declared, resulting in a full year dividend of 3p in 2023/24. The final dividend is due to be paid on 5 July 2024 to shareholders on the register of members as at close of business on 31 May 2024.

STATEMENT OF FINANCIAL POSITION

Net assets were £2,830.1m at the period end. The profit made in the period and the reduction in borrowings was largely offset by a decrease in the net retirement benefit surplus, resulting in an overall increase in net assets of 5.6% since the start of the year.

PEOPLE AND CULTURE

Building a high-performance "sleeves rolled up" culture is central to reshaping M&S for growth and progress on re-setting the culture has been made in the last year.

Recruiting FOR THE NEXT GENERATION OF RETAILER LEADERS

This year, we relaunched, reshaped, and simplified our early careers programmes with greater focus on getting closer to customers. We significantly increased the number of places available on our 2024 intake, reflecting our focus on developing talent who want early accountability, will bring fresh perspectives, and build the skills to become the future leaders of M&S.

With three programmes aligned to three key business areas, Retail, Food and Clothing & Home, school-leavers and graduates will be hands on from day one, spending a minimum of four months working in one of our stores. By the end of the programme, those on the Retail Leaders Programme will be managing a store of their own – the equivalent of running a muti-million-pound business.

We look forward to welcoming the next generation of retail leaders when they join our business in September.

1 – CREATING A HIGH PERFORMING M&S

INTRODUCING CLEARLY DEFINED BEHAVIOURS

The business' vision and purpose have been refreshed in the last year to set out what M&S is aiming to achieve, why it exists, and the behaviours that are valued, to begin to code and embed a culture of "positive dissatisfaction." Today, we are closer to our colleagues and closer to our customers, and focused on execution so we offer exceptional quality, value, service and innovation to every single customer. Openness to change and feedback is now at the core of "who we are" at M&S. However, there is more to do to embed the behaviours within the business, which is why from 2024/25, they will become the standards against which all 64,000 colleagues are measured.

M&S BEHAVIOURS

We get out there and ask questions, curious and keen to get **CLOSE TO CUSTOMERS, CLOSE TO COLLEAGUES.**

WE SAY IT, WE DO IT. We're bold with our decisions, and ambitious for growth. We're hands-on, sleeves rolled up, and we get the job done.

WE TELL AS IT IS. We're honest and straight talking. We're informal and conversational. No dramas.

We disrupt and innovate. We're tough on performance, learn from others to get better every day and **WE ALWAYS AIM HIGHER**.

WE WORK SELFLESSLY. We put M&S first to make the right calls for our customers and shareholders, so we all win together.

We're financially disciplined. We make the right choices with our money to **SPEND WISE, SAVE WELL.**

ROBUST GOAL SETTING

The foundation of a high-performance culture is robust goal setting and this has been a key area of focus over the past two years, with every colleague now having clear goals in place. This year, Performance and Talent reviews were brought together for the first time to discuss in-year performance and longer-term career planning and potential as one conversation. All colleagues are now required to self-evaluate their performance and take accountability for the part they play in M&S' future growth.

RAISING THE BAR ON PERFORMANCE

In the past M&S has been resistant to managing underperformance. Over the last twelve months serial underperformance has begun to be addressed, using the improvements to goal setting and introduction of M&S behaviours as a framework. Looking ahead, embedding a feedback culture across the business is a priority so mistakes are fixed quickly, learnings are taken, and the business moves on at pace.

REWARDING COLLEAGUES

Colleagues who are fairly rewarded will undoubtedly perform better for the business. This year, M&S made its biggest ever investment – £89m – in front line store colleague pay. From 1 April 2024, the rate of pay for UK Customer Assistants, which accounts for approximately 40,000 colleagues, increased from £10.90 to £12.00 per hour, representing a 10.1% increase on last year and a 26.3% increase since March 2022. The increase in pay is in addition to the business' wider range of colleague benefits which have also seen investment this year. M&S' industry-leading 20% colleague discount was extended to all branded products across Clothing & Home and Food, both online and instore.

2 – CLOSER TO OUR COLLEAGUES AND CLOSER TO CUSTOMERS

CLOSER TO CUSTOMERS

Now in its second year, the Closer to Customers programme brings Store Support Centre colleagues closer to the front line. Every colleague is now required to spend seven days every year working in-store, four days of which need to take place during peak trading at Christmas. Over 4,000 Support Centre colleagues completed almost 200,000 hours working in stores in the last year.

However, the programme is more than Store Support colleagues offering a helping hand in-store; it is about ensuring the central gravity of the business is close to our customers in-store; breaking down barriers; giving our store colleagues a strong voice in the business; encouraging better teamwork; and helping to solve problems that get in the way of delivering for customers quicker.

The scheme was extended this year so that supply chain and logistics colleagues can spend some of their days working in distribution centres, to get closer to the operation and drive greater collaboration.

ENGAGING COLLEAGUES THROUGH THE BIG NETWORK

The elected M&S colleague representative network – BIG – continues to be at the heart of colleague engagement, providing valuable collective feedback, insights and input to drive change. This year, BIG has been particularly instrumental in supporting the implementation of a new working model for Store Support Centre colleagues with bigger focus on face-to-face collaboration, the implementation of a retail market competitive pay strategy; and the ongoing operational changes arising from the investment and site improvements being made at Castle Donington. The National BIG Chair regularly meets CEO Stuart Machin every six weeks and the Board on a quarterly basis, so the leadership is closely connected to colleagues across the business.

INTRODUCING THE PULSE ENGAGEMENT SURVEY

In January, we reset our approach to colleague engagement surveys and introduced The Pulse to give every colleague the opportunity to tell us how they feel in a short, easy-to-answer digital survey that gives a monthly "read" of colleague sentiment. Each month, 33% of our colleagues are asked for their views on five key questions, along with a few questions more specific to the part of the business they work in. In its first three months, just over 23,000 colleagues took part, providing valuable insight for leaders and their teams to drive change collaboratively – building an accountable, high performance culture.

ENGAGING THROUGH TWO-WAY COMMUNICATION CHANNELS

Through our Straight to Stuart colleague suggestion scheme, every colleague has the opportunity to share their ideas to improve the business and drive change. Since launching in May 2022, colleagues have submitted over 15,000 suggestions, with around over 120 ideas shared this year being taken forward. 94% of stores across the business submitted suggestions this year. The aim in 2024/25 is for every single store to submit an idea and to grow the number of "Yeses."

Regular webinar sessions are also hosted by Stuart Machin and the wider ExCo team to drive greater colleague engagement with Straight to Stuart. High engagement sessions this year included the #ReduceOurWaste campaign, which generated over 400 suggestions in five weeks.

PEOPLE AND CULTURE CONTINUED

Every M&S colleague has access to Microsoft Teams and over 59,000 colleagues are active on it every week. It is also where the all-colleague internal social channel, CommUnity, is hosted. This is where stories from across the business are shared, creating a two-way conversation between colleagues and leaders, with regular engagement and posts from leaders and frontline colleagues. On average, CommUnity posts are seen by 30,000 colleagues, with announcements related to People & Culture driving the greatest level of engagement.

RESETTING WAYS OF WORKING
Ways of working at Store Support Centre have been re-set this year to increase the amount of time colleagues spend with one another, with customers and with suppliers. Being together helps to solve problems faster, make new colleagues feel welcome and settled quicker and supports colleagues to learn more from one another so that they grow and develop. All essential components of driving a high performance culture. That means that from January, the majority of Store Support Centre colleagues were working in the support centre at least three days a week. Feedback, particularly from new joiners and colleagues in the earlier stages of their career, has been overwhelmingly positive.

3 – RAISING THE BAR ON TALENT AND INVESTING IN THE SKILLS FOR TOMORROW

RESETTING OUR EARLY CAREERS PROGRAMME
This year, M&S reset and revamped its early careers programme Retail Leaders, tripling the number of places available to 98 for the 2024 intake. Store and customer-centricity has been put at the heart of the programme so that M&S can recruit the best retail leaders of the future. For the first time, CEO Stuart Machin hosted a call with prospective candidates to give them a sense of what it is like to work at M&S and answer their questions about the business.

FAST TRACKING DEVELOPMENT
To encourage progression, a new Fast Track Development programme launched this year, focused on spotting talented, ambitious colleagues from across the business and supporting them through sponsorship and coaching. In stores, the Fast–Forward programme was launched; M&S' first ever management scheme which helps high performing Customer Assistants to progress to Team Manager in three months. In December, Spot a Star was introduced to encourage greater recognition of peak seasonal colleagues and invest in their careers, fast tracking them though to permanent and first line management roles.

OFFERING OPPORTUNITIES THROUGH MARKS & START
M&S supported 693 placements this year through the Marks & Start employability programme which offers opportunities to young people who face barriers to employment and are furthest from work. 590 of those placements took place as part of a partnership with The Prince's Trust. The programme welcomed many from diverse backgrounds, with 26% from ethnic minorities and 29% having a declared a disability. To support continued social mobility, the year ahead – marking the twentieth anniversary of the partnership with the Prince' Trust – will see a focus on translating more placements into long-term careers at M&S.

IMPROVING DIGITAL SKILLS
Through the BEAM Academy, the home of digital, data and technology learning at M&S, 70,000 learning sessions have been completed in 2023/24 – a 169% increase on the previous year. More than 1,300 colleagues engaged in our first AI learning events, aiming to help build skills in generative AI which can be used in their roles to drive productivity and efficiency.

Twice a year, the BEAM Academy hosts a 24-hour Hackathon, bringing together store, distribution centre and Store Support colleagues to solve business challenges through digital or data-led solutions. This year, 470 colleagues took part in two events in May and October, with the goal of coming up with solutions for 38 different colleague or customer-facing challenges. The response was positive, with 96% of colleagues who took part reporting they learnt a new skill while 96% said they were now more confident applying digital and data in their role.

4 – A PLACE WHERE EVERYONE CAN BE THEMSELVES AND BE THEIR BEST

INTRODUCING LEADING FAMILY LEAVE POLICIES
In May 2023, M&S became one of the first retailers to introduce a Neonatal Leave policy to give families of premature babies or babies that need additional care when they are born, extra leave and pay. The policy, which provides up to 12 weeks' fully paid leave to any UK colleague whose baby requires specialist neonatal care, means that colleagues no longer had to use maternity, paternity, or adoption leave while in hospital with their babies.

Substantial improvements to maternity, paternity, and adoption policies were also announced this year. As of 1 April 2024, M&S colleagues were able to take six weeks' paternity leave at full pay, increasing from two weeks previously, with the business also almost doubling its maternity and adoption leave to 26 weeks – also at full pay – equating to a £5m investment annually.

SUPPORTING COLLEAGUES DURING THE MENOPAUSE
M&S continues to invest in the wellbeing of its colleagues and their families. In 2023/24, M&S gained the Menopause Friendly Accreditation through menopause workplace training specialist HenPicked. Managers across the business have been offered training to support them to help their teams and open up conversations on the topic.

M&S also offers menopause-friendly uniform items and, since launching, colleagues have ordered over 98,000 pieces. Following a listening group with the CEO, this was fast tracked, so colleagues had access to the products sooner. A "Straight to Stuart" idea whereby "menopause" is added as a reason for absence was also actioned.

OFFERING FLEXIBLE WORKING IN STORES
M&S' flexible working programme Worklife has continued to be rolled out following its successful trial with store leaders last year. Through the programme, more than 3,000 retail managers have additional flexible working options to choose from including spreading their hours over five days, working a four-day compressed week or a nine-day compressed fortnight.

In 2023/24, the Worklife programme was extended to support students to offer greater flexibility around their studies and potential need to move between store locations at different points in the year. There has been a focus on improving the store and colleague experience for those needing to move to help stores to plan whilst retaining great talent.

IMPROVING DIVERSITY THROUGH DEVELOPMENT
This year the EMERGE Talent programme was launched, which aims to equip colleagues from ethnic minority backgrounds with additional skills, knowledge and confidence to take ownership of their personal and career development. 26 colleagues joined the first cohort which launched in March with plans to roll out the programme to store managers in the coming year.

GROWING COLLEAGUE NETWORKS
Colleague networks are an important way to build communities in the workplace and help to make everyone feel at home while at work. M&S operates a number of colleague led networks, spanning racial, family, cultural, sexual and gender identities – designed to bring diverse communities together. Executive Committee (ExCo) sponsorship was introduced this year to elevate the networks given their importance to the business.

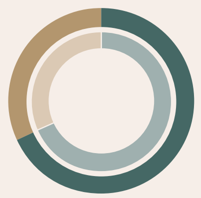
Network membership has grown by 47%, with over 10,000 members across the eight networks. The networks have played a crucial role in driving our inclusion and diversity strategy and progress through consistent feedback and challenge, including in listening sessions with CEO Stuart Machin with actions taken on the back of each one.

In the coming year, Sponsors and Co-Chairs will be operating to a new Charter so that we have a clear framework and always aim higher in how we represent our colleague communities.

LOOKING AHEAD
Looking ahead, a priority for 2024/25 is to better equip leaders and line managers to give them accountability for inclusion and diversity at a local level. To measure progress, we have established more robust framework of KPIs aligned to the commitments we have made to drive more diverse and representative teams.

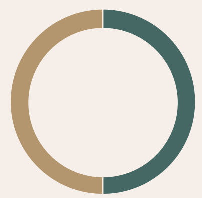
COLLEAGUE REPRESENTATION MEASUREMENTS

TOTAL EMPLOYEES



2023/24	
Female	44,822
Male	21,026
2022/23	
Female	44,035
Male	20,226

TOTAL SENIOR MANAGERS



2023/24*	
Female	47
Male	47

*Like-for-like figures cannot be provided due to change in population size. 2023/24 includes ExCo and ExCo direct reports, but excludes Board members. The gender breakdown of the Board is 55% female and 45% male.

Read more on ExCo and Board director gender data on page 73.

SENIOR MANAGERS FROM ETHNIC MINORITIES

4.3%
2022/23: 5.4%*

*This year, M&S has aligned its reporting of ethnic minority representation at senior management level to ensure compliancy with the FCA listing rules and Parker Review recommendations. Therefore, the population of colleagues captured in the 2023/24 figure, and moving forwards, now only includes colleagues with the greatest influence and responsibility in driving, managing and delivering the Group's business strategy.

Read more in our Nomination Committee Report on pages 84 to 86.

COLLEAGUE ENGAGEMENT (THE PULSE)

64%
Main stats for current year

NPS score across the quarter – percentage of those who agree/strongly agree that "M&S is a great place to work". In January, a new programme of employee surveying called "Closer to Colleagues – The Pulse" was introduced to replace the former "Your Voice" survey. The Pulse aims to provide a temperature check of how colleagues are feeling on a more regular basis.

GENDER PAY GAP

12.6%
22/23: 12.5%

Figure provided is mean pay gap. We're committed to driving equal opportunities and making M&S a great place to work for women. We are making progress with the launch of new initiatives, talent programmes, and policies, including our flexible working offer – Worklife, a Job Share Finder, and our industry-leading family leave offer.

Read more in our Remuneration Report on page 99.

ESG REVIEW

From the very beginning, M&S has built trust by doing the right thing by our colleagues, customers and the communities which we serve. This remains the case today – 140 years later – and we express this commitment through our vision to be the most trusted brand, doing the right thing for our customers, with exceptional quality products at the heart of everything we do.

Our approach to ESG – which we badge Plan A – underpins our vision and is our promise to always source and make our products with care, so customers can trust us to do the right thing. It is also an integral enabler to our strategy to Reshape M&S for sustainable, profitable Growth so that we become a net zero business across our value chain by 2040 and conserve the precious resources our business relies on.

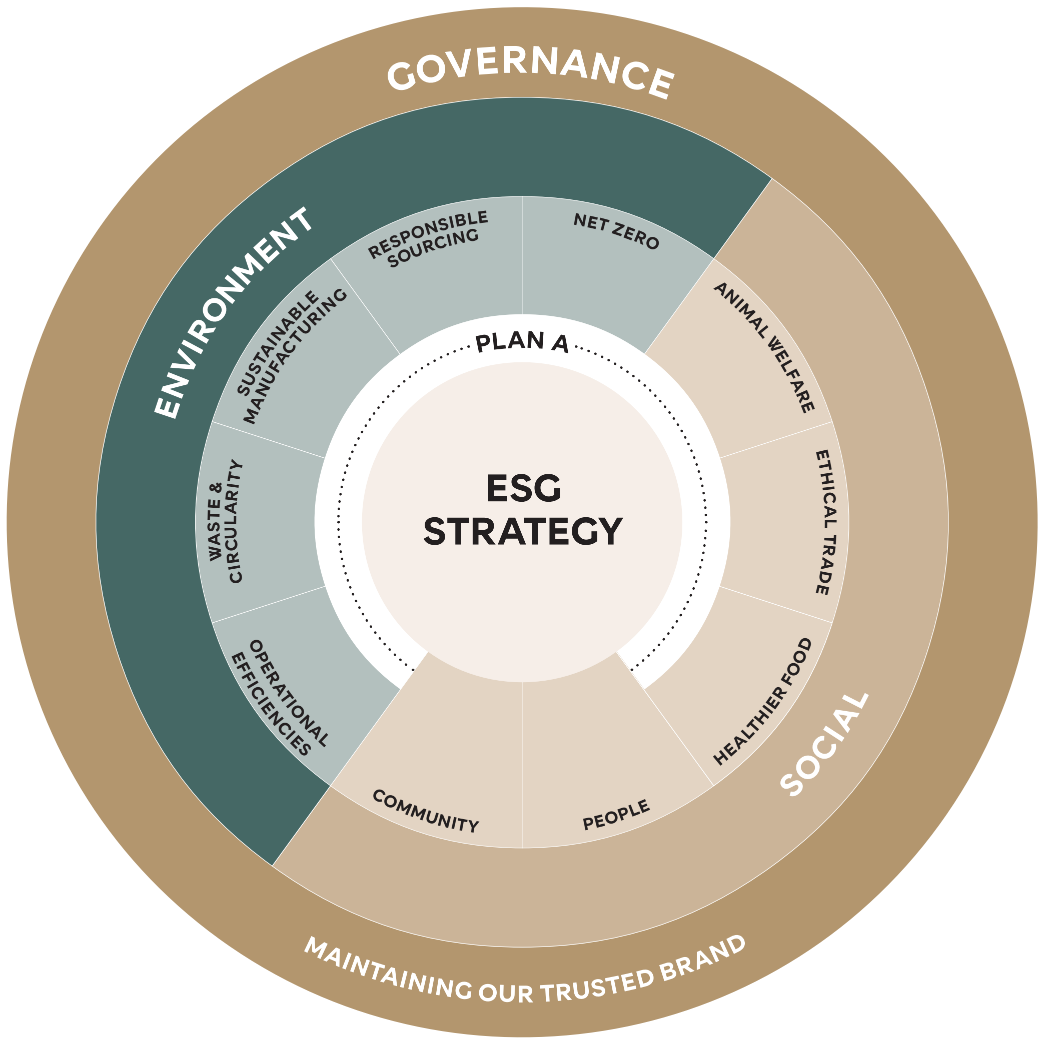
Delivery of Plan A and our ESG strategy is embedded across our nine strategic priorities and through our business-unit led operating model. We utilise data, digital and technology solutions and innovation to support the delivery of our ESG strategy, and data aids ESG decision-making so we focus on the issues that are material to our business, and matter most to customers and wider stakeholders.

There is a clear governance framework in place to support delivery of our strategy. The Executive Committee (ExCo), led by the CEO, is accountable for setting and delivering the strategy, with individual Directors accountable for delivery within their areas, and the Corporate Affairs Director accountable for overall delivery of the programme. The ESG Committee provides a strategic oversight role in challenging strategy and supporting delivery plans. The ESG Business Forum, a cross-functional group of senior leaders and subject matter experts across M&S, plays a key role in tracking ESG progress against targets, supporting the accountability and decision-making functions of the ExCo and ESG Committee.

More broadly, effective and robust governance underpins how we do business. We expect every colleague to play their part through living our behaviour to "act selflessly" – always acting in the best long-term interests of M&S and respecting their colleagues and our customers so we can win together – and by doing the right thing through compliance with our policies and standards.

Further information on our ESG strategy is outlined in our ESG Report 2024 and ESG Committee overview on page 87.

Plan A. Because there is no plan b.



ESG HIGHLIGHTS OF THE YEAR

£1.7m
raised for YoungMinds

144m
pieces of plastic removed from our packaging portfolio

33%
reduction in Scope 1 & Scope 2 emissions vs 2016/17 baseline

70m
meals donated through our partnership with Neighbourly since 2015

100%
of cotton used in clothing products from more responsible sources

58%
of the Remarksable range designated as "Eat Well"

Our ESG Report gives a full update on our progress, data and 2023/24 actions **corporate.marksandspencer.com/ESGReport2024**

ESG PROGRESS OVERVIEW

Issue	Metric	Target	Assessment of progress
ENVIRONMENT			
NET ZERO	Total location-based Scope 1 & Scope 2 GHG emissions.*	55% reduction by 2029/30 (vs 2016/17 base year)	●
	Total Scope 3 GHG emissions.	55% reduction by 2029/30 (vs 2016/17 base year)	●
RESPONSIBLE SOURCING	RSPO Certified Sustainable Palm Oil with Segregated status (% of all palm oil).*	100% by 2025/26	●
	Soy sourced from verified deforestation and conversion-free (vDCF) supply chains (% of total direct and indirect soy).	100% by 2025/26	●
	Cotton used in Clothing & Home products from more responsible sources (% of all cotton used).	100% by 2025/26	●
	Polyester used in Clothing & Home products from verified recycled sources (% of all polyester used).**	100% by 2025/26	●
WASTE & CIRCULARITY	Number of individual pieces of plastic (units) that have been removed from the M&S own-brand packaging portfolio.	Remove 1bn units by the end of 2027/28 from 2016/17	●
	Food waste.*	50% reduction by 2029/30 (vs 2016/17 base year)	●
	Food not sold that was fit for human consumption which was redistributed to charities, community organisations or colleagues.*	100% by 2025/26	●
	Operational waste to landfill.*	Maintain 0%	●
SOCIAL			
ANIMAL WELFARE	Ranking among retailers, with highest number of species within M&S Food product range adhering to RSPCA Assured certification.	Maintain #1 position	●
PEOPLE	Senior managers who are female.	50% by 2025/26	●
COMMUNITY	Funds raised for YoungMinds.	£5m by 2026/27 from 2023/24	●

* Assured by DNV.
** This data is subject to a discrete assurance process linked to our financing and is scheduled to be published in autumn 2024.

● Target missed ● Behind or pathway in progress ● On track or achieved

TASKFORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES REPORT

This section outlines how M&S has complied with the requirements of LR 9.8.6(8)R by including climate-related financial disclosures consistent with the TCFD recommendations and recommended disclosures. The below disclosure also complies with the requirements of the Companies Act 2006 as amended by the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022.

TCFD DISCLOSURES INDEX

TCFD pillars	TCFD recommendation	Consistency status	Reference
Governance	A) Describe the board's oversight of climate-related risks and opportunities.	●	Read more on **page 45.**
	B) Describe management's role in assessing and managing climate-related risks and opportunities.	●	
Strategy	A) Describe the climate-related risks and opportunities the organisation has identified over the short-, medium-, and long-term.	●	Read more on **pages 48-53.**
	B) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.	●	
	C) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	●	Read more on **pages 54-56.**
Risk Management	A) Describe the organisation's processes for identifying and assessing climate-related risks.	●	Read more on **page 47.**
	B) Describe the organisation's processes for managing climate-related risks.	●	Read more on **pages 62-63 in Risk Management.**
	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 57-58.**
	B) Disclosure Scope 1, Scope 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 **ESG Report.**

● Consistent
○ Partially consistent

Last year, M&S highlighted our focus areas for the 2023/24 year; progress against these are highlighted below.

2023/24 action	Progress update
Develop detailed financial framework for carbon reduction initiatives	Built a model to map carbon reduction initiatives and relevant costings for our near-term target. The resulting costs have been incorporated into the three-year plan. This model will continue to be refined as we deepen our understanding of our emissions and explore additional initiatives to reduce them.
Work towards plan for transition in line with TPT[1] guidance	This is a continued area of focus. As we work towards resubmitting our science-based target, we will build out this plan, including the consideration of agriculture emissions. More information on page 53.
Enhance Scope 3 reporting	The emissions from Food and Clothing & Home products we purchase are over 85% of our Scope 3 emissions. Reporting for both has been enhanced with more robust data for emissions calculations. More information on this on page 57.

GOVERNANCE

BOARD'S OVERSIGHT OF CLIMATE-RELATED RISKS AND OPPORTUNITIES (TCFD GOVERNANCE A)

The Board has ultimate responsibility for both risk management and our ESG framework, including those risks and opportunities related to climate change.

Responsibilities in relation to risk management are discharged to the Audit & Risk Committee. The Committee reviews the principal risks twice a year, including climate change and environmental responsibility. As part of the Group's risk management framework:

- the Board sets risk appetite for key areas of activity across the business, including ESG.
- the Audit & Risk Committee receives periodic updates from the leadership team responsible for overseeing ESG commitments and responsibilities, including performance against risk appetite through key reporting metrics.

An overview of our risk management process and governance, including for climate change, is set out on pages 62-63. More information of the Audit & Risk Committee's responsibilities can be found in the Governance Structure on page 46.

In addition to the role played by the Board and the Audit & Risk Committee, responsibilities in relation to ESG matters are discharged to the ESG Committee. The ESG Committee meets at least quarterly and is responsible for:

- ensuring that the Company's ESG purpose aligns with the business strategy and customer proposition;
- ensuring the Company's ESG strategy and associated governance, including management of climate-related issues, is fit for purpose;
- overseeing progress against targets via a quarterly ESG report;
- overseeing control activities mitigating climate risks; and
- supporting 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 87 for the ESG Committee and page 89 for the Audit & Risk Committee).

MANAGEMENT'S ROLE IN ASSESSING AND MANAGING CLIMATE-RELATED RISKS AND OPPORTUNITIES (TCFD GOVERNANCE B)

As outlined in our risk management process (see page 47), climate risks, including emerging areas, are considered as part of each business and functional risk review. Each business area considers the capital expenditure required for projects to mitigate the likely near-term climate-related risks within the annual budget.

Executive Committee members are individually responsible for reviewing and confirming climate risks in their own areas and subsequently reviewing the Group's principal risks and uncertainties 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.

The ESG Business Forum, chaired by a member of the Executive Committee, is made up of the accountable business leaders for ESG-related issues. The Forum is responsible for managing climate-related risks and opportunities and driving progress against targets of the Company's ESG programme, which mitigate our climate risks. Updates on key ESG issues and trends including those related to climate change are shared with the Forum via the central ESG team. The Forum meets on a quarterly basis to review progress against targets. Quarterly updates from these meetings are provided to the Executive Committee and the ESG Committee (see Governance Structure for further detail on the Management Forums on page 46).

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

TASKFORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES REPORT CONTINUED

GOVERNANCE STRUCTURE

BOARD

Ultimate responsibility for both risk management and ESG framework, including those risks and opportunities related to climate change. Approves the Company's ESG strategy, including the business-wide target to become net zero.

EXECUTIVE COMMITTEE

- The CEO is responsible for overseeing the development of business-wide ESG strategic goals and is accountable for the delivery of the Company's business-wide ESG programme (including the roadmap towards net zero).
- Executive Committee members are individually responsible for setting the ESG strategy in their respective areas to achieve business-wide strategic goals, and putting in place mechanisms to deliver their strategy. This supports the management of the climate-related risks and opportunities impacting their business areas.
- 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.
- The Corporate Affairs Director, a member of the Executive Committee, is responsible for the coordination, reporting and aggregation of the business-wide ESG programme, as well as horizon scanning and issues management. The Corporate Affairs Director is also accountable for governance and overall delivery of the ESG strategy.

BOARD COMMITTEES

ESG COMMITTEE

- Responsible for ensuring that the Company's ESG strategy aligns with the business strategy and customer proposition.
- 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.
- Receives 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.
- Receives periodic updates on business performance against ESG objectives, as well as compliance and responsibility metrics.

MANAGEMENT FORUMS

BUSINESS AND FUNCTIONAL LEADERSHIP

- Responsible for managing risks within their areas, including those relating to climate, and implementing appropriate mitigation activities.
- Responsible for monitoring emerging risks.
- Responsible for monitoring and reporting on key ESG-related indicators.
- Responsible for ensuring climate-related opportunities are realised as part of their ESG strategy.

ESG BUSINESS FORUM

- Responsible for driving progress against the 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 and emerging risks.
- Accountable for managing climate-related risks and opportunities. Includes representatives from Group Finance and Group Risk to ensure ESG considerations are reviewed and considered within risk management and financial planning.

RISK MANAGEMENT

PROCESS FOR IDENTIFYING, ASSESSING AND MANAGING CLIMATE RISK, AND HOW THIS IS INTEGRATED INTO OVERALL RISK MANAGEMENT (TCFD RISK MANAGEMENT A, B AND C)

The identification, assessment and management of climate-related risks is integrated into our overall Group risk management process, with climate risks being assessed and measured using consistent criteria that is applied to all other risks. A description of the Group risk management process can be found on pages 62 to 63.

As part of this process, specifically linked to climate, each of the accountable businesses and functions have evaluated the potential consequences of risks using the TCFD Guidance Tables A1.1 and A1.2 for reference. Specifically, they:

- considered how current and emerging climate-related issues may impact their strategy both in the near-term and beyond;
- used stakeholder insight to assess the potential size and scope of the climate risks in line with our Group risk assessment criteria;
- prioritised risks based on materiality and time horizon;
- evaluated the design and operating effectiveness of mitigating controls in place;
- allocated a designated risk owner; and
- engaged the relevant leadership teams of the relevant business or function.

The summary output of this process can be found in Table 1 on pages 49 to 53.

At a Group level, management oversight of the overall process is provided by the ESG Business Forum, which supports an aggregated view of the different risks faced by the business as well as transparency of progress against underlying priorities. Updates are provided to the Executive Committee following each ESG Business Forum.

At a Board level, governance over the output of this overall process is provided by the ESG and Audit & Risk Committees.

Climate change and environmental responsibility continues to be considered one of the principal risks and uncertainties for the business, as set out on page 69.

STRATEGY

OUR NET ZERO AMBITION

We have committed to being net zero across our entire value chain by 2039/40. The relevant net zero priority areas can be found below and the net zero tag highlights how the specific priority areas support the impacts identified in Table 1.

OUR TRANSITION PLAN

Looking ahead we will continue to build upon our 10 priority areas and work towards a detailed transition plan that is aligned with the Transition Plan Taskforce. More information on page 53.

NET ZERO TRANSITION ROADMAP

OUR BASELINE
5.5m
tonnes of carbon emitted in 2016/17[1]

Near-term: <3 years
2025/26 TARGET
34% reduction
in carbon emissions (1.9m tonnes)

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

Long-term: 10+ years
2039/40 TARGET
Net zero
across entire value chain

10 IMMEDIATE PRIORITY AREAS FOR TRANSFORMATION

NET ZERO

NET ZERO

RESPONSIBLE SOURCING

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

SUSTAINABLE MANUFACTURING

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
Look beyond our own operations to spark change and support decarbonising across our full value chain.

WASTE AND CIRCULARITY

Circular economy
Support Oxfam with Shwopping, our clothes recycling scheme.

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.

OPERATIONAL EFFICIENCIES

Zero emissions property
Deliver a more efficient store estate.

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

1. Restated in line with methodological changes and improved data.
2. See Metrics and Targets C) for official science-based target wording.

TASKFORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES REPORT CONTINUED

IDENTIFIED CLIMATE-RELATED RISKS AND OPPORTUNITIES (TCFD STRATEGY A)

We continue to monitor our climate-related risks and opportunities, considering both physical and transition risks and opportunities and how we manage these over the near-, medium- and long-term time horizon. The following definitions of time horizons were used for the purposes of identifying and managing climate risks and opportunities and were 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 target.

TIME HORIZONS

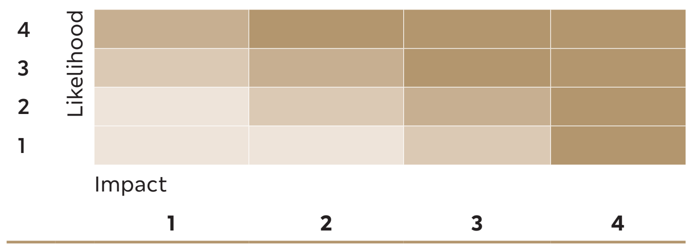
Near	<3 years	Aligned to our risk management and financial planning processes.
Medium	3-10 years	Captures transition risk and opportunities, linked to both our science-based target and the emerging risks included in our risk management disclosure.
Long	>10 years	Captures physical risks and opportunities over the long-term. Linked to our long-term net zero goal 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

Last year, workshops were held with risk, finance and sustainability leads across the accountable businesses to identify key risks and opportunities. The outcome of this was mapping potential impact and likelihood over the different time horizons to determine relative materiality. This year, as part of the risk management process, we reviewed these climate risks and opportunities over the near-, medium- and long-term to ensure relevance and consideration of any key changes.

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 ensure this is the same criteria used for both business-wide risks, and climate-related risks.

GROUP RISK ASSESSMENT CRITERIA



Key

Minor | Moderate | Major | Critical

A summary of our climate-related risks and opportunities in line with TCFD Guidance Table A1.1 and A1.2 can be found in Table 1 on the next page. M&S splits risks by sectors into Agriculture, Food, Clothing & Home, Property, Fleet and International. In line with the previous year, given this sectoral focus is more relevant to our organisation, the decision has been made that it is not appropriate to break risks and opportunities down geographically.

IMPACT OF CLIMATE-RELATED RISKS AND OPPORTUNITIES ON OUR BUSINESSES, STRATEGY, AND FINANCIAL PLANNING (TCFD STRATEGY B)

In addition to summarising the risks and opportunities identified in Strategy A), Table 1, found on the next page, outlines our business response to the impact on our businesses, strategy, and financial planning. In line with 2022/23, we also show relevant targets and metrics mapped to the impact areas to highlight how we are building resilience into our business strategy.

Quantified
Immaterial
No meaningful quantification

Near-term: <3 years
Medium-term: 3-10 years
Long-term: >10 years

TABLE 1: BUSINESS-WIDE RISK AND OPPORTUNITY SUMMARY

1. Current and new environmental compliance including legislation and tax.

Transition Risk: Policy and Legal

SECTOR

Group-wide | Agriculture | Food | Clothing & Home | Property | Fleet

TIME HORIZON

POTENTIAL FINANCIAL IMPACT ON THE BUSINESS

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 & Home, Fleet and Property) can be found in Strategy C) on page 54.

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 are included in the budget and three-year plan used to support asset impairment reviews, details of which can be found on pages 164-165 of the Financial Statements.

BUSINESS RESPONSE

Group
- Working towards our 2029/30 science-based target, which guides our goal setting process for net zero targets as part of our business transformation.

Supply chain
- 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 and measure impact through Higg Index and Manufacture 2030.

Our operations
- Capital investment through proactive asset replacement which is integrated into a three-year financial plan to phase out our F-gas refrigeration systems. New store specifications include being 100% electric, with full LED lighting in Foodhalls.

NET ZERO PRIORITIES

NET ZERO

- Impacts all 10 net zero priority areas.

TARGETS
- 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.

2. Ability to keep pace with customer trends and behaviours as we see an increase in consumer preferences towards more sustainable product choices.

Transition Risk: Market & Reputation

Opportunity: Products and Services

SECTOR

Food | Clothing & Home

TIME HORIZON

POTENTIAL FINANCIAL IMPACT ON THE BUSINESS

Revenue loss if we do not keep pace with customer trends and develop suitable low-carbon product offerings.

Whilst we have considered quantifying this risk, we are not disclosing a financial impact as there is no clear methodology or set of assumptions that would lead to a meaningful financial quantification.

Revenue opportunity from climate conscious customers who want to choose low-carbon products.

BUSINESS RESPONSE

Our products
- Quarterly review of ESG preferences and perceptions through our ESG Reputation Tracker.
- Ongoing investment in innovation and new product and proposition development to ensure we develop suitable low-carbon products to maximise customer preferences.
- In Food, we achieved our sales from plant-based product target and currently over two-thirds of our food sales (tonnage) comes from fruit and vegetables (24%), vegetarian and vegan products.
- For Clothing & Home we are focusing on alternative raw materials. We also continue exploring circular solutions for our customers.

NET ZERO PRIORITIES

NET ZERO

- Increasing the range of plant-based protein
- Circular economy
- Sustainable sourcing
- Low-impact farming

TARGETS
- 100% of cotton used in Clothing & Home (C&H) products from more responsible sources by 2025/26 (% of all cotton used).
- 100% of polyester used in C&H products from verified recycled sources by 2025/26 (% of all polyester used).
- 100% of MMCF used in C&H products from more responsible sources by 2025/26 (% of all MMCF used).
- Remove 1bn units of plastic packaging by the end of 2027/28 from 2016/17.

TASKFORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES REPORT CONTINUED

TABLE 1: BUSINESS-WIDE RISK AND OPPORTUNITY SUMMARY CONTINUED

Quantified
Immaterial
No meaningful quantification

Near-term: <3 years
Medium-term: 3-10 years
Long-term: >10 years

3. Availability of low-carbon technological solutions and infrastructure to support low-carbon activities for example low- and zero-carbon fleet options.

Transition Risk: Technology

SECTOR
Group-wide | Property | Fleet

TIME HORIZON

POTENTIAL FINANCIAL IMPACT ON THE BUSINESS
Increase in capital and operational expenditure required to source the necessary low-carbon technology and infrastructure to achieve our net zero goals.

Potential impact of £50m-£60m in 2030 if not mitigated.

BUSINESS RESPONSE
Group
- Mapping our roadmap to achieve our science aligned 2029/30 target, and focus on proactively managing the need for new low-carbon technological solutions and infrastructure to support our journey to net zero.

Our operations
- Trialling bio-LNG and electric vehicles in our logistics network to understand emission reduction impact. More information in our ESG Report.

NET ZERO PRIORITIES
NET ZERO
- Zero emissions property.
- Zero emissions transport.

TARGETS
- 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.

4. Energy efficiency and resilience in our operations and supply chain.

Transition Risk: Market
Opportunity: Resource Efficiency & Energy Source

SECTOR
Group-wide | Food | Clothing & Home | Property

TIME HORIZON

POTENTIAL FINANCIAL IMPACT ON THE BUSINESS
Increase cost in our supply chain caused by increasing energy costs if energy efficiency or greener solutions are not put in place.

Potential impact of £0m-£10m in 2030 if not mitigated.

Reduction in operational costs if energy consumption is effectively managed. Opportunity to reduce reliance of grid electricity by facilitating on-site renewable energy generation.

BUSINESS RESPONSE
Supply chain
- 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 our six key asks from Food suppliers. More information in our ESG Report.

Our operations
- Continue to integrate energy efficiency measures such as improved metering across property estate and investment in energy efficiency projects such as doors on fridges, to lower energy consumption.

NET ZERO PRIORITIES
NET ZERO
- Zero emissions property.
- Zero emissions transport.
- Low-impact farming.
- Suppliers and business partners on net zero journey.

TARGETS
- 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.

5. Failure to meet our public climate change commitments.

Transition Risk: Reputation

SECTOR
Group-wide

TIME HORIZON

POTENTIAL FINANCIAL IMPACT ON THE BUSINESS
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.

Whilst we have considered quantifying this risk, we are not disclosing a financial impact as there is no clear methodology or set of assumptions that would lead to a meaningful financial quantification.

BUSINESS RESPONSE
Group
- Net zero has been incorporated into the strategic pillars of our Business Transformation with a set of clear metrics for accountable business owners.
- Quarterly updates on our climate targets at our ESG Business Forum, which then feed into updates to the ExCo and our ESG Committee. More information on our Governance structure found on page 46.
- Continue supporting innovation with suppliers and partners on reducing emissions through our "Plan A Accelerator Fund".

TARGETS
- 34% (1.9m tonne) reduction in carbon emissions by 2025/26 from 2016/17 base year.
- 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.

6. Reliance on third parties, local government and broader infrastructure to achieve our mitigation actions.

Transition Risk: Market

SECTOR
Group-wide

TIME HORIZON

POTENTIAL FINANCIAL IMPACT ON THE BUSINESS
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.

Whilst we have considered quantifying this risk, we are not disclosing a financial impact as there is no clear methodology or set of assumptions that would lead to a meaningful financial quantification.

BUSINESS RESPONSE
Group
- Collaborate closely with industry trade associations to ensure we are working towards the same goals, such as the British Retail Consortium (BRC) and Institute of Grocery Distribution (IGD).
- Engage with non-government organisations such as WWF, RSPCA and WRAP.
- Proactively engage with governments to ensure that broader policy and infrastructure will support us on our net zero journey.

TASKFORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES REPORT CONTINUED

TABLE 1: BUSINESS-WIDE RISK AND OPPORTUNITY SUMMARY CONTINUED

■ Quantified
■ Immaterial
■ No meaningful quantification

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

7. Failure to meet the requirements of our franchise partners based on the impact of climate change on our supply chain.

Transition Risk: Reputation
Physical Risk: Acute & Chronic

SECTOR
International

TIME HORIZON

POTENTIAL FINANCIAL IMPACT ON THE BUSINESS

Reputational impact due to failure to meet the requirements of our partners. Loss of revenue from not being able to provide necessary stock to partners.

Whilst we have considered quantifying this risk, we are not disclosing a financial impact as there is no clear methodology or set of assumptions that would lead to a meaningful financial quantification.

BUSINESS RESPONSE

Our operations

- Plan and targets to reach net zero across our entire value chain.
- Carry out risk reviews on the resilience of our supply chain, including climate impact.
- Ensuring we have a business continuity team who apply learnings from crises, such as the invasion in Ukraine, as to how we are able to adapt our supply chain to ensure we are able to meet partner requirements, irrespective of the cause of the disruption.

TARGETS

- 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.

8. Volatility in the supply of raw materials caused by the impact of climate change.

Physical risk: Acute & Chronic

SECTOR
Agriculture | Food | Clothing & Home

TIME HORIZON

POTENTIAL FINANCIAL IMPACT ON THE BUSINESS

Increase in sourcing costs based on supply chain disruption caused by increased likelihood of extreme weather.

Loss of revenue if we are not able to source specific products due to the impact of physical climate risks.

Summary of relevant quantitative scenario analysis can be found in Strategy C) in Table 2 on pages 54-56.

BUSINESS RESPONSE

Supply chain

- Track financial impact of climate change on fresh produce to identify hotspots and the impact on the business.
- Strengthened our focus on supporting producers as they transition to net zero. Putting a greater emphasis on resilience in our standards and partnerships, such as Fairtrade.
- Increased focus on regenerative agriculture, through our Farming with Nature programme and work with the Better Cotton Initiative. More information in our ESG Report.

NET ZERO PRIORITIES

NET ZERO

- Low-impact farming
- Sustainable sourcing

TARGETS

- Maintain 100% Fairtrade-certified tea and coffee (% of all M&S tea and coffee products).
- 100% of cotton used in Clothing & Home products from more responsible sources by 2025/26 (% of all cotton used).
- 100% of MMCF used in Clothing & Home products from more responsible sources by 2025/26 (% of all MMCF used).

9. Managing infrastructure and operations (both owned and supply chain) in extreme weather.

Physical Risk: Acute

SECTOR
Group-wide | Property | Fleet

TIME HORIZON

POTENTIAL FINANCIAL IMPACT ON THE BUSINESS

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) in Table 2 on pages 54-56.

BUSINESS RESPONSE

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.

NET ZERO PRIORITIES

NET ZERO

- Zero emissions property
- Zero emissions transport

How climate-related issues serve as an input to our financial planning process

As outlined in our introduction, this year we worked towards creating a financial model for our emissions reduction initiatives. Where required, spend associated with certain projects linked to climate-related risks and opportunities is incorporated into the 2024/25 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, capital investment in our store estate to improve energy efficiency. This financial planning process forms the cash flow projections within our going concern and impairment assessments (see page 71 for more details).

Our Transition Plan

Last year, to support us on our journey to net zero, our 2029/30 reduction target was validated by the Science Based Targets Initiative (SBTi).

As outlined on page 47, looking ahead we will continue to build upon our 10 priority areas and work towards a detailed transition plan that is aligned with our science-based targets and the Transition Plan Taskforce. We aim to submit updated targets to the SBTi this year, with a separate target considering Forest, Land and Agriculture (FLAG) emissions. We will also submit our net zero target and plans to achieve it, noting there are challenges that we cannot solve on our own. More information on this can be found in our ESG Report.

TASKFORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES REPORT CONTINUED

THE RESILIENCE OF OUR STRATEGY, TAKING INTO CONSIDERATION DIFFERENT CLIMATE-RELATED SCENARIOS (STRATEGY C)

Quantitative scenario analysis
Quantitative scenario analysis is a valuable tool to help understand the potential impact of risks and opportunities identified by the business. Last year we undertook scenario analysis on four areas of our business; Property, Fleet, Protein and Cotton. These areas were selected following a materiality assessment which considered the potential climate-related impact and the impact on financial performance to M&S, while ensuring fair and balanced reporting across the accountable businesses. The analysis looked at the impact of two plausible future states. We chose to use 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). These scenarios were chosen to show the impact of both a high level of transition risk (1.5˚C pathway), assuming the implementation of a carbon tax, and physical risk (4˚C pathway) assuming low levels of Government intervention leading to more frequent and impactful weather events.

Consistent with last year, 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

Minor	<1% on sales and profit before tax (PBT)
Moderate	1-3% impact on sales 1-5% impact on PBT
Major	3-5% impact on sales 5-10% impact on PBT
Critical	>5% impact on sales >10% impact on PBT

TABLE 2: QUANTITATIVE SCENARIO ANALYSIS SUMMARY

AREA & SCOPE

PROPERTY
UK Property Estate (including Gist properties)

Risk/Opportunity category (as identified in Table 1)	
TRANSITION RISK Current and new environmental compliance including legislation and tax	**PHYSICAL RISK** Managing infrastructure and operations (both owned and supply chain) in extreme weather
Risk modelled	
– Carbon tax on Scope 1 & 2 emissions	– Flood risk
Impact of climate risk on our organisation's financial performance in 2030, assuming no mitigating actions	
– Potential operating profit impact of £20m to £30m	– Immaterial
Quantification of impact	
Moderate to Major	Minor
Targets in place to manage these risks	
– 55% reduction in absolute Scope 1 & 2 emissions by 2029/30 from 2016/17 base year	

AREA & SCOPE

FLEET
UK fleet (including Gist)

Risk/Opportunity category (as identified in Table 1)
TRANSITION RISK Current and new environmental compliance including legislation and tax
Risk modelled
– Carbon tax on Scope 1 & 2 emissions
Impact of climate risk on our organisation's financial performance in 2030, assuming no mitigating actions
– Potential operating profit impact of £15m to £25m
Quantification of impact
Moderate to Major
Targets in place to manage these risks
– 55% reduction in absolute Scope 1 & 2 emissions by 2029/30 from 2016/17 base year

AREA & SCOPE

PROTEIN
UK and Ireland sourced beef, lamb, pork, chicken and turkey products

Risk/Opportunity category (as identified in Table 1)	
TRANSITION RISK Current and new environmental compliance including legislation and tax	**PHYSICAL RISK** Volatility in the supply of raw materials caused by the impact of climate change
Risk modelled	
– Carbon tax on agricultural emissions (to the farm-gate)	– Extreme weather events and chronic climate change impact on agricultural production
Impact of climate risk on our organisation's financial performance in 2030, assuming no mitigating actions	
– Potential operating profit impact of £35m to £50m	– Immaterial
Quantification of impact	
Moderate to Major	Minor
Targets in place to manage these risks	
- 55% reduction in absolute Scope 3 emissions by 2029/30 from 2016/17 base year	

TASKFORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES REPORT CONTINUED

TABLE 2: QUANTITATIVE SCENARIO ANALYSIS SUMMARY CONTINUED

AREA & SCOPE	
COTTON Globally sourced raw material used in our clothing	
Risk/Opportunity category (as identified in Table 1)	
TRANSITION RISK Current and new environmental compliance including legislation and tax	**PHYSICAL RISK** Volatility in the supply of raw materials caused by the impact of climate change
Risk modelled	
– Carbon tax on agricultural (seed to farm-gate) and manufacturing (all steps in cotton production) emissions	– Extreme weather events and chronic climate change impact on agricultural production
Impact of climate risk on our organisation's financial performance in 2030, assuming no mitigating actions	
– Potential operating profit impact of £45m to £60m	– Immaterial
Quantification of impact	
Major	Minor
Targets in place to manage these risks	
– 55% reduction in absolute Scope 3 emissions by 2029/30 from 2016/17 base year – 100% of cotton used in Clothing & Home products from more responsible sources by 2025/26 (% of all cotton used)	

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

This risk highlights the need for continued effort to work towards our 2029/30 emissions reduction target, with a focus on emissions in our value chain, which make up 94% of our total emissions.

In 2023, we worked with climate consultancy South Pole to calculate Scope 3 emissions from manufacturing our Clothing & Home products. This provided greater clarity of emissions hot spot areas which allowed us to produce a roadmap of emissions reduction activities. This year, we also undertook analysis on our property portfolio to gather further insights into our property-related emissions and roadmap to reduce these emissions.

To support the requirement for greater collaboration, research and development, our "Plan A Accelerator Fund" provided funding to over eight projects in 2023/24, that have the potential to reduce emissions in our supply chain. These actions will play a role in strengthening the resilience of the organisation's strategy to the climate-related risks and opportunities identified in the near-term.

Through the work to identify emission reduction initiatives across the business and the projected cost, we have an understanding of the financial impact of meeting our emissions reduction target and have accounted for this in our three-year plan. Moreover, even if there were to be significant issues that meant we were unable to deliver on our mitigations, given the health of our balance sheet, we would be able to absorb the impact of the carbon tax calculated in Table 2.

While the physical risks identified in our scenario analysis are quantified as immaterial, we are aware fresh produce supply is especially vulnerable to unpredictable weather patterns and extreme weather events. In our Food business work has begun to identify root causation, vulnerable hotspots and the impact on the business when we have to use contingency sourcing, to ensure we can identify if physical climate risk is an emerging material risk.

Next year, we will look to update our scenario analysis, capturing the most recent scenario information and considering a broader scope if relevant and material to our business.

METRICS AND TARGETS

METRICS USED TO ASSESS CLIMATE-RELATED RISKS AND OPPORTUNITIES (TCFD METRICS AND TARGETS A)
We report against a broad range of ESG metrics and targets, with a number of these relating to our Plan A ambition to be net zero across our entire supply chain by 2039/40.

Within the 10 priority net zero areas, highlighted on page 47, are related targets and metrics. All related ESG metrics and targets linked to our climate-related risks and opportunities are also highlighted in our Strategy section in Table 1. While we consider other climate-related metrics and targets, our focus remains on our GHG emissions metrics, which feed into our near- and medium-term emissions reduction targets that are aligned to the UN ambition to limit global warming to 1.5°C.

This year, we calculated an internal price of carbon per tonne, based on our in-flight emissions reduction initiatives. This gives us an indication of the potential cost of future emissions reduction initiatives to achieve our targets. Looking ahead to 2024/25, we intend to explore mechanics for embedding a carbon price into investment appraisal across the business.

This year the Remuneration Committee discussed the appropriateness of introducing an ESG-related component into the Performance Share Plan (PSP) award. As ESG and climate commitments are embedded in our business operations, they are already reflected in the achievement of our existing bank of PSP strategic measures, so the Committee agreed that inclusion of a separate ESG measure would not further our Plan A ambition. This will remain under consideration in future years, and more information can be found on page 97.

SCOPE 1, 2 AND 3 GREENHOUSE GAS EMISSIONS (TCFD METRICS AND TARGETS B)
Scope 1 & 2
Our Scope 1 & 2 carbon emissions, reported in line with the Greenhouse Gas (GHG) Protocol, result mainly from operating our logistics fleet and powering our sites and offices. The table to the right outlines our 2023/24 Scope 1 & 2 emissions, reported in line with the Streamlined Energy and Carbon Reporting requirements. Across the business, we capture the data and calculate these emissions on technology platform Sphera, and this data has been assured by DNV Business Assurance Services UK Limited. More information can be found in our ESG Report.

Scope 3
Last year, we committed to enhancing our Scope 3 reporting which remains a complex task that will need continuous refinement. This year we are able to report an improved inventory, which includes a greater amount of supplier-specific data within our most material Scope 3 category, Purchased goods and services.

The chart on the next page discloses our updated 2022/23 Scope 3 emissions data, which has been calculated in line with the GHG Protocol. In order to report more accurate Scope 3 emissions, we are reporting a year in arrears.

In our Food business, we are working with Manufacture 2030 and Mondra to obtain more supplier-specific data and incorporate this into our Scope 3 emissions inventory.

For Clothing & Home, working with third-party South Pole, we have calculated an updated and more granular inventory and baseline, utilising data from the HIGG index. More detail on this can be found in our ESG Report.

STREAMLINED ENERGY AND CARBON REPORTING

Energy consumption (GWh)

	2023/24	2022/23^	% change
UK Operations	**1,382**	**1,402**	-1%
International Operations	**77**	**69**	10%
Group	**1,459**	**1,472**	**-1%**

^ Performance for last year has been re-stated to reflect data accuracy improvements.

ENERGY EFFICIENCY INITIATIVES IMPLEMENTED THIS YEAR
- Our new store shell specification and model requirements reflect our ESG commitments, and include: 100% electric stores, fully LED and voltage optimisation.
- We have installed energy-efficient fridge doors in 30 of our Foodhalls, which help to regulate temperature and deliver 20%-30% energy savings per store per year.
- Over 2023/24, we invested in LED lighting to cover 76% of our stores, voltage optimisation and store controls, which has reduced emissions by 2300t CO_2e and improved operational efficiencies.
- We have continued to roll-out LED lighting across our owned international store estate with an additional 10 stores 2023/24.
- We have reviewed trading lighting requirements across the our store estate which has saved 1.8m Kwh across the year.

Greenhouse gas emissions (000 tonnes CO_2e)

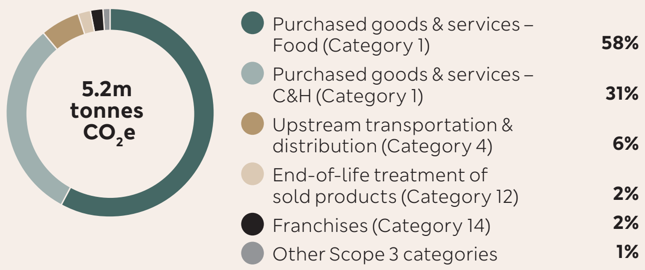
	2023/24	2022/23^	% change
Scope 1 emissions	**207**	**225**	-8%
of which UK	**203**	**218**	-7%
Scope 2 emissions (location-based)	**154**	**137**	12%
of which UK	**120**	**113**	6%
Total location-based Scope 1&2 emissions	**361**	**362**	
of which UK	**323**	**332**	-3%
GHG intensity per 1,000 sq ft of sales floor	**18.1**	**18.5**	-2%
Scope 2 emissions (market-based)	**233***	**20**	–*
Total market-based Scope 1&2 emissions	**439**	**245**	**80%**
of which UK	**407**	**219**	86%

* As outlined in the 2023 M&S Sustainability report we are no longer purchasing Renewable Energy Guarantees of Origin (REGOs) and we now calculate Scope 2 market-based emissions using supplier-specific emissions factors in line with the GHG protocol.

^ Performance for last year has been re-stated to reflect data accuracy and methodology improvements .

TASKFORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES REPORT CONTINUED

2022/23 SCOPE 3 EMISSIONS



TARGETS USED TO MANAGE CLIMATE-RELATED RISKS AND OPPORTUNITES (TCFD METRICS AND TARGETS C)

In 2022, the Science-Based Targets Initiative (SBTi) approved our target:

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.

In support of this, we set ourselves a near-term target to reduce our total emissions by 34% or 2.1m tonnes by 2025/26. This year, we have restated our 2016/17 base year so that our 34% target is now quantified as 1.9m tonnes thanks to improved emissions data providing us with a more accurate base year calculation. We have also been able to calculate delivered emissions reduction by 447,000 tonnes from our base year to 2022/23.

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, the evolution of carbon measurement techniques and guidance and the impact of emerging technologies over the coming years.

We also note the importance of societal change and advocacy needed to overcome industry challenges. We will continue to work with the Government, industry groups and non-government organisations to help address these challenges.

Our ESG report outlines all of our targets used to manage our ESG performance, including those relevant to managing our climate-related risks.

Identifying emissions reduction

Last year, we reported that we had identified emissions reduction initiatives equal to 62% of our near-term target. Thanks to the further data gathering undertaken, we have been able to update the scope of emissions reduction initiatives to an improved 72%.

In 2024/25, we will be re-submitting our targets to SBTi. This decision has been driven by our improved data calculation, greater clarity of where emissions reduction initiatives should be prioritised, as well as the SBTi's published guidance on Forest, Land and Agriculture emissions and the GHG Protocol's Land Sector and Removals Guidance due to be finalised in summer 2024. To support this, we will be creating a detailed transition plan in line with the Transition Plan Taskforce (TPT) to help us deliver our 2029/30 emissions reduction target, as well as our net zero ambition.

NON-FINANCIAL AND SUSTAINABILITY INFORMATION STATEMENT

The statements below reflect our commitment to, and management of, colleagues, communities, the environment, human rights, anti-bribery and 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 page 8.

COLLEAGUES

Our Commitment

We're committed to providing a safe, supportive, and inclusive environment for our colleagues that's built on a foundation of respect. We're proud of, and value, the diversity of our teams and focus efforts to ensure colleagues feel supported to develop and have equal access to opportunities. Our aim is to create a place where everyone can be themselves and be at their best.

Dedicated corporate website area:

Go to **corporate.marksandspencer.com/sustainability/our-people**.

Relevant policies, documents, or reports that set out our approach

- Code of Conduct
- Inclusion, Diversity & Equal Opportunities Policy
- People Principles

Where to read more about the outcomes and related non-financial KPIs in this report

- Stakeholder engagement, on **pages 9 to 11**
- People & Culture, on **pages 38 to 41**
- S.172 Statement, on **pages 80 to 82**
- Nomination Committee report including Board and Senior Management Diversity, on **pages 84 to 86**

ENVIRONMENTAL MATTERS

Our Commitment

M&S is committed to becoming a net zero business across our 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. We continue working towards our 2030 corporate greenhouse gas emissions reduction target approved by SBTi (see official science-based target on **page 58**.

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 areas:

Go to **corporate.marksandspencer.com/sustainability/plan-a-our-planet**.

Go to **marksandspencer.com/c/look-behind-the-label**.

Relevant policies, documents, or reports that set out our approach

- Climate & Energy Policy
- Food Waste Policy
- ESG Report 2024

Where to read more about the outcomes and related non-financial KPIs in this report

- Our TCFD Report, on **pages 44 to 58**
- S.172 Statement, on **pages 80 to 82**
- ESG Committee Report, on **pages 87 to 88**
- Climate-related ("CR") financial disclosures:
  - (a) governance arrangements, on **pages 45 to 46**;
  - (b) how CR risks and opportunities are identified, assessed and managed, on **page 47**;
  - (c) how processes for identifying, assessing and managing CR risks are integrated within the Group's overall risk management framework, on **page 47**;
  - (d) description of-
    (i) principal CR risks and opportunities, on **pages 49 to 53**;
    (ii) time periods to which these are assessed, on **page 48**;
  - (e) actual and potential impacts of the principal CR risks and opportunities on the business model and strategy, on **pages 49 to 53**;
  - (f) resilience of the business model and strategy, taking into consideration different CR scenarios, on **pages 54 to 56**;
  - (g) targets used to manage CR risks and realise CR opportunities and performance against targets, on **page 57** and in the ESG Report; and
  - (h) KPIs used to assess (g) targets above and calculations on which these are based, on **page 57** and in the ESG Report.

NON-FINANCIAL AND SUSTAINABILITY CONTINUED

COMMUNITIES AND SOCIAL MATTERS

Our Commitment

M&S has been committed to supporting local communities throughout its 140-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 areas:

Go to **corporate.marksandspencer.com/sustainability/our-communities**.

Go to **corporate.marksandspencer.com/sustainability/our-products**.

Relevant policies, documents, or reports that set out our approach

- 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
- ESG Report 2024

Where to read more about the outcomes and related non-financial KPIs in this report

Our contributions towards, and consideration of, communities is integrated throughout the report and can also be found in:

- Stakeholder engagement, on **pages 9 to 11**
- S.172 Statement, on **pages 80 to 82**
- ESG Committee Report, on **pages 87 to 88**

HUMAN RIGHTS

Our Commitment

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:

Go to **corporate.marksandspencer.com/sustainability/human-rights-our-supply-chain**.

Relevant policies, documents, or reports that set out our approach

- 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

Where to read more about the outcomes and related non-financial KPIs in this report

- Stakeholder Engagement, on **pages 9 to 11**
- ESG Committee Report, on **pages 87 to 88**

ANTI-BRIBERY AND ANTI-CORRUPTION

Our Commitment

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.

Relevant policies, documents, or reports that set out our approach

- Anti-Bribery & Corruption Policy
- Code of Conduct

Where to read more about the outcomes and related non-financial KPIs

- Other Disclosures, on **page 118**

PRINCIPAL RISKS

Our Commitment

We are committed to maintaining an effective and agile risk management framework underpinned by appropriate processes that allow the business to proactively identify and manage risks and issues that may impact the achievement of our business strategy, compliance with our values and our position as a legally compliant retailer.

Relevant policies, documents, or reports that set out our approach

- Group Risk Management Policy and Risk Appetite Statements

Where to read more about the outcomes and related non-financial KPIs

- Risk Management Framework, on **pages 62 to 63**
- Overview of Principal Risks and Uncertainties, on **pages 64 to 70**
- TCFD: Climate-related risks, on **pages 49 to 53**

RISK MANAGEMENT

We continue to maintain a structured approach to risk management, mindful that evolution and refinement are needed to adapt to an ever-changing environment.

Our risk management process allows the business to maintain an appropriate risk culture that supports business operations and assists the Board in complying with obligations under the Corporate Governance Code.

OUR FRAMEWORK
The Audit & Risk Committee, under delegated authority from the Board, is accountable for overseeing the effectiveness of risk management. This includes identification of the principal risks facing M&S, monitoring compliance with the Risk Management Policy and periodically reviewing risk appetite. Our top-down and bottom-up governance approach supports this framework and the process shown on the right. These activities are facilitated by the Group Risk team, part of the broader Internal Audit & Risk function, which has a direct reporting line to the Chair of the Audit & Risk Committee.

M&S RISK GOVERNANCE STRUCTURE

Top down

- M&S Board
- Audit & Risk Committee
- Executive Committee
- Business and functional leadership teams
- Policy and process owners

Bottom up

Our risk management structure remains aligned to the M&S operating model, with each business and function responsible for the identification, tracking and management of specific risks. These include a wide variety of changes and uncertainties that may impact our business, colleagues, customers and third parties. In addition, risk management processes at our joint ventures are understood and considered as part of the overall evaluation.

The risk management process and output is subject to periodic review and challenge with the business and functional leadership teams and the Executive Committee as part of our interim and year-end reporting activities. Following this, the principal risks and uncertainties are submitted to the Audit & Risk Committee for review and agreement prior to being recommended to the Board for approval.

The principal risks and uncertainties also feed into the Group's long-term viability assessment.

Read more on our long-term viability statement on **page 71.**

OUR RISK MANAGEMENT PROCESS

	PARTIES INVOLVED	KEY RISK ACTIVITIES	OUTCOMES AND REPORTING
1. SETTING AND PERIODIC REVIEW OF RISK APPETITE	M&S Board Audit & Risk Committee Executive Committee Group Risk team	**Setting and periodic review of risk appetite** – Our Risk Appetite Statements are used to define and set appropriate risk-taking parameters for business activity. These are subject to annual review and updates. This iterative exercise incorporates input from business SMEs and Executive Committee members, followed by a full review with the Executive Committee, members of the Audit & Risk Committee and the Chairman. – This is followed by consideration and approval at the Audit & Risk Committee, prior to being recommended to the Board.	– Refreshed Group Risk Appetite Statements aligned with strategy, core operations, internal and external compliance requirements, our purpose and values.
2. RISK IDENTIFICATION AND OWNERSHIP	Executive Committee Business and functional leadership teams Policy and process owners Group Risk team	**Risk identification and ownership** – Identification, measurement and reporting of risks against a consistently applied criteria considering the likelihood of occurrence and potential impact to the Group. – Clear ownership is allocated to relevant members of the business and functional leadership teams. – Identification of emerging risks by each business and function where the full extent and implications may not be fully understood but need to be tracked.	
3. RISK ASSESSMENT	Executive Committee Business and functional leadership teams Policy and process owners Group Risk team	**Risk assessment** – Detailed risk registers and mitigation plans are completed and monitored by each business and function, approved by their leadership teams and appropriate Executive Committee members. – The output of underlying business and functional reviews are combined to provide a business-wide view of common risk categories. This allows us to see a cross-business view of common, related risks in addition to the specific business and functional perspectives, with relevant risks being reported to appropriate governance forums.	– Risk registers covering all key areas of the business, including current and emerging risks. – Mitigation plans for risks that are not at target level.
4. RISK RESPONSE AND ACTION TRACKING	Executive Committee Business and functional leadership teams Policy and process owners Group Risk team	**Risk response and action tracking** – The business develops and maintains plans to mitigate risks to an appropriate level, in line with risk appetite. – This includes ongoing assessment and update of risk profiles to reflect changes, where needed, with challenge and input provided by specialist teams within the corporate functions to support the application of specific mitigating activities. – Independent review and challenge of the plans form part of the role of the Group Risk team.	
5. MONITORING, REPORTING AND ESCALATION	M&S Board Audit & Risk Committee Executive Committee Business and functional leadership teams Group Risk team	**Monitoring, reporting and escalation** – Direct updates to the Audit & Risk Committee by each leadership team on a rolling basis to confirm appropriate management of key risks and current areas of focus – flexed to respond to changes or emerging issues. – A formal half-yearly review of risk registers by the Group Risk team to provide independent challenge and support cross-business alignment. – The compilation of an overarching view of principal risks and uncertainties, combining top-down and bottom-up perspectives, including strategic and operational changes, as well as external changes and unexpected events. – Monitoring business compliance with risk appetite in core policy and operational areas through key risk metrics.	– Direct confirmation to the Audit & Risk Committee on the management of key risks. – Compliance dashboard reporting to monitor performance against risk appetite. – Principal risks and uncertainties disclosed in the Annual Report and Financial Statements and Interim Statement.
CONTINUOUS REFINEMENT OF THE PROCESS	M&S Board Audit & Risk Committee Executive Committee Business and functional leadership teams Policy and process owners Group Risk team	In complying with the processes described above, examples of how risk management has evolved during the year include: – The update of our Risk Management Policy and Risk Appetite Statements to ensure that they remain appropriate to the business and aid in delivering on our governance responsibilities; – Continued refinement of the suite of key risk metrics to bring these in line with business changes; – An enhanced process for actions tracking and reporting; – Improved visibility of cross-business risks; and – Assessing the impact of future requirements of the Corporate Governance Code.	

PRINCIPAL RISKS AND UNCERTAINTIES

Our principal risks and uncertainties have been assessed in accordance with the risk framework and methodology outlined on the previous pages. The principal risks and uncertainties have also been aligned with our strategic priorities to show where they may impact the achievement of our strategy. This linkage is shown under each risk described below and on the following pages.

KEY

STRATEGIC PRIORITIES

1 Exceptional product, trusted retailer
2 Customer centric business
3 Expanded global reach
4 Structurally lower costs
5 High performance culture
6 Accelerating store rotation
7 Modernised supply chain
8 Data, digital and technology
9 Disciplined capital allocation

RISK TRAJECTORY

Stable
Increasing
Decreasing
Evolving

EXTERNAL RISK FACTORS

AN UNCERTAIN ENVIRONMENT

3 4 5 6 7 9 Evolving

The business continues to operate in an uncertain environment impacted by a suite of challenging events which could individually, or in aggregate, negatively impact our performance. Some of the factors we are currently monitoring include:

External factors	Risk details
Supply chain disruption	– disruption to the supply of materials and products as a result of geo-political issues such as the issues in the Red Sea and/or cyber-related events; – significant isolated events, such as catastrophic infrastructure failures, that could have a knock-on impact at a global level; – the consequences of extreme weather events; and – the impact of animal disease.
Political environment	– global socio-political tensions and fragility, and their consequences both domestically and internationally; – policy changes following upcoming elections; and – the risk of industrial action.
Cost of goods	– changes in the cost of goods, including the impact of both inflation and disinflation; – supplier resilience as a result of wage inflation, changes in commodity prices and other input costs; – change in consumer spending as a result of the increase in living costs; and – the impact of climate change on the availability and cost of goods.
Financial instability	– changes in interest rates; – foreign exchange movements; and – the volatility of the global financial system.
Health and wellbeing	– the potential for future widespread health events; and – changes in consumer preference as a result of lifestyle changes such as more demand for healthier foods and activewear.

Mitigations
- A strong and varied senior leadership team to focus and respond to a wide range of activities.
- An established operating model with a family of accountable businesses who have aligned goals and objectives, and share M&S brand values to promote stability.
- A three-year plan that remains aligned to 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.
- Disciplined focus on cost, range, trusted value and availability.
- Effective business continuity and crisis management processes to respond to issues as they arise.
- Efficient capital allocation.
- Structured supplier engagement to anticipate and support management of business critical issues such as cost changes.

Oversight by **the Board and Executive Committee**.

STRATEGIC

BUSINESS TRANSFORMATION

1 2 3 4 5 6 7 8 9 Increasing

Ongoing business transformation is dependent on our ability to prioritise capital spend and resources to accelerate and successfully implement the suite of strategic projects. Delays or deferrals of transformation activity could impact the delivery of our medium- and longer-term growth ambitions.

Context
Significant change programmes that underpin our transformation include:

- enhancing our technology infrastructure, underlying systems and digital capabilities;
- modernising our supply chain and logistics operations;
- accelerating the modernisation of our UK store estate;
- delivering a compelling omni-channel experience;
- investing in innovation to maintain brand differentiation; and
- transitioning 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.

Mitigations
- Transformation programmes aligned to the business strategy and prioritised as part of our three-year planning and budgeting processes.
- Delivery plans are in place with leadership-led governance structures to drive our transformation programmes.
- Programme governance principles applied for core projects, with clear accountabilities and milestones.
- Strategy & Transformation leadership reporting, including benefits tracking in line with spend targets and value outcomes.
- Periodic reporting on key business and functional initiatives to the Audit & Risk Committee.

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

JOINT VENTURES, INCLUDING OCADO RETAIL, AND FRANCHISE

1 2 3 4 9 Stable

The successful long-term performance of any joint venture is inherently complex due to a number of factors, including the ownership and/or operational structure and the need to align different perspectives. Similarly, the success of our franchise operations is dependent on our ability to work effectively with both domestic and international partners.

Context
Joint Ventures (JV)
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 are all dependent on maintaining effective strategic and operational relationships with both ORL and Ocado Group.

Similarly, although of lower magnitude, the business performance of our India JV, M&S Reliance (MSR), will be shaped by the ability to maintain strategic alignment and harmonised ways of working with Reliance Industries.

Franchise
The strategic objective to achieve capital-light growth in both our domestic and international markets is dependent on maintaining effective working relationships with our franchise partners – protecting our brand and delivering appropriate returns to both parties.

Mitigations
- M&S nominated directors form part of the JV boards at ORL and MSR.
- Joint approval of strategic and investment plans directing the growth of the business.
- 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.
- Franchise growth strategy aligned with the three-year plan and joint business plans with partners.
- Assurance programmes covering key risks, such as food safety, across franchise stores in the UK and internationally.
- Annual confirmation from franchise partners on compliance with key requirements.

Oversight by **Ocado Retail Board and Audit Committee, M&S Reliance Board and Audit Committee, Consumer Brand Protection Committee and Group Safety Committee**.

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

For key to strategic priorities and risk trajectory, **see page 64**.

DISRUPTION

BUSINESS CONTINUITY AND RESILIENCE

1 2 3

A major operational or resilience failure at a key business location, such as one of our distribution centres, could result in business interruption. More broadly, an inability to effectively respond to large, disruptive external events like extreme weather or infrastructure failures could also impact our performance.

Context

While our business continues to demonstrate resilience to a broad range of externally driven events and economic uncertainties, the potential to be impacted by disruptive events remains. These include:

- a major incident within our supply chain or logistics operations, including our dedicated warehouses and distribution centres in the UK or overseas, or at support facilities (such as IT centres);
- significant incidents or long-term resilience issues at key third parties impacting our operations, such as cyber-attacks;
- geo-political tensions such as war or terrorist activity and consequential policy changes such as trade sanctions;
- a major issue impacting one or more of our significant franchise partnerships, either domestically or internationally;
- extreme weather events, natural disasters and/or environmental crisis;
- industrial action in the UK or abroad; and
- widespread health events impacting people and/or animals.

Mitigations

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

Oversight by **Executive Committee, Crisis Management Team and Business Continuity Committee**.

INFORMATION SECURITY

1 2 3 7 8

A significant or wide-reaching data breach or cyber-attack, directly or at a connected third party, could result in loss of information for our customers, colleagues and/or business and loss of confidence in M&S. This could adversely impact our reputation, result in legal exposure including significant fines, and potentially cause business disruption.

Context

The sophistication and frequency of cyber-attacks continue to increase, highlighting an escalating information security threat. This is further exacerbated by the increased threat of cyber incidents 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, continue operating a hybrid work model, transition to the cloud, enhance omni-channel experiences 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.

Mitigations

- Information security and data protection policies with mandatory training for colleagues.
- A dedicated information security function, with multi-disciplinary specialists, 24-hour security operations centre, active monitoring of our threat environment and mature incident management plan.
- Access to specialist third-party resources.
- 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 omnichannel 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.

Oversight by **Executive Committee**.

PEOPLE

CULTURE, TALENT AND CAPABILITY

1 2 3 4 5 6 7 8 9

The success of the business is dependent upon being an employer of choice – attracting, retaining and developing the right talent, skills and capabilities and having a clear focus on:

- **driving a high-performance culture;**
- **meeting the financial and wellbeing expectations of our colleagues;**
- **effectively managing labour cost pressures; and**
- **working 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

We employ more than 64,000 talented and passionate people and remain an attractive brand to future colleagues. However, ongoing pressure linked to the external environment and our own transformation objectives result in the following challenges:

- maintaining focus and investment in driving a high-performance culture against the backdrop of significant change;
- managing our investment in competitive pay and benefits for colleagues in an uncertain cost environment;
- a tight labour market in some key and emerging areas like digital, technology and artificial intelligence; and
- responding to changing colleague expectations and monitoring cultural alignment in areas such as sustainability, diversity and ethical values.

Mitigations

- Competitive employment packages with 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 framework that supports performance, development and progression;
  - maintenance of succession plans for key roles;
  - delivery of improvements in core people management systems and processes, such as performance management, to drive consistency and improve decision-making;
  - embedding consistent standards across the business on assessing, promoting and hiring leaders; 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.

Oversight by **Executive Committee**.

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

For key to strategic priorities and risk trajectory, **see page 64**.

COMPLIANCE AND RESPONSIBILITY

PRODUCT SAFETY AND INTEGRITY

1 2 3

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 and safety, and the associated 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 geo-political events;
- cross-border regulatory divergence;
- climate-related events; and
- the related pressures in the supply chain.

Mitigations

- Safety Policy and Compliance Standards, Terms of Trade and product safety specifications with clearly set accountabilities.
- Qualified and experienced Food and Product Technology teams.
- 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.
- Regular engagement with expert bodies to understand and respond to changes in safety standards.
- Specific provisions included in third-party brand contracts.

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

CORPORATE COMPLIANCE AND RESPONSIBILITY

1 3 5 8

A failure to consistently deliver against an increasingly demanding set of legal and regulatory obligations or broader corporate responsibility commitments would undermine our reputation as a responsible retailer. The consequences include a loss of trust by customers, investors and other stakeholders, and/or legal exposure or regulatory sanctions which could negatively impact our ability to operate and/or cause financial losses and harm.

Context

The increasingly broad and rigorous legal and regulatory framework for all businesses creates pressure on business performance and market sentiment, requiring investment, frequent process changes and/or improvements in how we operate. This includes:

- responding to the growing regulatory burden, with anticipated changes around fraud, governance, and CSRD (the EU Corporate Social Responsibility Directive) as well as new EU legislation on artificial intelligence;
- the divergence of regulations in the countries in which we operate, most notably in the EU; and
- potential for changes in policy and regulation following the UK General Election, as well as other changes in the political landscape, both domestically and internationally.

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.

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

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 safety, competition law, anti-bribery and corruption, data privacy and information security.
- Established in-house legal team with dedicated subject-area leaders and regulatory expertise.
- Mandatory sourcing principles set and shared with our supply base and other third parties.
- Dedicated Group Data Protection Officers team and a network of Data Compliance Managers in priority business areas.
- Assurance and monitoring systems covering legal, regulatory, ethical and social considerations, including for our overseas operations and suppliers.
- A confidential reporting line allowing colleagues and other stakeholders to report concerns.
- 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.

Oversight by **Board, ESG Committee, Executive Committee, Group Safety Committee, Consumer Brand Protection Committee and Fraud and Loss Committee**.

COMPLIANCE AND RESPONSIBILITY CONTINUED

CLIMATE CHANGE AND ENVIRONMENTAL RESPONSIBILITY

1 3 6 7 9

There is increasing focus and pressure from carbon-conscious stakeholders for the business to operate in a more environmentally sound and sustainable manner.

A failure to take appropriate actions to reduce the environmental impact of our business over time and progress towards our net zero targets – those linked to our directly controlled operations and externally within our supply chain – as well as effectively manage the consequences of climate-related risks (such as regulations or extreme weather events) could impact our brand, future trading performance and other business costs, including financing.

Context

We will need to effectively monitor and manage the physical impact of climate change to reduce the potential impact on key aspects of our business. This includes:

- the impact on the availability of raw materials and food products;
- the geographical locations from which we source and operate; and
- the condition of our buildings.

Future performance will therefore be impacted by our ability to manage the transition to a low-carbon economy with greater maturity and pace while maintaining value for our customers by:

- balancing commercial decisions with environmental responsibility and regulatory requirements;
- responding to the growth in the circular economy, waste reduction, low-carbon products, use of sustainable and recycled fabrics and effective cost-management linked to these elements;
- managing changes in customer sentiment; and
- responding to further regulatory interventions.

Mitigations

- Established Plan A programme with clear accountabilities in each area of the business.
- Net zero targets agreed with the Board – our 2030 corporate greenhouse gas emissions reduction target has been approved by the SBTi (Science Based Targets initiative).
- Established policies and standards covering product and raw material standards, clothing quality and environmental impact – also shared with suppliers.
- Experienced ESG team members, with experts embedded in key areas of the business.
- Business-led forum established to oversee the delivery of our carbon commitments and ESG risks.
- Engagement and planning with partners and suppliers to support their decarbonising activities.
- Business-wide climate risk and opportunity review undertaken across all business areas.
- Proactive engagement with government bodies and industry experts.

See TCFD disclosure on pages 44 to 58 for further detail.

Oversight by **Executive Committee, ESG Committee**.

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

FINANCE

LIQUIDITY AND FUNDING

2 4 6 7 8 9 ↘

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

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

The business continues to operate in 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. These include potential:

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

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

- 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 to mitigate financing risks and future fluctuations in foreign exchange and energy price volatility.
- Strong discipline over capital allocation decisions and scrutiny and challenge of discretionary spend.
- Proactive management of working capital to improve cash flow and reduce reliance on bank facilities.
- Continued focus on maintaining investment grading.
- A £850m undrawn, revolving credit facility and £1,022.4m of cash and cash equivalents.
- 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 and an agreed long-term funding plan.

Oversight by **Board and Executive Committee**.

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. These currently include:

- changes to corporate governance requirements;
- ESG and environmental matters, like the EU Corporate Sustainability Reporting Directive (CSRD);
- policy changes resulting from the UK General Election and in other countries where we operate; and
- future divergence of law and regulation across our countries of operation.

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 62 to 63) and our principal risks and uncertainties (see pages 64 to 70).

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 June 2025 and May 2026 bonds.

The Group continues to maintain a robust financial position with liquidity of £1.9bn, including cash and cash equivalents of £1.0bn and access to a committed revolving credit facility ("RCF") of £850.0m.

In December 2023, the Group successfully extended its RCF which now expires in June 2027. 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.

For the purpose of assessing the Group's viability, the Board identified that, although all of the principal risks detailed on pages 64 to 70 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 environment.
- Business transformation.
- Joint ventures, including Ocado Retail, and franchise.
- Culture, 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 2024/25, resulting in a reduction in sales growth of 2.0 – 5.0% across all three business units compared to the Budget and Three-Year Plan.
- 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.
- Ocado Retail Limited experiences limited customer demand, with a 5.0% reduction in volume growth each year across the three-year period compared to the Budget and Three-Year Plan.

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 58, 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), reducing returns to shareholders 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 profitability 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 EBITDA reductions of more than 50% 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 118.

The Strategic Report, including pages 3 to 71, was approved by a duly authorised Committee of the Board of Directors on 21 May 2024 and signed on its behalf by

STUART MACHIN
Chief Executive

21 May 2024

CHAIRMAN'S GOVERNANCE OVERVIEW

> In another transformational year for M&S, the Board's role has been to guide, support and constructively challenge management.

ARCHIE NORMAN
Chairman

This has been another transformational year for the business. We run a very engaged board model and the Board's role has been to guide, support and constructively challenge management. We have been especially focused on the delivery of our strategic priorities and underlying change programmes.

Below are some of the highlights of this year, and the Governance section that follows is by intention concise. Further detail on the Board, Committees and our Governance Framework is available at **corporate.marksandspencer.com**.

BOARD ACTIVITIES

Substantial items on the Board agenda have included: execution of the "reshaping" plans for each main business; addressing the issues in data and technology; reshaping our end-to-end Clothing & Home supply chain; as well as the development of our Executive Committee ("ExCo"), talent and people. We hold two strategy away days a year with the ExCo at which we discuss in depth our major transformation programmes including our approach to loyalty and health.

More information on our Board's activities and key decisions can be found on pages 78 to 79.

DIVIDEND

We announced in May 2024 that we propose to pay a final dividend of 2p per share. This, combined with the interim dividend paid in January 2024, means the Company will have paid a total dividend of 3p for FY2023/24.

Our approach this year strikes a balance between investing in our business at a critical time in its reshaping, and providing returns for shareholders, with the aim of creating a sustainable, growing business. More information on our disciplined capital allocation and how we have considered stakeholders in our decision-making can be found on pages 10 and 82.

COLLEAGUE SHARESAVE SCHEME

We are pleased that over 9,200 colleagues have benefitted from the vesting of our 2020 ShareSave Scheme on 1 February 2024. The scheme created unprecedented value for our colleagues and to satisfy this, at year end, M&S had issued over 68m new ordinary shares to scheme participants. More information on how we consider our colleagues in decision-making can be found on page 9.

PLANNED LEADERSHIP EVOLUTION

In March 2024, we announced Katie Bickerstaffe's impending retirement from her position as Co-CEO after the AGM in July 2024. She has had an important role in overseeing a marked improvement in the performance of the business and moves on with our best wishes. More information on our executive succession planning can be found in our Nomination Committee report on page 86.

EXTERNAL BOARD REVIEW

Global Future Partners conducted this year's external review of the Board's effectiveness. The process and findings can be found on page 83.

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 2023/24.

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.

Our full Corporate Governance Statement outlining our compliance is available online at **corporate.marksandspencer.com/about-us/corporate-governance**.

KEY HIGHLIGHTS

Total dividend for 2023/24

3p

Questions asked at the 2023 AGM

129

2020 ShareSave shares exercised by colleagues in 2023/24

68m

BOARD TENURE (AS AT YEAR END)

Archie Norman	6 years 7 months
Stuart Machin	1 year 11 months
Katie Bickerstaffe	1 year 11 months
Evelyn Bourke	3 years 2 months
Fiona Dawson, CBE	2 years 11 months
Ronan Dunne	1 year 8 months
Andrew Fisher, OBE	8 years 4 months
Tamara Ingram, OBE	3 years 10 months
Justin King, CBE	5 years 3 months
Cheryl Potter	1 year 1 month
Sapna Sood	3 years 10 months

BOARD GENDER

2023/24	
Female	**55%**
Male	**45%**
2022/23	
Female	55%
Male	45%

EXECUTIVE COMMITTEE GENDER

2023/24	
Female	**30%**
Male	**70%**
2022/23	
Female	33.3%
Male	66.6%

BOARD ETHNICITY

2023/24	
Ethnic minority	**9%**
White	**82%**
Not specified	**9%**
2022/23	
Ethnic minority	**9%**
White	**82%**
Not specified	**9%**

EXECUTIVE COMMITTEE ETHNICITY

2023/24	
Ethnic minority	**10%**
White	**80%**
Not specified	**10%**
2022/23	
Ethnic minority	**11%**
White	**78%**
Not specified	**11%**

MEETING ATTENDANCE

	Committee Chair	Board	Nomination Committee	Audit & Risk Committee	Remuneration Committee	ESG Committee
Chairman						
Archie Norman	N	11/11	4/4	5/5*	4/4	4/6*
Executive Directors						
Stuart Machin		11/11		5/5*	4/4*	
Katie Bickerstaffe		11/11				
Non-executive Directors						
Evelyn Bourke	A	11/11	4/4	5/5©		
Fiona Dawson CBE		11/11	4/4		4/4	
Ronan Dunne		11/11	4/4	5/5©		
Andrew Fisher OBE	R	11/11	4/4		4/4	
Tamara Ingram CBE	E	11/11	4/4		4/4	6/6
Justin King CBE		11/11	4/4	5/5		
Cheryl Potter		10/11**	4/4			2/2
Sapna Sood		10/11**	4/4			3/6**
Senior Leadership						
Jeremy Townsend		11/11*		5/5*	3/4*	
Nick Folland		11/11*		5/5*	4/4*	2/2*

*Attended by standing invite. **Unable to attend due to prior business commitments. ©Has recent and relevant financial experience.
†Our National Business Involvement Group Chair attended two meetings this year to represent the colleague voice and raise matters important to the workforce.

OUR BOARD

CHAIR AND EXECUTIVE DIRECTORS

ARCHIE NORMAN
CHAIRMAN N R

Appointed: September 2017

Current appointments:
- Chairman of Signal AI.
- Chairman of Global Counsel.
- Senior Independent Director of Bridgepoint Group plc.

Prior experience:
- Experienced Chairman and former Chief Executive having led major transformation programmes at ITV, Lazard, Asda and Energis.
- Lead Director at the Department for Business, Energy & Industrial Strategy from 2016-2020.
- Deputy Chairman of Coles Limited.
- Only FTSE 100 Chairman to be elected as a Member of Parliament.

STUART MACHIN
CHIEF EXECUTIVE OFFICER

Appointed: May 2022

Current appointments:
- Director of M&S' JV with Ocado, Ocado Retail Limited.

Prior experience:
- M&S Food MD and joint COO.
- CEO of Steinhoff UK.
- Senior roles at Wesfarmers, as CEO of Target Australia and COO of Coles Supermarkets.
- Various leadership roles at Sainsbury's, British Home Stores, Tesco and Asda.
- Extensive experience of delivering retail transformation and a deep understanding of operations, trading, marketing and online.

KATIE BICKERSTAFFE
CO-CHIEF EXECUTIVE OFFICER

Appointed: May 2022

Current appointments:
- Non-Executive Director and Chair of the Remuneration Committee of Barratt Developments PLC.
- Senior Independent Director of England and Wales Cricket Board.

Prior experience:
- Held a number of roles at M&S including Non-Executive Director, Chief Strategy and Transformation Director, and joint COO.
- Executive Chair of SSE Energy Services.
- Chief Executive, UK and Ireland of Dixons Carphone plc.
- Extensive experience of digital, retail and operations, and of leading consumer-focused businesses.

COMMITTEE CHAIRS

ANDREW FISHER
SENIOR INDEPENDENT DIRECTOR R N

Appointed: December 2015

Current appointments:
- Non-Executive Chair of Rightmove plc.
- Non-Executive Chair of Epidemic Sound.
- Trustee at the Royal Marsden Cancer Charity.

Prior experience:
- Instrumental in establishing mobile lifestyle app Shazam, where he was Executive Chairman until October 2018.
- Over 20 years' experience leading and growing numerous technology-focused enterprises.

EVELYN BOURKE
NON-EXECUTIVE DIRECTOR A N

Appointed: February 2021

Current appointments:
- Non-Executive Director of Bank of Ireland.
- Non-Executive Director of Admiral Plc.
- Senior Independent Director of AJ Bell Plc.

Prior experience:
- CEO and CFO of Bupa Group.
- Leadership roles at Standard Life and Friends Provident.
- Extensive experience in financial services.

TAMARA INGRAM
NON-EXECUTIVE DIRECTOR E R N

Appointed: June 2020

Current appointments:
- Non-Executive Director of Reckitt Benckiser Group plc.
- Non-Executive Director of Marsh McLennan.
- Non-Executive Director of Intertek Group.

Prior experience:
- Held leadership roles at WPP since 2002, including as Non-Executive Chair of Wunderman Thompson and CEO of J Walter Thompson.
- Held the roles of CEO and Chair at Saatchi and Saatchi.
- 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.

Committees key

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

NON-EXECUTIVE DIRECTORS

FIONA DAWSON
NON-EXECUTIVE DIRECTOR R N

Appointed: May 2021

Current appointments:
- Non-Executive Director of LEGO.
- Non-Executive Director and Chair of the Sustainability Committee of Kerry Group plc.
- Trustee of The Social Mobility Foundation.
- President of the Chartered Management Institute.

Prior experience:
- Over 30 years at Mars Inc., latterly as Global President Food, Multisales and Global Customers and a member of the Global Leadership Team.
- Chair of the Women's Business Council.
- Strong track record in sustainability, health and wellbeing, particularly women's entrepreneurship and human rights.

JUSTIN KING
NON-EXECUTIVE DIRECTOR A N

Appointed: January 2019

Current appointments:
- Chair of Allwyn Entertainment Limited.
- Chair of Dexters Group.
- Chair of OVO Energy.
- Non-Executive Director of ITIM Group plc.

Prior experience:
- CEO of Sainsbury's.
- Head of Food at M&S.
- Over 30 years' experience in large retail operations and transformations, with various positions at Asda, Haagen-Dazs, PepsiCo and Mars.

SAPNA SOOD
NON-EXECUTIVE DIRECTOR E N

Appointed: June 2020

Current appointments:
- President, Adecco APAC.
- Advisory Board member of Imperial College Business School.

Prior experience:
- Chief of Staff to the Group CEO at Adecco.
- Senior executive at Compass Group.
- Non-Executive Director at Kering SA.
- In-depth knowledge of running complex supply chains, including in food and clothing.
- Experience of leading large transformation programmes.

CHERYL POTTER
NON-EXECUTIVE DIRECTOR E N

Appointed: March 2023

Current appointments:
- Non-Executive Director of Best Secret.
- Board member (former chair) of Level 20, a not-for-profit focused on getting more women into senior investing roles in the Private Equity industry.

Prior experience:
- Former head of the global consumer team at private equity firm, Permira.
- Founding Patron of The Prince's Trust Women Supporting Women scheme.

RONAN DUNNE
NON-EXECUTIVE DIRECTOR A N

Appointed: August 2022

Current appointments:
- Non-Executive Chair of Six Nations Rugby.
- Trustee of the John King Brain Tumour Foundation.

Prior experience:
- Extensive international experience in the digital telecoms industry, as CEO of Verizon Consumer Group and CEO of Telefónica UK (O2).
- Financial expertise having previously held Chief Financial Officer roles.
- Led businesses through technological and people transformation.

SENIOR LEADERSHIP

JEREMY TOWNSEND
CHIEF FINANCIAL OFFICER

Appointed: November 2022

Jeremy brings a wealth of financial leadership experience having held senior financial and non-executive roles across several public companies, most recently, the Group CFO of Rentokil Initial Plc.

NICK FOLLAND
GENERAL COUNSEL & COMPANY SECRETARY

Appointed: February 2019

Nick has extensive legal and governance experience, having been General Counsel & Company Secretary in FTSE 100 businesses since 2001; originally qualifying as a solicitor at Linklaters & Paines in 1993.

Full biographies are available at: corporate.marksandspencer.com/about-us/our-leadership.

More information on the Board's skillset can be found on page 85.

OUR GOVERNANCE FRAMEWORK

Our governance framework facilitates responsive and effective decision-making while supporting the development of good governance practices across the Group.

BOARD OF DIRECTORS

The Board is responsible for establishing a clear purpose and setting the strategic direction of M&S. It ensures our culture is aligned with our strategy, oversees our conduct and affairs and promotes the success of M&S for the benefit of our shareholders and wider stakeholders.

BOARD ROLES

During the year, and as at the date of this Annual Report, our Board has been comprised of the following roles.

CHAIRMAN
The Chairman, who was considered independent on appointment, is responsible for leading the Board and 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.

CHIEF EXECUTIVE OFFICER (CEO) AND CO-CEO
The CEO is responsible for the overall performance and day-to-day management of the Group. He oversees development of business strategies and is accountable for their timely and effective implementation. The Co-CEO reports into the CEO and is responsible for specific business areas, focused on driving the digital future of the business.

SENIOR INDEPENDENT DIRECTOR (SID)
The SID provides a sounding board for the Chairman, supporting on all governance issues including the annual review of Board effectiveness and the Chairman's review. The SID also acts as an additional communication channel between the Chairman and NEDs and, when required, principal shareholders including representative bodies.

NON-EXECUTIVE DIRECTORS (NEDS)
Independent NEDs assess, challenge and monitor the executive team's 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 director remuneration.

A full breakdown of the Board's roles and responsibilities is available at **corporate.marksandspencer.com/about-us/corporate-governance.**

BOARD COMMITTEES

The Board delegates certain matters to its four main Committees. At each Board meeting, the Committee Chairs provide an update on their respective Committee's activities. More information on meeting attendance, Committee members, their skills and experience can be found on pages 73 to 75 and 85. The full Terms of Reference for each Committee can be found on our website.

NOMINATION COMMITTEE
Responsible for reviewing Board and Committee structure, composition and diversity, and monitoring the Company's longer-term leadership and succession needs. Oversees the process for nomination, induction and evaluation of directors, while keeping under review the range of skills and experience on the Board and that these remain suited to the Group's strategic priorities.

Read more on **pages 84-86.**

ESG COMMITTEE
Responsible for ensuring the Group's ESG strategy is inspiring and remains fit for the future, anticipating changing consumer and societal needs. Reviews the effectiveness of the strategy, and the successful delivery of targets. Considers and recommends all ESG-related reporting for the Board's approval and advises the Audit & Risk Committee on ESG-related risks, including climate-related risks.

Read more on **pages 87-88.**

AUDIT & RISK COMMITTEE
Responsible for monitoring the integrity of the financial statements, reviewing the significant financial reporting judgements within them, and maintaining an appropriate relationship with the external auditor. Reviews the internal audit programme and effectiveness of the internal audit function. Reviews and assesses the Group's risk framework, and systems of internal control.

Read more on **pages 89-94.**

REMUNERATION COMMITTEE
Responsible for remuneration policy, performance-related pay schemes and share-based incentive plans, ensuring practices are designed to support and promote the long-term success of the Company and delivery of its strategy. Reviews Chairman, executive and senior management remuneration frameworks in the context of our culture and wider workforce remuneration.

Read more on **pages 95-113.**

EXECUTIVE COMMITTEE

The Executive Committee ("ExCo") is our internal leadership team established and led by the CEO, responsible for executing strategy and for the day-to-day management of the business. ExCo members provide updates at Board meetings, and also maintain a regular dialogue with the Board to facilitate support and challenge.

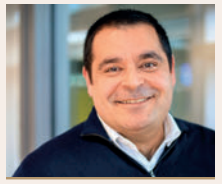
STUART MACHIN
CHIEF EXECUTIVE OFFICER

KATIE BICKERSTAFFE
CO-CHIEF EXECUTIVE OFFICER

JEREMY TOWNSEND
CHIEF FINANCIAL OFFICER

RICHARD PRICE
MANAGING DIRECTOR OF CLOTHING & HOME

ALEX FREUDMANN
MANAGING DIRECTOR OF FOOD



SACHA BERENDJI
OPERATIONS DIRECTOR

MARK LEMMING
MANAGING DIRECTOR OF INTERNATIONAL

Biographies for all ExCo members are available at **corporate.marksandspencer.com/about-us/our-leadership**

VICTORIA MCKENZIE-GOULD
CORPORATE AFFAIRS DIRECTOR

SARAH FINDLATER
PEOPLE DIRECTOR

NICK FOLLAND
GENERAL COUNSEL & COMPANY SECRETARY

SENIOR MANAGEMENT FORUMS

Our Senior Management Forums support the governance framework 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:

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

BUSINESS BOARDS

Our Business Boards are focused on the day-to-day operational and risk management of the Group's key business units. They manage, monitor and provide executive input to support strategic and operational decision-making, and the delivery of transformation projects. These include:

- FOOD
- CLOTHING & HOME
- INTERNATIONAL
- DIGITAL & TECHNOLOGY
- STORES
- PROPERTY & STORE DEVELOPMENT
- OMNI-CHANNEL, ONLINE & LOYALTY

BOARD ACTIVITIES

The following pages set out the Board's key areas of focus during the year.

BREAKDOWN OF BOARD ACTIVITIES

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

STRATEGY
During these updates, the Board considers key areas of strategy and progress made towards delivery of in-year plans, advising on direction of travel and focus. This year, the Board used these sessions to challenge management to accelerate the pace of strategic change.

DEEP DIVES
Deep dive sessions are presented on areas of importance and focus from Senior Leadership and Business Unit heads, providing an opportunity for the Board to give feedback and guidance.

EXECUTIVE UPDATES
Executive directors provide high-level operational and financial updates, presenting the key challenges and actions taken during the month, and a look forward to priorities for the coming period. These include consideration of macroeconomic events impacting the business, and any response where necessary.

GOVERNANCE AND COMMITTEE REPORTS
The General Counsel & Company Secretary summarises the legal activities from the period, alongside upcoming changes to law or regulation. 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 Committee meetings, highlighting any decisions and key issues for the Board's attention.

Read more on how the Board fulfils its duty under Section 172 of the Companies Act 2006 in these activities on **pages 80 to 82**.

2023

APRIL

Discussion: Initial views on a potential return to dividend.

Read more on page 82.

Approval: Clothing & Home End-to-End ("E2E") Planning Platform contract worth £89m over five years to improve forecasting and planning activities across the supply chain.

Read more on page 81.

Deep dive: Marketing strategies and the importance of defining what the M&S Masterbrand stands for.

Discussion: How to respond to changes in the inflationary environment while maintaining agility in pricing strategy.

MAY

Announcement: Publication of the 2022/23 preliminary results.

Approval: Bond buyback exercise up to £225m to further strengthen the balance sheet.

Read more on page 82.

Deep dive: Challenges and opportunities for the International business.

JUNE

Event: Strategy Away Day to discuss delivery of the next horizon of profitable growth:

- Areas for growth and issues facing the Food and Clothing & Home businesses over the next three years.
- How the Digital, Data & Technology function can support transformation programmes.
- Accelerating the legacy store estate rotation.
- The Talent strategy's role in transforming performance and developing skills for the future.

JULY

Event: Annual General Meeting 2023.

Discussion: Marble Arch decision – next steps following planning permission refusal.

Read more on page 81.

Deep dive: The strategic direction for third-party brands at M&S.

AUGUST

Announcement: Update and outlook for the year due to strong trading.

SEPTEMBER

Discussion: RAAC concrete – exposure assessment underway across the store estate.

Deep dives: Updates on Strategy Away Day challenges:

- Transforming the Digital, Data & Technology function to meet the future needs of the business.
- Progress with shortening the store rotation timeline from five years into three.

OCTOBER

Approval: Package of investments to modernise omni-channel infrastructure at our distribution centres worth £120m over three years, in support of the Clothing & Home E2E transformation.

Read more on page 81.

NOVEMBER

Announcement: Publication of the 2023/24 Half Year Results.

Approval: Payment of an interim dividend to shareholders.

Read more on page 82.

Event: Capital Markets Day for institutional investors and analysts, setting out our investment case and progress against strategic pillars to date.

Discussion: Autumn statement – consideration of increases to business rates and national minimum wage.

DECEMBER

Approval: Investment in end-of-life replacement of M&S Fleet vehicles worth £49m.

Read more on page 82.

Discussion: Shares & Dealing Committee preparations ahead of the 2020 ShareSave scheme maturity.

Discussion: Red Sea disruption impact on Clothing & Home shipping.

2024

JANUARY

Announcement: Publication of the 2023/24 Christmas Trading Results.

Approval: Investment in store colleague pay offer worth £89m, with an additional £5m to enhance family leave policies.

FEBRUARY

Event: Strategy Away Day to discuss current issues facing the business and how to increase the pace of change:

- Health trends and creating a Health proposition in M&S Food.
- The future of Sparks and developing a customer-centric strategy.
- Learnings from new stores and renewals.

Event: Closer to Customers visit to Leeds White Rose store and tour of the M&S Archive.

MARCH

Discussion: Setting our dividend policy and balancing internal investment needs against external expectations.

Read more on page 82.

LINK TO STRATEGIC PRIORITIES

- Deliver profitable sales growth
- Improve operating margins
- Disciplined investment choices
- Drive shareholder returns

S.172 STATEMENT

Our Board carefully considers the diverse needs and priorities of stakeholders in its decision-making, while ensuring M&S' long-term success and reputation is promoted and preserved. This responsibility is set out in Section 172(1) (a) to (f) of the Companies Act 2006 ("s.172").

The following pages, which include examples of four key decisions taken during the year, comprise our s.172 statement, detailing how the Board has had regard to the matters set out in s.172.

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.
- Information on our Board composition, including the skills and experience of our directors, can be found in "Our Board" on **pages 74 to 75** and in the Nomination Committee Report on **pages 84 to 86**.

Board information and monitoring

- The Board receives detailed papers and in-person updates from management which they query, challenge, and debate, to ensure conflicting stakeholder views are carefully considered.
- Updates on the progress of actions and implementation of decisions are also provided, to allow the Board to review and adjust as situations (and stakeholder priorities) inevitably evolve.
- Detail on the Board's activities this year can be found on **pages 78 to 79**.

Board discussion

- All directors constructively challenge and contribute to discussions, as well as offer additional perspectives, advice and strategic guidance.
- Further information can be found within the Chairman's Governance Overview on **page 72**, the Board Review on **page 83** and the Nomination Committee Report on **pages 84 to 86**.

Strategic direction and culture

- The Board sets the strategic direction, values and culture of the Company. It sets the tone for how business is done throughout M&S and has embedded an expectation that stakeholder considerations are central to decision-making at all levels of the organisation.
- Further information on culture can be found on **pages 38 to 41**, and more information on our strategy can be found on **pages 12 to 27**.

Stakeholder engagement

- Engagement plays a crucial role in enabling directors to thoroughly grasp stakeholder needs and make informed decisions addressing their priorities.
- Highlights of our stakeholder engagement during the year can be found on **pages 9 to 11**.

Alongside the key decisions summarised in this statement, the below table outlines other areas of this report which detail how the directors have had regard to the s.172 factors.

S.172 FACTOR	FURTHER INFORMATION CAN BE FOUND ON
(a) The likely consequences of any decisions in the long-term	Our Business Model: **page 8** Strategic Progress: **pages 12-27**
(b) Interests of employees	Our Business Model: **page 8** Stakeholder Engagement: **page 9** People & Culture: **pages 38-41** Remuneration Committee Report: **pages 95-99**
(c) Fostering the company's business relation-ships with suppliers, customers and others	Our Markets: **pages 6-7** Our Business Model: **page 8** Stakeholder Engagement: **pages 9-11** Strategic Progress: **pages 12-27**
(d) Impact of operations on the community and environment	Our Business Model: **page 8** Stakeholder Engagement: **page 11** Strategic Progress: **pages 12-27** ESG review: **pages 42-43** TCFD: **pages 44-58** ESG Committee Report: **pages 87-88** **corporate.marksandspencer.com/ESGreport2024.**
(e) Maintaining a reputation for high standards of business conduct	Our Business Model: **page 8** TCFD: **pages 44-58** Non-Financial and Sustainability Information Statement: **pages 59-61** Risk Management: **pages 62-70** Audit & Risk Committee Report: **pages 89-94**
(f) Acting fairly between members of the company	Our Business Model: **page 8** Stakeholder Engagement: **pages 9-11** Strategic Progress: **pages 12-27** Remuneration Committee Report: **pages 95-99**

Redevelopment OF MARBLE ARCH

1 2 3 6

In July 2023, the Secretary of State for Levelling Up, Housing and Communities rejected planning permission for the proposed redevelopment of our store in Marble Arch. Following the rejection, the Board carefully considered whether it was right to launch legal action to challenge this decision. Given the proposal was initially discussed in 2019, the Board considered whether the redevelopment remained the best option for M&S and its stakeholders, or whether refurbishment or retrofit should be reconsidered.

Although the redevelopment will mean the Group is forgoing immediate financial benefit by closing the existing store, directors agreed the widespread benefits to customers, colleagues and the community more than outweigh this cost. The proposed redevelopment will be in the top 1% of London's sustainable buildings and will use only a quarter of the energy of the current building. Thousands of jobs will be created, as will an improved public space. The proposal also remains closely aligned to M&S' strategic priorities, particularly accelerating our store rotation to create a store estate fit for the future.

The Board is therefore supportive of securing a better future at Marble Arch for our local customers and community. Modernising our store estate is at the heart of delivering a business that is more sustainable, both commercially and environmentally.

Consequently, the Board agreed a legal challenge was the right option to pursue. In March 2024, the High Court agreed with our arguments on five out of six counts brought forward, ruling the Secretary of State's decision to block the development was unlawful. The decision has now been referred back to the Secretary of State to reconsider.

CLOTHING & HOME END-TO-END *transformation* PROGRAMME

1 2 3 4 5 6

The C&H End-to-End Transformation Programme (the "Programme") was a recurring item on the Board's agenda this year. The Programme will deliver a reset of our C&H operating model and involves large-scale business change, impacting the majority of our stakeholders. It spans three main programmes, upgrading our core commercial processes, our network and our sourcing strategy.

The Board considered the following before reaching a decision on the investment requests:

- While the Programme requires significant investment in the short-term, it is key to the Group's long-term strategy and success. It will advance our processes, making us a more efficient business, and allowing us to grow future shareholder value. Financial benefits will be delivered through better assortments and seasonal buys, increased sales volumes through improved availability, and better markdown avoidance.
- Customers will experience an enhanced proposition across home delivery, click & collect, returns, product availability, and better ranging, including from third-party brands.
- Our franchise partners will receive product assortments tailored to local demands to help drive our International business.
- Given the complexity of the Programme and changes to ways of working, it is vital colleagues are on board and ready for a shift in culture. Feedback from colleagues via our Business Involvement Group was supportive of the Programme, as improved planning and productivity will allow a focus on higher-value tasks and create a more transparent supply chain.
- The Programme will ensure our sustainability and ethical standards are met. Our new sourcing capabilities, in particular, will underpin our ability to deliver our Plan A commitments and end-to-end sustainability and traceability.

Given the wide-reaching benefits to stakeholders, the Board made the following decisions:

- Approved a contract with a new planning platform, crucial to the core commercial process changes delivering the efficiencies outlined above; and
- Approved a package of network strategy investments in our key warehouse sites, Castle Donington and Bradford, totalling £120m. These aim to create the right capacity to support omni-channel growth, lower costs through automation and improve customer proposition.

More information about the C&H end-to-end transformation can be found on **page 23.**

KEY TO STAKEHOLDER GROUPS

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

S.172 STATEMENT CONTINUED

Disciplined CAPITAL ALLOCATION

1 2 3 6

Ensuring M&S has a disciplined capital allocation framework has been a key focus for the Board throughout the year. It has been concerned with striking the right balance between value creation and returns for shareholders, and investing in our business' sustainability and long-term success. All whilst maintaining a robust balance sheet and liquidity position.

The Board was conscious of the increasing expectations of some shareholders to restore a dividend, from engagement at the 2023 Annual General Meeting, particularly given performance improvements in recent years. They also heard from large institutional shareholders that there was less appetite for a meaningful dividend in the short-term, as long-term growth remains their top priority. A large dividend would decrease the business' available funds to reinvest in the long-term future of M&S, ultimately limiting our ability to undertake the large-scale projects needed to execute our ongoing transformation; including our end-to-end C&H advancements, Digital, Data & Technology transformation, and store rotations. Board directors agreed these projects will positively impact most of our key stakeholders (as demonstrated in the C&H end-to-end transformation case study on page 81) and are vital to the long-term success and reputation of M&S. They will provide efficiency for our colleagues and suppliers, as well as an improved experience and proposition for customers.

Having considered the importance of ensuring the Group retains sufficient cash to reinvest in the future of M&S, balanced with shareholder expectations, the Board agreed to restore a modest dividend to shareholders. This included an interim dividend of 1p per share, paid in January 2024, and the recommendation to pay a final dividend of 2p per share (subject to shareholder approval at the 2024 Annual General Meeting).

Additionally, recognising our shareholders' priority for long-term value creation, the directors considered the need diligently to manage the balance sheet, cash flow generation and achieve investment grade credit metrics. As a result, in May 2023 they also approved a repurchase exercise of £225m of our medium-term bonds, reducing our net debt position to strengthen our balance sheet.

FLEET investment

2 3 6

Our acquisition of Gist last year has provided us the opportunity to work closer with the wider logistics industry to ensure we have a transition plan for a net zero fleet of vehicles and trailers. This year, a number of existing vehicles across our logistics network were nearing the end of their useful life, and the Board considered a proposal to replace them.

As well as considering the commercial and financial detail of the proposal, environmental considerations were an integral part of the discussion. Moving to a low-carbon logistics network, with reduced dependency on diesel and increased use of new technologies and cleaner fuels, is vital in achieving our net zero ambitions (read more on pages 42 to 43).

Therefore, as part of a wider investment in the fleet renewal, the Board agreed a phased transition to compressed natural gas ("CNG") vehicles which use renewable biomethane. CNG is a low-carbon, cost-effective alternative to diesel engines and will reduce carbon emissions by 90%. Although this came at an incremental cost of £2.41m versus a like-for-like replacement, directors agreed this was the right decision to align with our Plan A commitments and to ensure we have a plan in place to transition away from diesel heavy goods vehicles ("HGVs") by 2040 (2035 for HGVs weighing less than 26 tonnes).

KEY TO STAKEHOLDER GROUPS

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

BOARD REVIEW

This year's annual assessment of the Board was facilitated externally by Gurnek Bains and Anita Kirpal of Global Future Partners ("GFP"), in accordance with the UK Corporate Governance Code. Gurnek, Anita and GFP have provided senior talent assessment and coaching services to the Company during the year; they have no other connection with the Company or its directors.

PROCESS

Our approach to the Board review is strongly developmental, combining rigorous assessment with one-to-one coaching and improvement programmes. The assessment part of the review included evaluation of the composition and effectiveness of the Board and its Committees, and individual Board member's contributions and personal growth, in four stages:

STAGE 1	Briefing and Board observation
	Collective Board feedback
	One-to-one interviews with Board members
	Collective ExCo feedback
	Review of Board documents and structure of meetings
STAGE 2	Results collated and evaluated
	Board report produced
	Individual director reports produced
STAGE 3	One-to-one development discussions with each Board member
	Agreement on collective Board improvement goals
STAGE 4	Discussions with Chairman and Committee Chairs
	Board discussion of development and achievement

2023/24 BOARD REVIEW INSIGHTS

Overall, the M&S Board operates to very high standards and continues to add real value to the business. It is widely regarded by its members as a rewarding and enjoyable Board. A particular strength of the Board lies in its composition of high-calibre individuals, who bring a diverse range of experiences to bear. The Board is actively engaged with the business, discussing topics that are both pertinent and value-adding for the M&S transformation. Governance matters are well handled whilst giving the Board time and space to focus on business priorities. Communication within the Board and between the Non-Executive Directors ("NEDs") and the Executive Committee ("ExCo") is open and constructive. The ExCo particularly values the individual personal support provided through mentorship by the NEDs.

Developmentally, it is important the Board maintains and enhances the strengths that have contributed to its past success and evolves its role as the M&S journey unfolds. This entails continuing to challenge the business to reach greater heights, strategically focusing on what would help M&S position itself for sustainable success in the long-term and bringing the NEDs' external perspectives and learnings more actively into the business. Additionally, there are succession needs for key roles that the Board will have to be cognisant of in its next phase.

Committees
The Audit & Risk, Remuneration, and ESG Committees function effectively and are well-chaired. There is good reporting back to the Board and the Committees are perceived to discharge their roles effectively.

The Nomination Committee's discussions are largely informal and going forward, there may be a need for it to meet more consistently to consider succession for key roles.

Chairman
There is widespread appreciation of the importance of the Chairman, who has created a high-quality Board. He has established a sound rhythm of topics for discussion over the year and guides these effectively. His engagement with the business is recognised as being above what is typical for a chair, but his involvement is viewed as important and value-adding by the NEDs and the ExCo.

ACTION PLAN FOR 2024/25

The Board and Committees' action plan for 2024/25 includes:

- The Chairman to lead a Board discussion on evolving meeting rhythms and focus areas for the next phase of the M&S journey, including the appropriate weight of operations versus strategic focus.
- Following external meetings, the M&S Board to conduct discussions to process and integrate learnings with key ExCo members participating.
- To simplify and integrate performance reporting for the Board.
- The Chairman to ensure the Nomination Committee is focused on addressing impending succession needs.
- To preserve and enhance Board performance, NEDs to create individual development plans, supplemented with coaching.

PROGRESS MADE AGAINST 2023/24 ACTIONS

Good progress has been made against the actions identified as part of last year's review.

- The Board has continued to build on and develop its relationships with members of the ExCo by continuing to act as mentors during the year. ExCo members also attended both Board Strategy Away days.
- The Board champions M&S' Closer to Customer programme which sees Support Centre colleagues spend seven days a year in-store to gain valuable customer insights to allow informed decisions to be made. As part of the Strategy Away Day in February, directors visited our Leeds White Rose store, experiencing this as if they were a customer. Examples of customer engagement can be found on page 9 and examples of how the Board considered customers in its decision-making during the year can be found on pages 81 to 82.
- Ensuring the Group has a disciplined capital allocation framework in place has been a key focus of the year. This included the reintroduction of a dividend and an improved credit rating. More information can be found on page 82.

NON-EXECUTIVE DIRECTOR INDEPENDENCE AND TENURE

As usual, this year's review included a thorough assessment of each non-executive director's tenure, independence and time commitments. More information can be found in the Nomination Committee Report on page 84.

NOMINATION COMMITTEE REPORT

"

The Committee's priorities included overseeing the evolution of the top level leadership structure.

ARCHIE NORMAN
Chair of the Nomination Committee

WHERE TO FIND OUT MORE

MEMBERSHIP

Details of Committee members and their attendance at all meetings can be found on **page 73**.

Information on the skills and experience of all Committee members can be found on **pages 74 to 75 and 85**.

RESPONSIBILITIES

The role and responsibilities of the Committee can be found on **page 76**.

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

EFFECTIVENESS

Details of the Committee's annual performance review can be found on **page 83**.

YEAR IN REVIEW

In a year of relatively little Board change, the Committee's priorities included overseeing the evolution of the top level leadership structure and longer-term Board composition. We continued to play a crucial role in planning for talent and succession, as well as supporting the development of the Executive Committee ("ExCo") and its members.

The Committee recommended to the Board the appointment of Cheryl Potter to the ESG Committee, agreeing her experience working for not-for-profit organisations alongside her past and present executive and non-executive director positions on global retail boards, would be valuable in the evolution and implementation of our ESG strategy. Cheryl joined the ESG Committee in January 2024.

To drive the next phase of our transformation, we reviewed our internal talent pipeline approving the promotion of Mark Lemming to the ExCo as Managing Director of International. We also worked with an independent executive search firm to identify Rachel Higham, who has been appointed as Chief Digital and Technology Officer, and will join the business and the ExCo in June 2024. They are both strong additions to the Executive team and, with their leadership, we will accelerate the pace of change in the business as we continue our reshaping.

In March 2024, we announced that Katie Bickerstaffe, our Co-CEO, will be retiring from her role after the AGM in July 2024 as part of a planned leadership evolution. We are grateful to Katie for her support in seeing M&S through an important transformation period; we are now a much stronger business, and she moves on to pursue her board career with our best wishes.

ON THE COMMITTEE'S AGENDA IN 2023/24

BOARD TENURE

Director tenure and independence was reviewed as part of the annual Board Review. No director's tenure exceeded the recommended nine years, and it was concluded that each Non-Executive Director ("NED") remained independent. The Committee is aware that in December 2024, Andrew Fisher will have served for nine years and, as such, appropriate succession planning for the roles of Senior Independent Director ("SID") and Chair of the Remuneration Committee has commenced.

TIME COMMITMENTS

The Committee recognises the importance of all Non-Executive and Executive Directors having the necessary time available to perform effectively. The Committee has reviewed all Directors' external commitments and concluded that each of them has sufficient time to commit to the Company. Their individual contribution to Board discussions reflects the significant time spent considering M&S matters outside of scheduled meetings. Importantly, they are available for the key moments in our financial calendar, as well as unscheduled activity if necessary. They find additional time to engage with colleagues across the whole business and also to mentor ExCo members and host internal learning opportunities for our Support Centre colleagues.

SUCCESSION PLANNING

When considering the succession needs of the business, the Committee regularly reviews the composition, structure and diversity of the Board and its Committees, as well as considering future opportunities and prospective challenges facing the Group. A skills matrix linked to our strategic priorities, like the one opposite, is regularly reviewed by the Committee to ensure the Board and its Committees have the skillset required to reshape M&S for growth. Each of the Board members have useful strategic experience working for International organisations which will be valuable as M&S prepares to reset the International business.

SKILLS AND EXPERIENCE OF THE BOARD

	Strategic priorities	Stuart Machin	Katie Bickerstaffe	Archie Norman	Evelyn Bourke	Fiona Dawson	Ronan Dunne	Andrew Fisher	Tamara Ingram	Justin King	Cheryl Potter	Sapna Sood	Jeremy Townsend	Nick Folland
Retail and hospitality	Deliver profitable sales growth; Improve operating margins; Disciplined investment choices	●	●	●					●	●	●		○	●
Food and beverage	Deliver profitable sales growth; Improve operating margins	●	●	●		●				●	●		○	
Clothing and textiles	Deliver profitable sales growth; Improve operating margins	●	●	●							●			
International	Deliver profitable sales growth; Improve operating margins; Disciplined investment choices	●	●	●	●	●	●	●	●	●		●	○	●
Consumers	Deliver profitable sales growth	●	●	●	●		●	●	●	●	●		○	
Logistics	Deliver profitable sales growth; Improve operating margins; Disciplined investment choices	●	●	●			●			●		●		
Marketing	Deliver profitable sales growth; Disciplined investment choices; Drive shareholder returns	●	●	●		●	●	●	●	●				
Technology	Deliver profitable sales growth; Improve operating margins; Disciplined investment choices; Drive shareholder returns	●	●				●	●					○	
Strategy	Deliver profitable sales growth; Improve operating margins; Disciplined investment choices; Drive shareholder returns	●	●	●	●	●	●	●	●	●	●	●	○	●
Finance	Disciplined investment choices; Drive shareholder returns			●	●		●	●			●		○	
Risk management	Disciplined investment choices		●		●		●		●			●	○	●
Property and store development	Deliver profitable sales growth; Improve operating margins; Disciplined investment choices; Drive shareholder returns	●		●						●			○	
Organisational design and culture	Deliver profitable sales growth; Improve operating margins; Disciplined investment choices	●	●	●	●	●	●		●	●	●	●		●
Sustainability	Disciplined investment choices; Drive shareholder returns		●			●	●		●	●	●	●		●
Corporate transactions, legal and regulatory	Disciplined investment choices; Drive shareholder returns			●	●		●	●			●		○	●

Strategic priorities key: Deliver profitable sales growth · Improve operating margins · Disciplined investment choices · Drive shareholder returns

○ CFO ● General Counsel & Company Secretary

BOARD DIVERSITY

The Board seeks to support and encourage a diverse and inclusive environment throughout M&S as this is key to driving our high-performance culture; it sets this tone with its own diverse membership. The Board's Diversity and Inclusion Policy, which also applies to the Board's Committees, outlines objectives supportive of the FCA Listing Rules, FTSE Women Leaders Review and Parker Review. The Committee is responsible for ensuring these objectives are in line with regulatory and best practice targets, and for monitoring our performance against them.

As at 30 March 2024, 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, with our representation at 55%. More information on our implementation of the Board's Diversity and Inclusion Policy is outlined in the table on page 86.

The Board's Diversity and Inclusion Policy is available on **corporate.marksandspencer.com/about-us/corporate-governance.**

ETHNIC DIVERSITY REPORTING

As at 30 March 2024, one member of the Board was from a minority ethnic background, meeting the target set out in the FCA Listing Rules and the Parker Review recommendations.

The Committee is aware of the recent Parker Review objective for FTSE 350 companies to set a target to 2027 for ethnic minority representation at senior management level. M&S has committed to achieving a target of 12% of senior management roles being held by individuals from an ethnic minority background by 2027. While the Parker Review guidance defines senior management as "Executive Committee minus one", applying this definition would not be a true reflection of our leadership team. At M&S we measure our Senior Management population using our internal reward levels. Whilst the individuals captured by this exercise do not all report directly into the ExCo, these positions are collectively the ones that have the biggest influence and responsibility in driving, managing and delivering the Group's business strategy.

Examples of how M&S is strengthening its diverse pipeline include:

- Launch of a development programme for talented, junior-level colleagues from ethnic minority backgrounds to build a pipeline of leadership candidates for the future.
- Ethnic minority focus groups arranged to understand the challenges colleagues face and how M&S can help them overcome societal barriers.
- A new set of KPIs established to measure progress towards our targets, and analysis of gender and ethnicity data and current trends in retention and promotion in each of our business areas. This localised approach ensures business leaders are accountable for encouraging a diverse talent pipeline.

The Board and ExCo's gender and ethnicity data can be found in the Chairman's Governance Overview on **page 73**.

The Board and senior leadership's gender and ethnicity data presented in accordance with Listing Rule 9.8.6R(10) can be found on **page 114**.

NOMINATION COMMITTEE REPORT CONTINUED

BOARD DIVERSITY AND INCLUSION POLICY

OBJECTIVES	IMPLEMENTATION	PROGRESS
Maintaining a continuous level of at least 40% female directors on the M&S Group plc Board.	Succession planning sessions review the balance of skills and experience on the Board to deliver our long-term strategy. Independent executive search firms are required to ensure any director searches include a diverse range of candidates.	Ahead of our target at financial year end with 55% female representation.
Appointing a female director to at least one of the senior Board positions (Chair, CEO, SID, CFO).	Consideration of this topic is given as part of the Board and ExCo succession planning process; as well as in the development of our internal talent pipeline.	At year end, Katie Bickerstaffe holds a senior Board position as Co-CEO. Katie's retirement from the Board in July 2024 will impact our achievement of this objective. This objective will be considered when agreeing successors for SID and CFO in 2024/25.
Maintaining a level of at least one director from an ethnic minority background on the Board.	Succession planning considerations ensure the balance of skills and experience on the Board to deliver on long-term strategy. Independent executive search firms are required to ensure any director searches include a diverse range of candidates.	Target met at year end, with one Board member identifying as being from an ethnic minority background.
Assist the development of a pipeline of high-calibre candidates by encouraging a diverse range of senior individuals within the business to take on additional responsibilities and roles to gain valuable board experience.	High-performing senior colleagues have the opportunity to participate in a FastTrack scheme, of which there is more information below. Initiatives strengthening our diverse pipeline of leadership candidates are set out on **page 85 and below**.	M&S has committed to achieving 50% female, and 12% ethnic minority, representation at senior management level by 2027. The current diversity of this population is 52% and 4%, respectively. We acknowledge there is still work to be done and remain committed to enhancing the ethnic diversity of our talent pipeline.

EXECUTIVE COMMITTEE SUCCESSION PLANNING

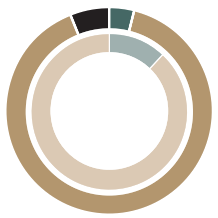
The Committee plays an important role in overseeing the development of a high-calibre, diverse pipeline for succession to the ExCo across immediate, short- and longer-term timescales. In doing so, it emphasises the importance of identifying candidates who will support the reshaping of M&S for growth, as well as M&S' diversity ambitions.

The Committee recommended two new recruits to the ExCo, both of whom have the skills to deliver against our strategic pillars.

Mark Lemming was promoted internally from Clothing & Home Supply Chain & Logistics Director, to Managing Director of International, accountable for driving global reach and growth through a capital-light franchise partner model. The Committee recognised his transformation of Clothing & Home logistics over the last two years, modernising M&S' supply chain and improving the customer proposition. This internal promotion demonstrates the success and value of our leadership development initiatives in recent years.

Given Board and Audit & Risk Committee discussions on the transformation of the Digital, Data & Technology function, the Committee acknowledged the need for new leadership in this area. This led to the recruitment of Rachel Higham as Chief Digital and Technology Officer who will join the Company, and ExCo, in June 2024, bringing the skills to deliver the next stage of our digital transformation. She previously held the position of Chief Information Officer at WPP.

SENIOR MANAGEMENT PARKER REVIEW TARGET



2023/24

Ethnic minority	**4%**
White	**90%**
Not specified/ prefer not to say	**6%**

Target for 2027

Ethnic minority	**12%**
White/prefer not to say	**88%**

STRENGTHENING THE SENIOR MANAGEMENT PIPELINE

In line with the Board's Diversity and Inclusion Policy objective to develop a pipeline of high-calibre candidates, there were two key development programmes in operation during the year. High-performing colleagues with clear future potential were identified to participate in a newly launched FastTrack programme. The aim of the programme is to broaden the skillset of these individuals and accelerate their career progression, strengthening our leadership succession pipeline in the longer-term.

For our senior management, colleagues were encouraged to build their personal development plans with unique stretch and growth opportunities. The People team actively drive ethnic and gender diversity through these schemes.

The gender data of Senior Management can be found in the People & Culture section on **page 41**.

ESG COMMITTEE REPORT

Our core priorities have been to drive measurable progress towards Net Zero and across our ESG strategy, focused on what matters most to our stakeholders.

TAMARA INGRAM
Chair of the ESG Committee

WHERE TO FIND OUT MORE

MEMBERSHIP

Details of Committee members and their attendance at all meetings can be found on **page 73**.

Information on the skills and experience of all Committee members can be found on **pages 74 to 75 and 85**.

RESPONSIBILITIES

The role and responsibilities of the Committee can be found on **page 76**.

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

EFFECTIVENESS

Details of the Committee's annual performance review can be found on **page 83**.

YEAR IN REVIEW

Two years on from the relaunch of Plan A, our core priority this year has been maintaining momentum and making measurable progress with our ESG programme. As Plan A has become more visibly embedded in activities across the business and core strategic projects, we have been focused on ensuring our Plan A priorities remain the right ones. We have seen great progress across the business as a result: a significant reduction in plastic across the end-to-end journey of clothing; launch of our market-leading recyclable takeaway coffee cups; and, identification of opportunities to reduce carbon emissions in our beef rearing practices. The quarterly insights from our new ESG brand reputation tracker has then shown how our programme of initiatives, marketing and messaging have been perceived, helping to pinpoint the areas that will matter the most to our customers.

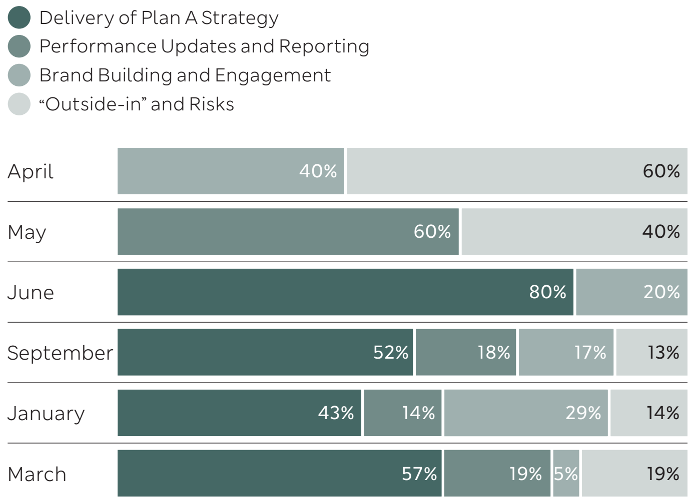
During the year we have also spent time gaining a more in-depth picture of our current emissions and the challenges and opportunities for achieving our committed targets. Key areas of our focus have included:

- Discussing our approach to trialling more sustainable fuel alternatives, and investment in new technologies.
- Reviewing our supply chain to ensure we are doing everything we can to protect human rights.
- Considering the action we are taking to ensure rotating our store estate leads to a greener, lower carbon footprint.

During the year we welcomed Cheryl Potter as a member of the Committee. Cheryl brings a wealth of ESG experience to discussions, having worked for not-for-profit organisations as well as holding executive and non-executive director positions on global retail boards.

ON THE COMMITTEE'S AGENDA IN 2023/24

The Committee's time and agendas this year were divided between the following areas:



ESG COMMITTEE REPORT CONTINUED

DELIVERY OF PLAN A STRATEGY

The Committee received progress updates from members of the Executive Committee ("ExCo") and senior leadership team against delivery of our net zero commitments and our programme of sustainability activities throughout the year. Highlights included:

Food

- Trials conducted on sustainable packaging alternatives which resulted in the acceleration of our switch to paper bags and recyclable coffee cups.
- Developed livestock decarbonisation roadmaps with our key suppliers, leading to a £1m investment in low-methane feed for cattle in our milk pool. Also consideration of our strategy to offer better quality, low-carbon meat and more plant-based alternatives.

Clothing & Home

- Achieved a tangible reduction in plastic during the year through initiatives such as "Bring your Own Bag" and further removal of hangers and plastic shroud from online orders to customers.
- Conducted a deep dive into the end-to-end journey of clothing, which identified the need to review our circularity proposition.
- Reviewed the net zero roadmap, given challenges with supplier decarbonisation and the need for industry-wide adoption of new technologies and ways of working.

Read more on the transformation of our Clothing & Home end-to-end journey on page 81.

Property & Retail

- Created a new property database to improve visibility of energy use and carbon emissions on a store-by-store basis and prioritise investment plans accordingly.
- Built energy efficiency and carbon reduction projects into the store rotation programme. New stores have provided insights on the efficacy of investments, and how customers feel about changes such as adding fridge doors.

Read more on our redevelopment of Marble Arch on page 81.

Logistics

- Developed an initial carbon reduction roadmap for our Food logistics network, which included trials of new technology by Gist.
- Discussed available diesel alternative technology, which resulted in the Committee agreeing a phased transition to a more sustainable fleet for both Food and C&H.

Read more on our investment in a more sustainable fleet on page 82.

Community

- Reset our Community Programme and launched YoungMinds as M&S' headline charity partner.

Read more on our YoungMinds charity partnership on page 11.

PERFORMANCE UPDATES AND REPORTING

The Committee received quarterly performance updates on the delivery of ESG objectives. Progress was monitored against centrally compiled metrics and targets spanning areas including food waste, ethical trade, and responsible sourcing policy compliance. The collated reports were tracked, reviewed and challenged by the ESG Business Forum before being presented to ExCo and the Committee. Updates also included:

- Improvements made by business units to the basis of reporting for ESG-related disclosures. Including the accuracy of data collection, particularly around metrics linked to our Revolving Credit Facility.
- The work undertaken during the year to develop a comprehensive picture of emissions throughout the business.

The Committee also reviewed 2022/23 ESG reporting and verified the process behind proposed disclosures. The Committee recommended for approval our Streamlined Energy & Carbon Reporting, the Taskforce for Climate-related Financial Disclosures report, Modern Slavery Statement and Sustainability Report.

BRAND BUILDING AND ENGAGEMENT

The Committee considered the perception of the Plan A brand both internally with colleagues, and externally with customers, suppliers and our wider stakeholders. Updates have included:

- Reviewed findings from the quarterly ESG reputation tracker. These have shown us how our recent Plan A campaigns have been received by customers.
- Reviewed results of an in-store ESG messaging audit, with the Committee highlighting the need for clear and aligned Plan A brand architecture.

OUTSIDE-IN AND RISKS

As part of its horizon scanning of sustainability issues and stakeholder expectations, this year the Committee has heard from a host of external speakers including:

- The Chief Executive Officer of a multinational clothing company who shared insights on what a business can achieve using its platform and resources to support global sustainability initiatives.
- The Chair of the Ethical Trading Initiative who shared views on ethical labour and sourcing. This highlighted the need to be mindful of domestic modern slavery in the context of the ongoing cost-of-living crisis and post-Brexit labour shortages.
- Our external auditor, Deloitte, on compliance with Taskforce on Climate-Related Financial Disclosures requirements and keeping abreast of regulatory hot topics, including the incoming Corporate Sustainability Reporting Directive and European Sustainability Reporting Standards.

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

Read more in our **TCFD report on pages 44-58.**

Read more in our **ESG Report available at corporate.marksandspencer.com/ESGreport2024.**

AUDIT & RISK COMMITTEE REPORT

"The positive performance of the Group this year has not distracted us from continuing to provide robust assessments and critical judgements.

EVELYN BOURKE
Chair of the Audit & Risk Committee

WHERE TO FIND OUT MORE

MEMBERSHIP

Details of Committee members and their attendance at all meetings can be found on **page 73**. The Committee also meets without management present at the start and end of meetings, where required.

Information on the skills and experience of all Committee members can be found on **pages 74 to 75 and 85.**

RESPONSIBILITIES

The role and responsibilities of the Committee can be found on **page 76.**

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EFFECTIVENESS

Details of the Committee's annual performance review can be found on **page 83.**

YEAR IN REVIEW

As the Audit & Risk Committee, we play a key role in supporting the Board to ensure there is appropriate oversight and challenge. The positive performance of the Group this year has not distracted us from continuing to provide robust assessments and critical judgements of our financial reporting, internal controls and risk management. We have also been focused on overseeing the execution of key phases in our transformation, such as the reset of our Clothing & Home operating model and the evolution of our Digital, Data & Technology functions. We have challenged management to ensure they are fully aware of risks and have carefully thought through how best to mitigate these by putting sensible controls and assurances in place. Other prominent themes of our work have included:

- Assessing the suitability of accounting policies relating to issues such as the store estate programme. More details on page 91.
- Reviewing evolving corporate governance and reporting requirements, particularly relating to ESG assurance and non-financial reporting. More details below.
- Preparing for the upcoming external audit tender. More details on page 94.

Additionally, we spent time during the year preparing for long-awaited governance changes. This included a suite of proposals amounting to a more Sarbanes-Oxley-style compliance approach. Although the Government has now withdrawn the secondary legislation establishing some of these arrangements, they remain committed to plans to establish ARGA (the Audit, Reporting and Governance Authority) as successor to the Financial Reporting Council ("FRC"). With this in mind, we have continued our planning, and this will remain a recurring agenda item for the year to come. We have also continued to consider the evolving risk management and internal control landscape due to enhancements made to reporting requirements, particularly the updated Provision 29 of the UK Corporate Governance Code.

ON THE COMMITTEE'S AGENDA 2023/24

The Audit & Risk Committee's agenda followed our usual cadence of activities relating to financial reporting, risk management and internal controls. The following pages provide an overview of what was discussed during the year.

KEY DISCUSSIONS IN THE YEAR

Clothing & Home End-to-End Transformation Programme

The Committee discussed the risks associated with the Clothing & Home end-to-end transformation programme, given the overhaul of key processes and activities, and the significant cultural change needed to embed new ways of working. This included discussion on the challenges of decoupling inter-dependent systems. More information on the programme can be found on pages 23 and 81.

Cyber Security

The Committee discussed the increased complexity of cyber-attacks. Methods used by cyber-attackers are now highly sophisticated and the Group continues to ensure its defences are robust enough to withstand an attack. The Committee heard the Group now has enhanced threat intelligence, security monitoring, and detection capabilities in place which enable us proactively to identify and mitigate potential cyber threats. This ensures business continuity and safeguards our valuable assets.

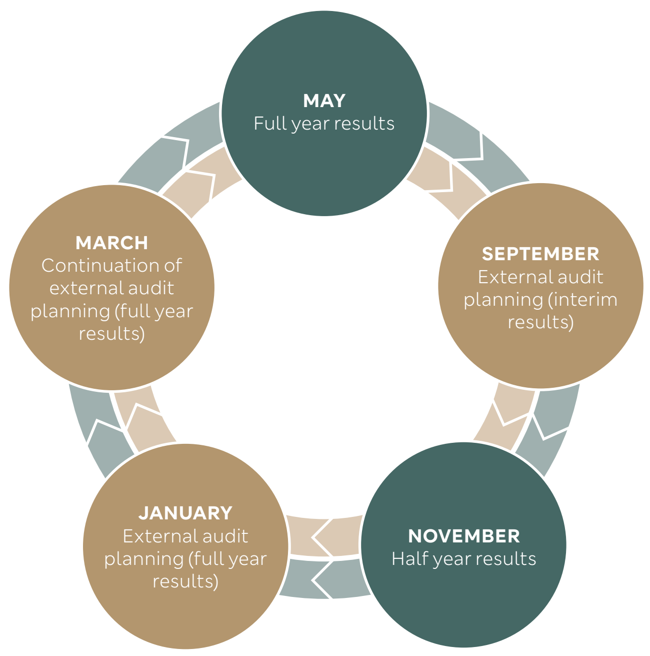
Digital, Data & Technology (DD&T)

This was a recurring agenda item during the year and included consideration of the results of an external review of the DD&T function at M&S. The Committee provided independent challenge to this work, emphasising the importance of improving the Group's capabilities and capacity for change, to ensure M&S can deliver its long-term strategy and ambitions.

Details of the Group's risk management framework can be found in the Strategic Report on **pages 62 to 63.**

AUDIT & RISK COMMITTEE REPORT CONTINUED

FINANCIAL REPORTING CYCLE



KEY

- Financial Reporting
- External Audit
- Risk Management, Internal Controls and Internal Audit
- Compliance and Governance

FINANCIAL REPORTING

As part of monitoring the integrity of the Group's financial information, the Committee considered key accounting reporting judgements including: the reduction of the fair value calculation of the Ocado contingent consideration to nil, asset impairment reviews with focus on key property judgements underlying the store estate programme, and the appropriate classification of adjusting items (see page 91).

EXTERNAL AUDIT

The Committee owns the relationship with our external auditor, ensuring independence, objectivity and effectiveness. A key focus during the year was discussion of the upcoming audit tender. More information can be found on page 94.

RISK MANAGEMENT, INTERNAL CONTROLS AND INTERNAL AUDIT

The Executive Committee and senior management provide regular updates on their risks and controls. These presentations are scheduled on a rolling 18-month basis, with additional matters identified by the Committee or by recommendation from Internal Audit added throughout the year as they arise. The Committee also meets privately with the Head of Internal Audit & Risk after meetings, when required. During the year, the Committee received updates as set out in the table below.

COMPLIANCE AND GOVERNANCE

In addition to the annual cycle of financial reporting approvals and consideration of its own effectiveness, the Committee discussed increasing reporting and assurance requirements. This was particularly focused on ESG disclosures, and where accountability should sit in the business to oversee sustainability reporting, given the trajectory towards requiring the same rigour and controls in non-financial reporting as in financial reporting. Examples of the governance updates and approvals considered by the Committee this year are set out in the table below.

RISK MANAGEMENT, INTERNAL CONTROLS AND INTERNAL AUDIT UPDATES

	Executive Risk Updates	Reports from Internal Audit	Compliance and Governance
MAY 2023	International Cyber Security Cookie Usage M&S Connect (Loyalty including Sparks, Financial Services, gift cards and payments)	Information Security for Marks & Spencer Reliance India JV Franchise Partner Management Update on Ocado Retail Limited Audit Committee meeting Store Cash Management System review	Reviewed and approved: – GSCOP Compliance Report – Modern Slavery Statement Reviewed the Group's risk appetite Reviewed key performance metrics for compliance controls
SEPTEMBER 2023	Foreign Exchange Bureaus Digital, Data & Technology Food, including Gist, GSCOP and Food Safety Approach to changes in Corporate Governance and Reporting Requirements	Travel Money Food Cost Price Changes Gist Integrated Management System Balance Sheet Reconciliations Performance Management Fraud Risk Management	Reviewed and approved the Internal Audit & Risk Functional Charter Considered the assurance of the Revolving Credit Facility sustainability KPIs Reviewed the Group's: – Data Protection Framework – Bribery policies and bribery risk assessment
NOVEMBER 2023	Ocado Retail Limited ESG, including Plan A and Non-Financial Metrics Assurance (see above for more detail)	National Minimum Wage review UK & Ireland Stores People Safety and Security review	Reviewed the Group's risk appetite Reviewed key performance metrics for compliance controls Approved the Group's Corporate Criminal Offence Policy
JANUARY 2024	Clothing & Home Property, including Store Estate Transformation Digital, Data & Technology	Sourcing office operations Update on Ocado Retail Limited Audit Committee meeting	Reviewed the Group Tax Contribution Report Reviewed and discussed the independence of the Head of Internal Audit & Risk
MARCH 2024	Asset Protection – Loss, Safety and Business Continuity People	Subsidiary business integration Cyber Security	Reviewed and approved the Group's Risk Appetite

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; charges relating to the M&S Bank transformation and insurance mis-selling provisions; charges relating to the Ocado Retail Limited – UK network capacity review; pension net finance income; and the remeasurement of Ocado Retail Limited contingent consideration.

See note 5 on page 148.

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 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 136, 148, 164 and 179 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 136, 148 and 164-166 respectively.

FAIR VALUATION OF CONTINGENT CONSIDERATION PAYMENTS

The Committee has considered the impact of developments during the year on the judgements applied by management in determining the future probability of the final contingent consideration payment due to Ocado Group plc. The final payment is contingent on Ocado Retail Limited achieving a specified target level of earnings in the financial year ending November 2023. The performance target is binary. With the performance year now complete, Ocado Retail Limited has not met the target earnings level to trigger payment of the contingent consideration.

The Committee gained an understanding of and challenged management's probability weighted scenarios used in fair valuing the contingent consideration liability recorded on the balance sheet. Having reviewed management's calculations, challenged the judgements made, advice of management's experts and the financial statement disclosures, the Committee is comfortable with the fair value of the liability recorded.

See notes 5 and 21 on pages 148 and 170 respectively.

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 2027.

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

See note 1 on page 136.

AUDIT & RISK COMMITTEE REPORT CONTINUED

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 155.

VALUATION OF MARKS AND SPENCER GROUP PLC COMPANY ONLY INVESTMENT
Marks and Spencer Group plc holds investments in Group companies which are reviewed annually for impairment. Management has prepared an impairment review based on estimated value in use of the Group. A full reversal of the impairment charges recorded in prior years has been made (see note C6 on page 190). The Committee has reviewed management papers outlining the key assumptions used in calculating the value in use and is satisfied that these are appropriate.

FAIR, BALANCED AND UNDERSTANDABLE ASSESSMENT

The Committee carried out a thorough assessment of the 2024 Annual Report to advise the Board on whether they consider it to be fair, balanced, and understandable. The Committee considered how the report had been prepared, reflecting on the criteria recommended by the Financial Reporting Council.

1. An annual report working group was established, consisting of specific content owners including: Corporate Communications, Company Secretariat, Group Finance, Executive Reward, Internal Audit & Risk, Investor Relations and ESG.
2. The Chairman, CEO and CFO provided input and agreed on key elements to be included, which set the tone and balance of the Report.
3. Early drafts, prepared by content owners, were reviewed by the Chairman, CEO, CFO, Committee Chairs and General Counsel & Company Secretary, with any comments incorporated.
4. The working group was specifically challenged to ensure the writing style was consistent, concise, avoiding boilerplate language, as well as making required disclosures easy for the reader to understand.
5. Sections were shared between content owners to ensure consistent messaging across the report.
6. Members of the Disclosure & Oversight Committee, with input from Group Finance and content owners, thoroughly read the Strategic and Directors' reports carefully considering whether the narrative was reflective of the information being presented in the financial statements.
7. The External Auditors reviewed the Report as a whole on more than one occasion, with feedback and recommendations incorporated.
8. Content owners completed a final round of reviews of all sections, considering the overall content and narrative of the report.
9. The Committee received a full draft of the report, highlighting areas that would benefit from further clarity. The draft report was then amended to incorporate this feedback ahead of final approval.

Following its review, the Committee recommended to the Board the 2024 Annual Report was fair, balanced and understandable and provides shareholders with the necessary information to assess the Group's position, performance, business model and strategy.

INTERNAL CONTROL ENVIRONMENT

The Audit & Risk Committee has delegated responsibility from the Board for reviewing the effectiveness of the Group's systems of internal control, which includes financial, operational and compliance controls and risk management systems.

RISK MANAGEMENT
The Committee's accountability for overseeing the effectiveness of our risk management process, includes determining the Group's risk appetite (for Board approval) and monitoring how each business area and key function is actively managing its risks and mitigations in accordance with the Board's risk appetite. Details of the Group's risk management process can be found in the Strategic Report on pages 62 to 63.

FRAMEWORK OF INTERNAL CONTROLS
Alongside our risk management processes, key components of the Group's internal controls environment include:

- Clearly defined lines of accountability via a Group delegation of authority and underlying business area delegations.
- The Group's Code of Conduct and suite of policies, setting the floor of minimum commitments for our business conduct. These commitments are linked to the Group's principal risks and uncertainties and ensure we act in line with relevant legal and regulatory requirements, as well as industry standards and stakeholder expectations.
- Procedures, operating standards and colleague training for each of our business and key functional areas as appropriate, to support the management of key risks and establishing ways of working within the Board's approved risk appetite. These cover areas ranging from financial reporting, corporate compliance, information security, trading safely in stores and ethical sourcing.

Relevant business areas and functions own these underlying components of our internal controls environment, and are responsible for ensuring control processes and activities are maintained and operate effectively. Functional assurance activity also takes place across the business to target key risk areas, overseen by relevant business experts or specialist functional teams, including our Financial Controls, Cyber Security and Group Asset Protection teams. Where relevant, this functional activity is overseen and challenged by our senior management forums, including our Business Boards, Fraud & Loss Committee and Data Committee.

At each meeting, the Committee receives updates from business leadership on their risk management, internal control and assurance activities. The updates received this year are detailed on page 90.

INTERNAL AUDIT & RISK FUNCTION
Our Internal Audit & Risk ("IA&R") function provides additional oversight and assurance to the Committee in discharging its responsibilities. IA&R supports the business in improving the overall control environment and identifying risks requiring mitigation. The Head of IA&R has direct access to the Committee and the IA&R function have unrestricted access to the Group's records, physical properties, and personnel required to carry out any engagement. More information about the IA&R function can be found in the IA&R Functional Charter (annually reviewed and approved by the Committee) at **corporate.marksandspencer.com**.

An Internal Audit Plan is approved by the Committee annually. The plan is structured to align with the Group's strategic priorities and key risks and is developed by the IA&R function 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 IA&R reviews are agreed with the relevant business area, communicated to the Committee and tracked through to completion. Internal audits undertaken during the year are detailed on page 90.

An External Quality Assessment of the IA&R function took place early in 2023, with findings presented to the Committee in May 2023. The assessment was carried out by EY and concluded that the IA&R function is fit for purpose, with strong conformance to the International Standards for the Professional Practice of Internal Auditing.

The Committee considered the IA&R function's effectiveness again in May 2024, agreeing its leadership, structure and available resources are appropriate and remain effective.

EFFECTIVENESS
The Committee considered whether the Group's framework of internal controls operated effectively throughout the financial year 2023/24. 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.

The Committee considered the controls findings raised in the independent auditor's report on pages 120 to 129. No other significant failings or weaknesses were identified during the Committee's review in respect of the year ended 30 March 2024 and up to the date of this Annual Report.

AUDIT & RISK COMMITTEE REPORT CONTINUED

EXTERNAL AUDITOR

Audit Firm	Deloitte LLP
Date appointed	2014
Lead Audit Partner	Richard Muschamp (in post since the start of the 2019/20 audit)
Incoming Lead Audit Partner	Jane Whitlock (to be in post from the start of the 2024/25 audit)
Non-audit fee ratio	0.13:1 (for the year ended 30 March 2024)

PARTNER ROTATION
Richard Muschamp has been our lead audit partner since the start of the 2019/20 audit. At the end of this audit (2023/24), Richard will have been in post for five years, meeting the term limit according to the Auditing Practices Board's Ethical Standards. Following the completion of this year's audit, Richard will be replaced by Jane Whitlock.

TENURE
As noted in last year's Annual Report, in May 2023 the Financial Reporting Council approved a two-year extension to Deloitte's ten-year tenure as our external auditor due to exceptional circumstances relating to the possibility of a competitive tender. The Group will now be required to tender for the financial year ending 31 March 2027. The Committee began making preliminary plans for the tender during the year and intends to run a competitive tender process in the coming months. Action taken so far includes:

- Consideration of an indicative timetable;
- Informal approaches and meetings with audit firms to be considered as potential alternatives to Deloitte; and
- Consideration of appropriate preliminary compliance and governance, such as independence and conflict considerations of potential alternative firms.

A decision is expected to be made by the end of 2024. This timeline will allow time for a sufficient handover if necessary.

The Committee recommends that Deloitte be reappointed as the Company's statutory auditor for the 2024/25 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 Committee considered the recommendations of the FRC's Audit Committees and the External Audit: Minimum Standard whilst overseeing the effectiveness of the external audit process and tendering activity. The Company is also 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 UK Corporate Governance Code. There are no contractual obligations that restrict the Committee's choice of external auditor.

EFFECTIVENESS
The Committee monitors the effectiveness of the external auditor continuously throughout the year. The Committee has the opportunity after each meeting to meet with the lead audit partner without management present. This provides opportunities for open conversations and allows the Committee to assess whether the external auditors have appropriately challenged management's analysis. The external auditors provided the Committee with a planning report ahead of the FY2023/24 audit, giving Committee members the opportunity to comment and input.

As well as this regular monitoring, the Committee annually assesses the quality of the external audit. A targeted group of individuals, each of whom has regular interactions with the external auditor, were asked to complete a tailored questionnaire. The Committee was provided with a summary of the responses received to assist with its own considerations.

Feedback was positive overall. It was agreed that the audit partner and team have a good understanding of our business, as well as the wider industry in which we operate and the challenges we face. Management views their engagement as productive, pragmatic and rational. 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. This was valuable when considering the challenges faced by the business from inflationary pressures, the fair value judgements in relation to the Ocado Retail contingent consideration and the renegotiation of the Group's relationship with M&S Bank which completed after the year end.

A continued common theme reflected a desire for more focus on planning and communication during certain aspects of the audit cycle. Opportunities for improvement were identified around responsiveness within the audit team to close out more minor issues as well as areas of the audit that could be brought forward outside of the peak year end period.

A key area of attention for the Committee has been the planning for the audit partner transition from Richard Muschamp to Jane Whitlock. Feedback received referenced the significant time commitment this required outside of the ordinary course audit and Committee activities.

NON-AUDIT FEES
To safeguard the independence and objectivity of the external auditor, the Committee has an 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. A full breakdown of the total fees paid, and details on the non-audit services provided by Deloitte, can be found in note 4 to the financial statements on page 147.

The non-audit fees to audit fees ratio for the financial year ended 30 March 2024 was 0.13:1, compared with the previous year's ratio of 0.11:1. The total non-audit fees paid to Deloitte for the year was £358,000. 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

"Using reward to drive our high performance culture has been a guiding principle for the Committee.

ANDREW FISHER
Chair of the Remuneration Committee

WHERE TO FIND OUT MORE

MEMBERSHIP
Details of Committee members and their attendance at all meetings can be found on **page 73**.

Information on the skills and experience of all Committee members can be found on **pages 74 to 75 and 85**.

RESPONSIBILITIES
The role and responsibilities of the Committee can be found on **page 76**.

The Committee's full Terms of Reference and compliance with the UK Corporate Governance Code can be found at **corporate.marksandspencer.com.**

EFFECTIVENESS
Details of the Committee's annual performance review can be found on **page 83**.

YEAR IN REVIEW
In a year of strong financial results, with improved trading, a strengthened balance sheet and a return to shareholder dividends, our focus as the Remuneration Committee has been ensuring our remuneration policy and practices support and promote M&S' strategy of reshaping for growth. In doing so, our guiding principles have been to ensure pay is competitive across M&S, our lower paid colleagues are supported through the current inflationary environment, and reward is used as a tool for driving our high performance culture.

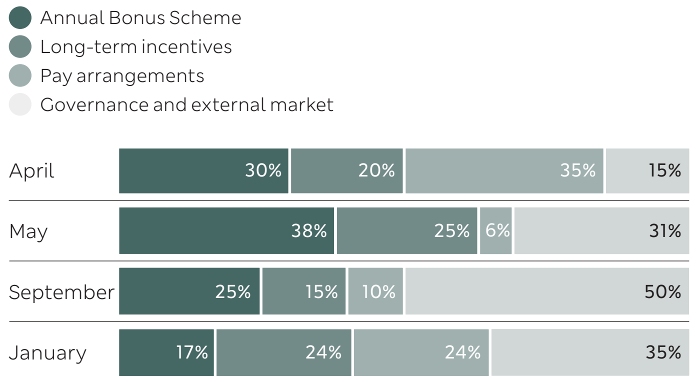
Concentrating on the rigour and integrity of our performance assessment processes, we have ensured that individual and business objectives are appropriately challenging and vesting outcomes are considered in the context of our wider colleague experience and stakeholder expectations.

Alongside this priority, the Committee has continued to fulfil its core duties, ensuring our remuneration policy and practices support and promote M&S' strategy of reshaping for growth. Key discussions included:

- Investment of £89m in our UK Retail colleague pay, representing a 10% increase in hourly pay since last year. Our Customer Assistant population also made up the majority of participants in our 2020 ShareSave maturity, having saved in the scheme throughout the Covid-19 lockdowns and recovery. We are pleased that our hard-working frontline colleagues have benefitted directly from their contribution to M&S' transformation and resulting share price improvement. Further details on page 98.
- Disciplined application of our remuneration framework during leadership changes, while ensuring packages for those joining are appropriately competitive. This was considered in the recruitment and promotion of Executive Committee members and in the exit arrangements for Katie Bickerstaffe. Read more on page 111.
- The setting and monitoring of stretching performance objectives, and consideration of pay-based incentives as a driver for continued growth. This resulted in annual pay reviews for salaried colleagues being differentiated by performance, with higher performing colleagues receiving larger percentage increases on their base pay.

The Remuneration Report has been streamlined this year, in keeping with the rest of the Governance section; more information is available on our corporate website.

ON THE COMMITTEE'S AGENDA 2023/24
The Committee's agenda followed its usual cadence of activities this year, with time divided between the following areas, as detailed overleaf:



KEY DISCUSSIONS IN THE YEAR
When considering and determining Directors' Remuneration Policy and practices, the Committee considers the Code requirements for clarity, simplicity, risk mitigation, predictability, proportionality and alignment to culture.

Improving outturns
As outlined in the Financial Review on pages 29 to 37, this year has seen strong results in all areas with profit before tax and adjusting items at £716.4m. Performance exceeded both the budget and external expectations due to strong volume and

REMUNERATION COMMITTEE REPORT CONTINUED

value performance, leading to growth in market share in both Clothing & Home and Food. With performance improving throughout the year, the Committee has been focused on ensuring that scheme outturns are appropriate in the context of financial performance and wider stakeholder experience.

Investments in pay
Recognising ongoing inflationary cost challenges for colleagues, the Committee has been focused on ensuring our pay framework supports M&S' fundamental value of fairness, where everyone in the business is appropriately recognised and rewarded for hard work and delivering financial results. More detail on page 98.

PAY ARRANGEMENTS

The Committee reviewed budgeted salary expenditure and the principles for reward allocation across M&S, also considering the appropriateness of the senior remuneration framework in the context of wider workforce pay. Talent and succession pipeline needs were also discussed when reviewing remuneration packages for senior leadership changes.
In particular, this year, this has included:

- Review and support of management's proposed approach to pay reviews across the business. In doing so, the Committee considered market data and the need to stay competitive amongst peers. Wider workforce experience given continued inflationary pressures was also a key factor in discussions, with the Committee supportive of management's proposals to introduce minimum salaries for lower reward level roles, and also to award higher increases to lower paid colleagues. The Committee also agreed with management's approach to differentiating pay increases based on year-end performance ratings, in support of the business' high performance culture. More details on the Committee's consideration of colleague pay increases are on page 98.
- Consideration of Katie Bickerstaffe's exit arrangements. As announced on 7 March 2024, Katie will retire from her role as Co-CEO on the Executive Committee following the Annual General Meeting in July 2024. The Committee adhered to M&S' remuneration policy in full when setting Katie's exit arrangements. More on page 111.
- Review and approval of an increase of 3% in the CEO's pay, effective from 1 July 2024. The Committee considered this increase in the context of pay decisions for the wider workforce, agreeing that while it was below the average pay increase across the business, this was appropriate when considering the CEO's overall remuneration. See Figure 3 on page 102 and Figures 22 and 23 on page 110 for more details.
- Assessing the remuneration packages for incoming Executive Committee members, alongside packages for other senior leadership changes. The talent and succession pipeline was discussed in these senior leader updates, with the Committee emphasising the importance of discipline when setting remuneration while being mindful of the need to attract the talent required to continue reshaping M&S for growth.

ANNUAL BONUS SCHEME (ABS)

In addition to assessing the achievement of objectives for this year's ABS, and noting the total budgeted expenditure as a result, the Committee set transparent and stretching targets for the 2024/25 ABS. This involved:

2023/24 ABS OUTCOME

- Robust assessment of achievements against 2023/24 performance objectives for executive directors and the Executive Committee. With improving business performance, the Committee continuously monitored performance outturns and projected bonus expenditure, focusing on ensuring performance management processes were rigorous and individuals were appropriately rewarded for their contribution. This included consideration of whether it would be appropriate to apply discretion to outcomes. The 2023/24 ABS remained focused on driving profitable growth, with performance for executive directors concentrated on Group Profit Before Tax (PBT) (70%) and individual objectives set against delivery of M&S' transformation (30%). On assessment, and in the context of business performance and wider stakeholder experience, the Committee was satisfied that outturns were appropriate, and no application of discretion was required. See pages 103 to 105 for more details.

2024/25 ABS DESIGN

- Approving the scheme design, operation and targets for the 2024/25 ABS. The Committee agreed the maximum opportunity under the scheme should remain at 200% of base salary, and performance should continue to be measured against PBT (70%) and individual objectives (30%), believing this remains appropriate when considering the continuing drive to reshape M&S for growth. More details on page 105.

LONG-TERM INCENTIVES

The Committee assessed the achievement of objectives and corresponding vesting level of the 2021 Performance Share Plan (PSP) awards, alongside approving the 2024 PSP awards and targets to ensure appropriate alignment between driving exceptional performance and retaining talent. This consisted of:

- Monitoring all in-flight PSPs against targets and ensuring performance measures were rigorously assessed when approving the vesting level of the 2021 PSP award. The Committee closely monitored projected vesting levels and scheme costs in the context of improving business performance during the year, this included considering the appropriateness of applying discretion to the vesting outcomes. Consequently, it determined the vesting outcome of the store staff cost to sales ratio should be reduced by 50%. The 2021 PSP award therefore vested at 90% and the Committee agreed it was satisfied that this outcome was appropriate and no application of discretion was required.
- Approving the scheme design and targets for the 2024 PSP, ensuring the targets struck an appropriate balance between motivating individuals and setting stretching targets. The Committee's priority has been to ensure M&S' remuneration framework is aligned with shareholder interests. The Committee agreed the 2024 PSP should maintain the financial measures applied to the 2023 PSP awards; being 30% adjusted earnings per share, 30% return on capital employed and 20% relative total shareholder return. The remaining 20% will continue to be subject to a basket of three strategic measures. See page 107 for more details.
- Discussing the appropriateness of introducing an ESG-related component to the performance measures for the 2024 PSP award, given recent market developments and some investor expectations. The Committee considered the business' development of an ESG reputation tracker (see pages 87 and 88 for more details) and whether this would provide a suitable PSP measure, agreeing it would not be appropriate given the tracker was in the early stages of its development. In addition, as ESG commitments are embedded in our business operations, they are already reflected in the achievement of our existing basket of PSP strategic measures, so the Committee agreed that inclusion of a separate ESG measure would not further our Plan A ambitions. This will remain under consideration for future PSP awards.
- Approving the level of 2024 PSP awards to be granted, mindful of the need to incentivise executives and ensure they remain aligned with the long-term interests of shareholders. The Committee intends to grant 2024 PSP awards of 250% of salary to the CEO in July 2024.

GOVERNANCE AND EXTERNAL MARKET

As well as its annual approval of the Directors' Remuneration Report, and review of Committee performance and Terms of Reference, the Committee considered colleague expectations and external market conditions when making remuneration and reward decisions (supported by its Remuneration advisers, PwC; further details on page 113). This included:

- Discussion of ongoing cost-of-living pressures on lower paid colleagues in particular, combined with lowering unemployment rates, and the consequent need to ensure hourly-pay for retail and warehouse colleagues remains competitive in the market to aid recruitment and retention.
- Engagement with our Business Involvement Group (BIG), hearing colleague feedback directly from the BIG Chair on pay packages, bonus allocations and the 2020 ShareSave outcome, which was eagerly anticipated by colleagues saving in the scheme. Read more on page 98.
- Consideration of regulatory updates and evolving investor guidance and expectations, including discussion on the proposed changes to the UK Corporate Governance Code. Shareholder feedback on executive shareholder requirements was also reviewed, with the Committee concluding executive and senior leadership shareholding requirements should use current salary as the basis for calculation, rather than salary on appointment.

See **Figure 1**, on **pages 100 and 101** for further details on how the **Director's Remuneration Policy** will be implemented in 2024/25.

The policy, schemes and practices referred to in the Remuneration Committee overview on page 76, are designed to support our strategy and promote the long-term success of M&S, while following the principles:

Clarity	Simplicity	Risk	Predictability	Proportionality	Alignment with culture
Remuneration arrangements are transparent and promote effective engagement with shareholders and the workforce.	Remuneration structures are uncomplicated, and their rationale and operation are easy to understand.	Ensure that reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans, are identified and mitigated.	The range of possible values of rewards to executive directors is identified and explained at the time of approving the policy.	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.	Incentive schemes that drive behaviours consistent with M&S' purpose, values and strategy.

REMUNERATION IN CONTEXT

COLLEAGUE ENGAGEMENT

The Committee strongly believes in the key role colleague voice plays in contextualising remuneration decisions. Committee members receive colleague feedback directly or as part of Board meetings.

The Committee also engages with colleagues directly via BIG. Since 2018, the Chair of BIG has been invited to attend a Remuneration Committee meeting each year to share colleague feedback and contribute to reward discussions.

This engagement gives the Committee greater visibility of the things that really matter to our colleagues. It also gives the Committee the opportunity to explain and discuss our pay practices, and how executive pay aligns with pay across the wider workforce.

Examples of colleague engagement can be found throughout this Annual Report, but particularly on pages 38 to 41.

CONSIDERATION OF COLLEAGUE PAY

The Committee monitors and reviews the application and effectiveness of M&S' executive reward policy and its compatibility with remuneration policies in the wider workforce. To do so, management provides the Committee with updates on pay arrangements and their proposed approach to forthcoming pay reviews. The Committee then considers the executive directors' pay in line with these arrangements.

This year, this included discussion of a further investment in pay of £89m for our UK Retail colleagues, which took effect in April 2024. This represents an increase in the M&S national rate for Customer Assistants of 10%, when compared to the equivalent rate in April 2023. For salaried colleagues a tailored approach was agreed with salary increases ranging from 7-11% for our lower-paid salaried colleagues and 4-7% for management roles; 3% for the most senior.

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 the Executive Committee in the context of rewarding the wider workforce for financial performance.

Colleagues who were not eligible for the Group bonus this year received a one-off M&S e-gift card in recognition of their contribution to trading during our peak period over Christmas.

SHARE OWNERSHIP ACROSS OUR COLLEAGUES

M&S is a proud advocate of employee share ownership. The Board believes this supports colleagues sharing in M&S' success, being owners of our business, and aligned with our shareholders' interests.

Across our UK colleagues, M&S has a significant number of participants in all-employee share schemes; colleagues hold over 42m save as you earn (SAYE) options in our ShareSave scheme and over 3,500 colleagues hold shares in our share incentive plan (SIP) ShareBuy.

In February 2024, our 2020 ShareSave scheme matured. Over 9,200 colleagues were participants, the majority being Customer Assistants. As at year end, 68m shares have been exercised under the scheme, with participants saving a typical £150 per month able to realise a gain in share price representing over £10,000.

Additionally, all colleagues eligible under the annual bonus scheme receive a portion of their bonus in shares with deferred vesting after three years. For our most senior colleagues, 50% of the bonus award is deferred, while for less senior colleagues this deferred element represents a third of their total award.

CONSIDERATION OF SHAREHOLDER VIEWS

The Committee is dedicated to an open and transparent dialogue with shareholders on the issue of executive remuneration. The Committee actively engaged with shareholders and shareholder representative bodies ahead of its review of the Directors' Remuneration Policy, which was subsequently approved at our AGM on 4 July 2023 with a vote in favour of 97.74%.

The Committee, led by the Chair, annually engages with investors ahead of our AGM, to answer remuneration queries and provide additional context for decisions. This typically takes place in written format, but can include face-to-face meetings, telephone and video calls where requested.

CEO PAY RATIO

Year	Methodology	25th percentile ratio	50th percentile ratio	75th percentile ratio
2024	**Option A**	**200:1**	**183:1**	**154:1**
2023	Option A	131:1	120:1	102:1
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 in prior years, the Committee approved the use of Methodology A, as set out in the regulations, believing this to be the simplest, 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 30 March 2024. This is calculated on the same basis as the CEO total single figure of remuneration, except that the individual performance element of the ABS that is applicable to the relevant colleagues (when applicable), is the estimated actual value. This requires:

- starting with colleague pay 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 2023/24 financial year and does not include the value of any deferred shares vesting in the year; and
- adding in the employer pension contribution from the Your M&S Pension Saving Plan or the Pay in Lieu of Pension as appropriate.

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 30 March 2024.

To calculate the ratios in the table above, colleague pay at the given percentiles has been compared to the CEO total single figure remuneration as disclosed in Figure 3 on page 102. We believe the median pay ratio this year is consistent with pay, reward and progression policies for UK colleagues, as it reflects M&S' policy of paying for performance. The increase in pay ratio this year is due to an increase in the variable element of the CEO remuneration structure with bonus of 192% of salary and 90% of the PSP award vesting. The remuneration of the CEO consists of a high proportion of variable pay, and therefore the pay ratio fluctuates in line with incentive outturns each year.

Pay data	Salary (£000)	Total pay and benefits[1] (£000)	Salary (£000)	Total pay and benefits (£000)
	2022/23	2022/23	**2023/24**	**2023/24**
CEO remuneration	809	2,864	**818**	**4,729**
UK colleague 25th percentile	21	22	**22**	**24**
UK colleague 50th percentile	22	24	**24**	**26**
UK colleague 75th percentile	27	28	**29**	**31**

1. Restated to reflect value of PSP at time of vesting.

GENDER PAY GAP

The M&S median gender pay gap for the year to April 2023 is 6.2%, compared with 8.3% for the Retail sector. The M&S mean gap for the same period is 12.6%.

Our Diversity, Equity and Inclusion (DE&I) strategy is built on two pillars: driving improved diverse representation at all levels of the business; and developing a continually evolving and inclusive culture. Our colleagues are central to the design of our plans, with our eight Inclusion and Diversity Networks at the heart of bringing our communities together, amplifying the voice of our colleagues and guiding the business. Our Gender Equality, Menopause and Family & Carers networks continue to be the fastest growing with over 5,000 members involved.

Acknowledging that progress needs to be driven from the top down, we've taken steps to increase accountability amongst our leaders and build a more robust framework of KPIs to help us analyse progress and impact, which is reviewed regularly with the Executive Committee. We have introduced new ways of working and developed tools to equip key stakeholders with the skills, knowledge and confidence to drive action in the areas of the business they are responsible for.

Women are well represented in our talent pipelines at all levels, and we have strong female talent in the pipelines for our top and most critical business roles. Redesigning our future leader programmes has proven to have sustainable impact as we continue to see women make up the majority of participants.

Providing a safe space for colleagues is a fundamental principle, with respect for each other being the foundation of our DE&I approach. We are clear that any forms of discrimination, harassment, bullying and victimisation are not tolerated at M&S, with processes in place to ensure any allegations are handled effectively.

We have made progress in our ambition to become the leading employer for women in retail; reinforcing our commitment to promote flexible working options and increasing awareness and support for women's health, in particular menopause where we achieved our Menopause Friendly Employer accreditation. We have also improved our family leave proposition for all colleagues, investing in industry leading Maternity, Paternity and Adoption leave whilst also working hard to understand and improve the experience for colleagues too.

We know there is more to do, and continue to take a forensic approach to understanding the challenges faced by women – particularly in the areas considered "male dominated industries" – and taking action to ensure any barriers faced are addressed so women feel supported in having the career they want at M&S.

SUMMARY OF REMUNERATION POLICY

Our current Directors' Remuneration Policy, which was approved by shareholders on 4 July 2023, is summarised in the table below. The full policy can be found on pages 108 to 115 of the 2023 Annual Report, available on our corporate website.

The Policy took effect from this date and is designed to attract, retain and motivate our leaders within a framework aligned to our shareholders interests and designed to promote the long-term success of M&S.

STRATEGIC PRIORITIES KEY

- Deliver profitable sales growth
- Improve operating margins
- Disciplined investment choices
- Drive shareholder returns

FIGURE 1: SUMMARY OF POLICY AND IMPLEMENTATION IN 2024/25

FIXED PAY

2029
2028
2027
2026
2025
2024

	Remuneration Policy	Implementation in 2024/25
Salary	– Salaries are payable in cash and are reviewed annually by considering a number of factors, including external market data, historic increases and salary review principles applied to the rest of the business.	– 3% increase for the CEO, below that of the wider workforce. – Further salary details are on page 103.
Pension	– Directors may participate in the Your M&S Pension Saving Plan (a defined contribution arrangement), on the same terms as all other colleagues: maximum employer contribution of 12% of salary where the employee contributes 6% of salary. – An alternative cash in lieu of pension payment is available (capped at 5% of salary). – The defined benefit pension scheme is closed to new members. None of the current directors are members.	– The CEO is a member of the Your M&S Pension Savings Plan, as described on page 103. He contributes 3% of his salary into the scheme, and the Company contributes 6%. – Further pension benefit details are on page 103.
Benefits	– As with all colleagues, directors are offered benefits including colleague discount, salary sacrifice schemes and participation in all-employee share schemes.	– No change versus implementation in 2023/24. – Further benefit details are on page 103.

ANNUAL BONUS SCHEME (ABS)

CASH BONUS

2028
2027
2026
2025
2024

Link to strategy

DEFERRED SHARE BONUS PLAN (DSBP)

2029
2028
2027
2026
2025

Link to strategy

	Remuneration Policy	Implementation in 2024/25
ABS	– Directors participate in this non-contractual, discretionary scheme. Performance is measured against one-year financial and individual performance targets linked with delivery of the business plan. – At least half of awards are measured against financial measures, which typically include Group PBT before adjusting items (PBT). – Corporate and individual elements may be earned independently, no part of the individual objectives may be earned unless a threshold level of PBT has been achieved, after which up to 40% of the maximum may be payable for the achievement of individual objectives. – Total maximum annual potential of up to 200% of salary for each director. – The Committee retains the right to exercise discretion, both upwards and downwards, to ensure that the level of award is appropriate.	– CEO maximum bonus opportunity of 200% of salary. – 70% will be measured against PBT and 30% will be payable for the achievement of individual objectives. Targets will be disclosed retrospectively for reasons of commercial sensitivity. An overview of personal objectives for 2024/25 is provided on page 105.
DSBP	– Not less than 50% of any bonus earned is paid in shares which are deferred for three years. – Malus provisions apply to the deferred share awards. Cash bonus payments are subject to two-year clawback provisions. Clawback applies in circumstances such as, but not limited to, a material misstatement of the Company's audited results, an error in calculation of the award, gross misconduct, or events or behaviour that have a detrimental impact on the reputation of any member of the Group.	– 50% of any bonus earned by the CEO in respect of 2024/25 will be deferred into shares for three years.

PERFORMANCE SHARE PLAN (PSP)

2029
2028
2027
2026
2025
2024

Link to strategy

	Remuneration Policy	Implementation in 2024/25
PSP	– Directors are eligible to participate in the PSP. This is a non-contractual, discretionary plan and is M&S' main long-term incentive scheme. – Performance may be measured against appropriate financial, non-financial and/or strategic measures. Financial measures must comprise at least 50% of awards. – Malus and clawback provisions apply to these awards. Clawback triggers include, but are not limited to, a material misstatement of the Company's audited results, an error in calculation of the award, gross misconduct or events or behaviour that has a detrimental impact on the reputation of any member of the Group. – The maximum value of shares at grant is capped at 300% in respect of a financial year. – Awards are subject to a further two-year holding period after the vesting date.	– Award of 250% of salary for the CEO. – 20% of the PSP award is based on strategic transformation goals relevant to the achievement of the business strategy over the next three years and the remaining 80% of the award is based on EPS (30%), adjusted ROCE (30%) and relative TSR (20%). – Further details are on pages 107 and 108.

SHARE OWNERSHIP

2027
2026
2025
2024
2023
2022

Link to strategy

	Remuneration Policy	Implementation in 2024/25
Shareholding requirements	– 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.	– For the CEO this requirement is 250% of salary. – For all other executive directors, the requirement is 200%.
Post-cessation holding requirements	– 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.	

RECRUITMENT POLICY

- **Service contract**. Executive directors have rolling contracts for service which may be terminated by M&S giving 12 months' notice and the individual giving six months' notice.
- **Base salary**. Salaries are set by the Committee, taking into consideration a number of factors, including the current pay for other executive directors, the experience, skill and current pay level of the individual, and external market forces.
- For details of pension, benefits, ABS and PSP see pages 103 to 108.
- **Buy-out awards**. The Committee may offer compensatory payments or buy-out awards, determined on a case-by-case basis. The specifics of any buy-out awards would be dependent on the individual circumstances of recruitment. The Committee's intention would be that the expected value awarded is no greater than the expected value forfeited by the individual.

TERMINATION POLICY

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

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 business.

In its discussions, the Committee aims to ensure not only that the remuneration framework is 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 28 and 2 and 5.

Figure 2 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 3) and later in this report.

FIGURE 2: REMUNERATION STRUCTURE 2023/24

FIXED PAY +	ANNUAL BONUS +	PSP =	TOTAL PAY FOR 2023/24
BASE SALARY BENEFITS PENSION BENEFITS	200% of salary maximum bonus opportunity (with 50% deferral) Measured against Group PBT before adjusting items and individual performance	225% of salary awarded in 2021[1] Measured against adjusted EPS, adjusted ROCE, TSR and strategic measures	**Total payments are between 90.2%-93.7% of maximum potential**
Salary increase effective 1 July 2023	**Outcomes are between 85%-96% of maximum bonus opportunity**	**90% of award vested**	
	Read more on on pages 104 to 105.	Read more on on page 107.	

1. The awards for Stuart Machin and Katie Bickerstaffe were made prior to Board appointment at a level of 225% of salary.

FIGURE 3: TOTAL SINGLE FIGURE REMUNERATION (AUDITED)

Director	Year	Salary £000	Benefits[2] £000	Total bonus £000	Total PSP vested[3] £000	Pension benefits £000	Total pay £000	Total fixed pay £000	Total variable pay £000
Stuart Machin	**2023/24**	818	0	1,570	2,251	90	4,729	908	3,821
	2022/23	669	0	1,081	878	80	2,708	749	1,959
Katie Bickerstaffe[1]	**2023/24**	767	46	1,304	2,251	38	4,406	851	3,555
	2022/23	626	34	989	702	31	2,382	691	1,691

1. Katie Bickerstaffe's salary reflects a more flexible four-day working pattern.
2. As disclosed in the 2022/23 Remuneration Report, Katie Bickerstaffe is permitted to claim travel and accommodation costs between home and her normal work location until 25 May 2024. The 2022/23 benefits figure has been restated to include the grossed up value of accommodation costs of £18,000.
3. 2022/23 values restated based on share price of £1.89 at time of PSP vesting.

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 business.

For salaries effective July 2024, the Committee has awarded an increase of 3% to Stuart Machin and his new salary will be £848,720. Across the wider population, salary increases ranged from 3% to 11% for the wider salaried population and 10% for Customer Assistants. Katie Bickerstaffe did not participate in the annual salary review.

The next annual salary review for the CEO will be effective in July 2025. The table on the next page details the executive directors' salaries as at 1 July 2023 and salaries which will take effect from 1 July 2024.

FIGURE 4: SALARIES

	Annual salary as of 1 July 2023 (£000)	Annual salary as of 1 July 2024 (£000)	Change in salary % increase
Stuart Machin	824.0	848.7	3%
Katie Bickerstaffe	772.5	772.5	0%

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 receives 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 is detailed in Figure 3 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 100. During the year, Stuart contributed 6% and then 3% of his salary into the scheme, and the Company matched this with a contribution of 12% then 6%. The change took effect in February 2024. The maximum level of contribution offered by M&S to all other colleagues is 12%.

During the year, Katie Bickerstaffe received a 5% of salary cash payment in lieu of participation in the M&S pension scheme.

The value of the Company's contribution in the year for Stuart and Katie shown in the single figure table in Figure 3 on the previous page.

DEFERRED ANNUAL BONUS (AUDITED)

FIGURE 5: DSBP AWARDS MADE IN RESPECT OF 2022/23

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 face value shown in the table below relates to the total number of shares granted in July 2023.

	Basis of award	Face value of award £000[1]	End of deferral period
Stuart Machin	50% of bonus	£634	07/07/2026
Katie Bickerstaffe	50% of bonus	£579	07/07/2026

1. We note that the value shown for the 2022/23 bonus awards in the single figure table on page 102 represents the bonus earned for the period that they served as executive directors only, following their appointment on 25 May 2022.

ANNUAL BONUS SCHEME 2023/24 (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 determinant, being an important measure of overall performance and is consistent with how business performance is assessed internally by the Board and the 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. For threshold PBT performance up to 10% of bonus opportunity can be earned.

PBT outturn for the year was £716.4m, which was above the target set to trigger awards under both the corporate and individual elements of the scheme. Targets were set at the start of the year amongst much ongoing uncertainty and were stretching versus consensus at the time. Performance has exceeded both the budget and external expectations due to strong volume and value performance, leading to growth in market share in both Clothing & Home and Food. As shown in Figures 6 and 7 pages 104 and 105, executive directors were awarded 70% of maximum opportunity under the corporate element of the scheme and 15%– 26% of the maximum for individual performance. The Co-CEO's bonus was agreed as part of her exit arrangements. Overall bonus achievement was 192% of opportunity for the CEO and 170% 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 6 and 7 set out the extent to which each director achieved their individual objectives, worth up to 30% of maximum bonus opportunity, along with the achievement against Group PBT targets up to a maximum 70% of awards. Total awards shown directly correspond to the figure included in the single figure table (Figure 3) on page 102.

REMUNERATION REPORT CONTINUED

FIGURE 6: INDIVIDUAL OBJECTIVES (AUDITED)

Director	Individual
Stuart Machin	– **Continued leadership and governance of the Executive Committee and developing a high performing leadership team.** Continuation of regular cadence with Executive Committee; key discussion topics include performance, strategy, culture, talent, health and safety and driving shareholder value. Time spent on talent and high performance culture significantly upweighted. Operating boards across key business areas established, with focus on driving growth. New vision, purpose and set of behaviours to drive a high performance culture established. Executive coach in place to support the Executive Committee's leadership development, each member of the team paired with non-executive director 'mentor'. – **Embed simplified organisational structure changes and realise financial benefits.** Promoted Mark Lemming to Managing Director, International and recruited Rachel Higham as Chief Data, Digital and Technology Officer, both Executive Committee roles. Delivered financial savings through simplification of the support centre. Improved focus on tackling under-performance to drive a high performance culture. Simplified the Home category by rationalising some "bulky" furniture lines, reducing cost and complexity in the supply chain and stores, and repurposing space to drive core Home. – **Solidify ways of working with Ocado to recover and grow online presence as identified through the three-year plan.** Established ways of working between M&S and Ocado Retail. Continued to be a member of the Ocado Retail Board providing challenge and support. Coaching the CEO Ocado Retail and played a critical role in recruiting a new Chief Financial Officer and Chief Commercial Officer to bolster the management team. M&S range has grown by over 1,000 lines increasing the range from 69% to over 86%, which covers over 90% of the addressable sales. Availability of M&S lines has improved and delivered seven joint marketing activities in the year. M&S sales on Ocado.com in Q4 ahead of total Ocado Retail sales. – **Delivery of the next phase of the end-to-end supply chain across Food, and Clothing & Home.** Improved productivity, achieving the target two years early. Led the recruitment of Gist CEO to drive further improvements and lead the Food network strategy. All Chilled lines (c.3,000, 50% of the total Food range) are now live in the Food Forecasting, Ordering and Allocation platform. "One Best Way" trial commenced in Leeds region for Food and completed in C&H. Improved stock integrity and stock file accuracy, supporting a reduction in stock loss. Capital investment approved for automation investments in Castle Donington and Bradford, and contract signed for implementation of new end-to-end planning system. Improved financial performance in both businesses with cost per case better than Budget. – **Accelerate the property store rotation programme targeting five years into three. Continued rollout of renewal programme with an omni-channel focus.** Significant progress made in year, across openings, closures and renewals. 20% of the store estate is now in the 'renewed' format. In the year, five destination stores in Liverpool, Manchester, Thurrock, Birmingham and Leeds were opened, all delivering strong sales uplifts and investment returns ahead of plan. Continued progress on store closures in line with plan. – **Step-change digital plans to benefit customer engagement and experience through efficient use of capital investment which delivers financial efficiencies.** We have executed a more modern digital marketing strategy in Food and Clothing & Home, using influencers, M&S ambassadors and social media channels to increase engagement with customers. Implemented the roll-out of digital click and collect hubs across more than 90% of the estate, making it easier for customers to collect and return products at the stores. Recruited a Head of Customer to step-change both customer experience and engagement.
Katie Bickerstaffe	– **Increase online sales penetration and improve operating margin to ensure M&S can make channel agnostic decisions.** Online sales penetration increased. Operating margin improved through the delivery of increased supply chain efficiencies. – **Drive customer engagement through M&S Connect.** Active Sparks members plateaued and as a result, loyalty programme to drive customer engagement being reset. – **Deliver step-change in omni-channel experience.** M&S Active App users grew. Rolling out digital click and collect hubs. – **Drive growth in Clothing & Home market share.** Growth in Clothing market share delivered with an increase of 20 basis points. Decrease seen in Home market share. – **Commence restructure of the international business operating model for growth.** Supported promotion of Mark Lemming as the Managing Director, International. – **Integrate the initial phase of Clothing & Home to reset category management an end-to-end forecasting technology solution.** Commenced the end-to-end planning programme. The programme is in early stages. – **Deliver digital and technology return on investment.** External consultant reviewed current ways of working, efficiency and return of capital investment. This has resulted in a reset of the function.

FIGURE 7: ANNUAL BONUS SCHEME 2023/24 (AUDITED)

	CORPORATE GROUP PBT (70%)		INDIVIDUAL (30%)	TOTAL AWARD	
	Target/performance		Performance	Achievement	
Director	Min £482m	Max £550m		% of salary	£000
Stuart Machin	70% of max opportunity		26% of max opportunity	192%	1,570
		£716.4m	87%		
Katie Bickerstaffe	70% of max opportunity		15% of max opportunity	170%	1,304
		£716.4m	50%		

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. The table below provides details of share awards in respect of bonus payments made in 2023/24. The face value of each award reflects half of the value shown for 2023/24 bonus payments in the single figure table Figure 3 on page 102.

FIGURE 8: DSBP AWARDS IN RESPECT OF 2023/24

	Basis of award	Face value of award £000	End of deferral period
Stuart Machin	50% of bonus	£785	03/07/2027
Katie Bickerstaffe	50% of bonus	£652	03/07/2027

ANNUAL BONUS SCHEME FOR 2024/25

During the year, the Committee reviewed the 2024/25 scheme, considering the next phase of growth together with bonus arrangements elsewhere in the business.

The Committee was satisfied that the structure of the ABS, as approved by shareholders at the 2023 AGM (and unchanged from 2023/24), remains appropriate. Subject to the achievement of stretching targets, set in line with the 2024/25 financial plan, the scheme provides for a competitive bonus opportunity with a strong focus on stretching PBT performance.

The CEO is eligible to receive a bonus award of up to 200% of salary. The Co-CEO is not participating in the 2024/25 scheme.

Performance will be focused on Group PBT before adjusting items (70%). The remaining 30% will be measured against a scorecard of individual objectives, identified as the measurable key priorities required to drive the continued growth of M&S. 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 performance targets for the 2024/25 scheme are deemed by the Board to be too commercially sensitive to disclose in this report but, where possible, they will be disclosed in next year's. 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 justified and clearly disclosed.

FIGURE 9: EXECUTIVE DIRECTOR OBJECTIVES FOR 2024/25 ANNUAL BONUS SCHEME

	CORPORATE TARGETS		INDIVIDUAL OBJECTIVES
Director	Group PBT before adjusting items PBT	Scorecard of individual measures	
	% bonus	% bonus	Measures
Stuart Machin	70%	30%	– Continued leadership and governance of Executive Committee and development of a high performing leadership team. – Continue to restructure the cost base, delivering a permanent reduction. – Accelerate the supply chain strategies across Food and Clothing & Home. – Deliver a revised Data, Digital & Technology strategy. – Improve the online C&H performance. – Role model and embed the M&S purpose, vision and behaviours across the business.

REMUNERATION REPORT CONTINUED

PERFORMANCE SHARE PLAN (PSP)

PSP AWARDS MADE IN 2023/24 (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 2023 PSP award is 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 is based on EPS (30%), adjusted ROCE (30%) and relative TSR (20%).

For the 2023 PSP awards, the store staff cost to sales ratio was replaced with a broader operating costs to sales ratio. The Committee agreed this revised measure provides greater focus on M&S' simplification agenda and better measures efficiency across the whole business.

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 remain appropriately aligned to M&S' business operations. These companies are listed in Figure 11.

For the 2023 PSP, grants of 250% of salary for the CEO and Co-CEO were approved by the Committee and were made on 5 July 2023.

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 would not be appropriate. Detailed targets can be seen in Figure 10.

FIGURE 10: PERFORMANCE CONDITIONS FOR PSP AWARDS MADE IN 2023/24 (AUDITED)

2023/24 award measures	WEIGHTING	DETAILS THRESHOLD	DETAILS MAXIMUM
Adjusted EPS in 2025/26 (p)	30%	16.7p	25.7p
Adjusted 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 11: TSR COMPARATOR GROUP 2023/24 AWARDS

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

FIGURE 12: PSP AWARDS MADE IN 2023/24 (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	28/03/2026	05/07/2026
Katie Bickerstaffe	250%	20%	1,875	28/03/2026	05/07/2026

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 2023 award, the share price was calculated as £1.924, being the average share price between 28 June 2023 and 4 July 2023.

FIGURE 13: PSP AWARDS VESTING IN 2023/24 (AUDITED)

For directors in receipt of PSP awards granted in 2021, the awards will vest in June 2024, based on three-year performance over the period to 30 March 2024. For threshold performance, 20% of the 2021/22 award would vest, increasing to 100% on a straight-line basis between threshold and maximum performance. Despite achieving the store staff cost to sales ratio target, this measure is also underpinned by a requirement there is no significant increase in central headcount over the period. The Committee considered the impact of additional central costs and determined that the vesting outcome of this strategic measure should be reduced by 50%. Otherwise, performance was assessed and the Committee determined that 90% 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 14 directly correspond to the figure included in the single figure table Figure 3 on page 102.

	Final Year Adjusted EPS (p)	Final Year Adjusted ROCE (%)	TSR (Relative Ranking)	Strategic Measures: M&S.com growth	Strategic Measures: Food like-for-like sales	Strategic Measures: Store staff cost: Sales ratio	Overall vesting
Target and weighting	30%	30%	20%		20%		
Threshold performance	15p	10.5%	Median	N/A	N/A	N/A	
Maximum performance	24p	13.5%	Upper quartile	15.0%	1.5%	10.5%	
Actual performance achieved	24.1p	13.9%	Above upper quartile	7.9%	8.4%	9.9%	
Percentage of maximum achieved	30%	30%	20%	0%	6.7%	3.3%	90%

FIGURE 14: VESTING VALUE OF AWARDS VESTING IN 2023/24 (AUDITED)

	Number of shares granted	% of salary granted	Dividend equivalents accrued during the performance period	At the end of performance period (30 March 2024): Number of shares vesting	Number of shares lapsing	Impact of share price performance	Total vesting of award £000
Stuart Machin	994,792	225%	3,796	898,729	99,859	47.6%	£2,251
Katie Bickerstaffe	994,792	225%	3,796	898,729	99,859	47.6%	£2,251

Total vesting values are based on a share price of £2.504 (the average share price from 2 January 2024 to 30 March 2024). A dividend of 1p per share was paid during the performance period in January 2024; dividend equivalents accrued during the performance period are shown in the table above.

PSP AWARDS TO BE MADE IN 2024/25

During the year, the Committee reviewed the long-term incentive framework at M&S, assessing the extent to which it remained suitable. The 2024 PSP will maintain the measures used for the 2023 PSP awards (30% adjusted EPS, 30% adjusted ROCE, 20% relative TSR and 20% strategic measures).

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 11, was thoroughly reviewed to ensure the constituents remained appropriate and aligned to M&S' business operations. The TSR comparator group of 12 companies for the 2024/25 award can be found in Figure 16. EPS and adjusted ROCE targets have been set with reference to business plan and are reflective of stretching ambitions.

Following careful consideration and discussion on the need to incentivise the most senior leaders of M&S and reward truly exceptional performance, the Committee approved a 250% of salary award for the CEO in 2024. The Co-CEO is not participating in the 2024/25 scheme.

Performance will be measured as shown in Figure 15 below, with 20% of awards vesting for threshold performance and 100% for maximum.

REMUNERATION REPORT CONTINUED

FIGURE 15: PERFORMANCE CONDITIONS FOR PSP AWARDS TO BE MADE IN 2024/25

2024/25 award measures	WEIGHTING	DETAILS THRESHOLD	DETAILS MAXIMUM
Adjusted EPS in 2026/27 (p)	30%	30.5p	39.5p
Adjusted ROCE in 2026/27 (%)	30%	15.9%	18.4%
Relative TSR	20%	Median	Upper quartile
Strategic measures	20%	M&S.com growth Food like-for-like sales Operating cost to sales ratio	

FIGURE 16: TSR COMPARATOR GROUP 2024/25 AWARD

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

FIGURE 17: 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 30 March 2024.

There have been no changes in the current directors' interests in shares or options granted by the Company and its subsidiaries between the end of the financial year and 21 May 2024. 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[1]	Performance Share Plan[2]	Deferred Share Bonus Plan[3]	Restricted Share Plan[4]	Unvested unexercised options[5]
Stuart Machin	522,932	3,480,085	734,272	401,716	Nil
Katie Bickerstaffe	350,940[7]	3,324,992	697,058	501,908	4,535

1. Includes shares owned by connected persons.
2. Performance Share Plan (PSP) awards were made as conditional share awards, the performance conditions have previously been disclosed.
3. Awards under the Deferred Share Bonus Plan (DSBP) relate to half of the annual bonus earned in respect of 2021/22 and 2022/23, deferred into shares for three years.
4. Awards under the Restricted Share Plan (RSP) were granted to Stuart Machin and Katie Bickerstaffe in June 2021 prior to their appointment to the Board.
5. These are HMRC approved ShareSave awards.
6. The figures in the table above include dividend equivalents that are accrued on awards under the PSP, DSBP and RSP.
7. On 29 April 2024, Katie Bickerstaffe purchased 57 shares under the Company's SIP. As at 21 May 2024 her holding of shares owned outright increased to 350,997 shares.

FIGURE 18: SHAREHOLDING REQUIREMENTS INCLUDING POST-CESSATION (AUDITED)

All executive directors are required to build a holding of 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.

The chart below shows the extent to which each executive director has met their target shareholding as at 30 March 2024. For Stuart Machin and Katie Bickerstaffe, their shareholding requirement is measured from their date of appointment as 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 consider it 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. 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 £2.207, with resultant shareholdings illustrated in the chart below.

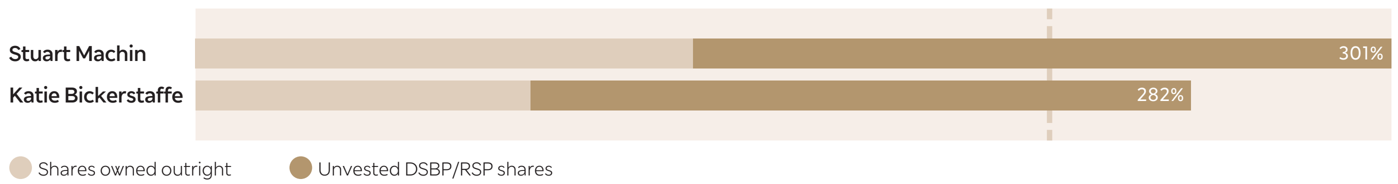


FIGURE 19: EXECUTIVE DIRECTORS' INTERESTS IN THE COMPANY'S SHARE SCHEMES (AUDITED)

	Maximum receivable at 1 April 2023	Awarded during the year	Exercised during the year	Lapsed during the year	Dividend equivalents accrued	**Maximum receivable at 30 March 2024**
Stuart Machin						
PSP[1]	3,336,953	1,039,501	463,895	445,704	13,230	**3,480,085**
DSBP	401,900	329,582	–	–	2,790	**734,272**
RSP[2]	450,000	–	50,000	–	1,716	**401,716**
SAYE[3]	21,951	–	21,951	–	–	**Nil**
Total	**4,210,804**	**1,369,083**	**535,846**	**445,704**	**17,736**	**4,616,073**
Katie Bickerstaffe						
PSP[1]	3,065,498	974,532	371,116	356,563	12,641	**3,324,992**
DSBP	393,439	300,970	–	–	2,649	**697,058**
RSP[2]	700,000	–	200,000	–	1,908	**501,908**
SAYE[3]	21,951	4,535	21,951	–	–	**4,535**
Total	**4,180,888**	**1,280,037**	**593,067**	**356,563**	**17,198**	**4,528,493**

1. The share price on the date of vesting for the PSP awards was £1.89.
2. The share price on the date of vesting for Stuart Machin's RSP award was £2.59. The share price on the date of vesting for Katie Bickerstaffe's RSP award was £1.89.
3. The option price for the SAYE options exercised was £0.82, the share price on the date of exercise was £2.31.

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 159 to 161.

DILUTION OF SHARE CAPITAL BY EMPLOYEE SHARE PLANS

Awards granted under the Company's SAYE scheme and discretionary share plans 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.

FIGURE 20: ALL SHARE PLANS (AS AT 30 MARCH 2024)

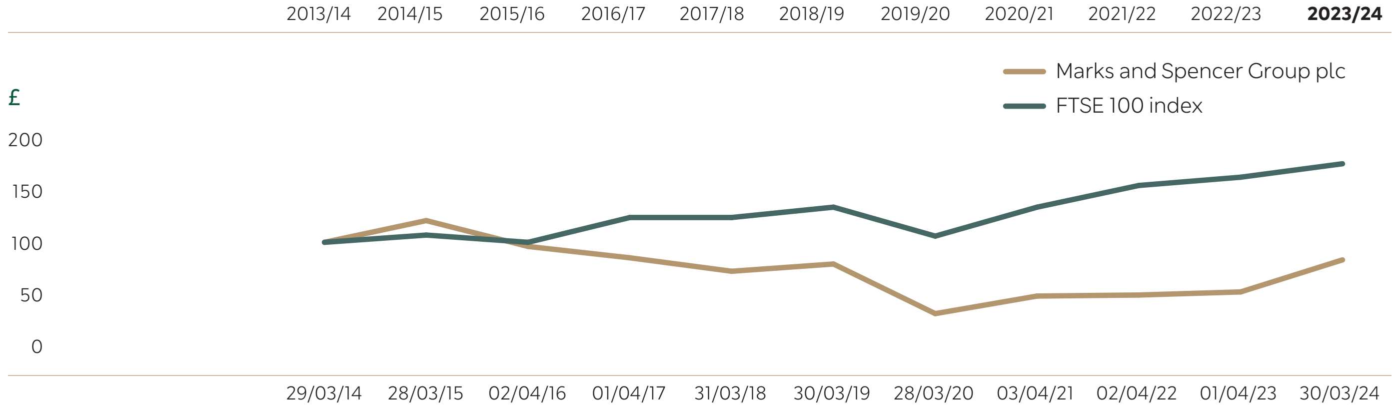
FIGURE 21: EXECUTIVE SHARE PLANS (AS AT 30 MARCH 2024)

REMUNERATION REPORT CONTINUED

FIGURE 22: PERFORMANCE AND CEO REMUNERATION COMPARISON

This graph illustrates the Company's performance against the FTSE 100 over the past 10 years. M&S re-entered the FTSE 100 Index on 18 September 2023. 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.

TSR



	CEO	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
CEO single figure (£000)	Stuart Machin	–	–	–	–	–	–	–	–	2,708	4,729
	Steve Rowe	–	–	1,642	1,123	1,517	1,205	1,068	2,630	156	–
	Marc Bolland	2,095	2,015	–	–	–	–	–	–	–	–
Annual bonus payment (% of maximum)	Stuart Machin	–	–	–	–	–	–	–	–	81.1%	96%
	Steve Rowe	–	–	36.98%	0.00%	0.00%	0.00%	0.00%	95.0%	–	–
	Marc Bolland	30.55%	31.9%	–	–	–	–	–	–	–	–
PSP vesting (% of maximum)	Stuart Machin	–	–	–	–	–	–	–	–	51.0%	90%
	Steve Rowe	–	–	0.00%	8.20%	34.0%	11.20%	0.00%	0.00%	51.0%	90%
	Marc Bolland	4.70%	4.80%	–	–	–	–	–	–	–	–

FIGURE 23: PERCENTAGE CHANGE IN DIRECTORS' REMUNERATION

	2023/24			2022/23			2021/22			2020/21		
	% change 2022/23-2023/24			% change 2021/22-2022/23			% change 2020/21-2021/22			% change 2019/20-2020/21		
	2022/23 Base salary/ fees	Benefits	Annual bonus	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	3%	12.5%	21%	–	–	–	–	–	–	–	–	–
Katie Bickerstaffe	3%	29%	10%	–	–	–	–	–	–	–	–	–
Archie Norman	3%	–	–	3%	-100%	–	1%	100%	–	0%	-74%	–
Andrew Fisher	3%	–	–	3%	-100%	–	1%	–	–	0%	–	–
Justin King	3%	–	–	3%	–	–	1%	–	–	0%	–	–
Tamara Ingram	3%	–	–	3%	–	–	1%	–	–	0%	–	–
Sapna Sood	3%	–	–	3%	–	–	1%	–	–	0%	–	–
Evelyn Bourke	3%	–	–	3%	-100%	–	1%	–	–	–	–	–
Fiona Dawson	3%	–	–	3%	–	–	1%	–	–	–	–	–
Ronan Dunne	3%	–	–	–	–	–	–	–	–	–	–	-
Cheryl Potter	3%	–	–	–	–	–	–	–	–	–	–	–
UK colleagues (average FTE)	8.5%	17%	23%	6%	0%	-6%	2%	–	100%	0%	0%	–

1. See Figure 3 on page 102 for details of executive director remuneration which support the percentage changes above.
2. See Figure 26 on page 112 for details of non-executive director remuneration which support the percentage changes above.
3. Change in benefit is blank where the benefit value was zero in prior year as no figure to compare to.
4. No changes were made to benefits during the year. The increase in the benefit % for UK colleagues represents the consolidation of car allowances into base salary and the increase to company pension contributions following the investment in colleague pay during the year.

FIGURE 24: 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.

	2022/23 £m	**2023/24 £m**	% change
Total colleague pay[1]	1,712.7[1]	**2,040.1**	19.1%
Total returns to shareholders	Nil	**19.6**	–
Group PBT before adjusting items[2]	453.3[3]	**716.4**	58%

1. Last year's figure has been restated to reflect certain employee costs related to Gist Limited and Gist Distribution Limited.
2. Group PBT before adjusting items as disclosed on page 2.
3. Comparative information has been restated due to a change in adjusting items classification.

FIGURE 25: 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 2023/24

PAYMENTS FOR THE LOSS OF OFFICE (AUDITED)

As announced on 7 March 2024, Katie Bickerstaffe will retire from her role as Co-CEO, step down from the Board and cease to be a Director on 10 July 2024. Katie will continue to receive her normal remuneration in terms of salary, pension and company benefits in accordance with her service agreement, up to and including 10 July 2024. In determining Katie's exit arrangements, the Committee did not want to pay excessively in the context of the remainder of her notice period following her departure. To achieve this, Katie will not receive any of her fixed pay elements (salary, pension and Company benefits) from 10 July 2024. Katie is not participating in the 2024/25 ABS and is not eligible for a 2024 PSP award.

The Committee determined good leaver treatment in line with the plan rules, and therefore her unvested conditional shares awarded under the 2021, 2022 and 2023 PSP awards, the Restricted Share Plan (RSP) and the 2022 and 2023 DSBP awards will be time pro-rated to 10 July 2024. They will vest on the relevant normal vesting date to the extent that performance has been achieved, where applicable. The deferred element of the 2023/24 ABS is outlined in Figure 8 on page 105 and will vest on the normal timescales.

To the extent that performance conditions are met for the 2022 PSP award, the subsequent vesting of this award will be reported in next year's report along with confirmation of the vesting of Katie's RSP award and 2022 DSBP award.

In line with policy, Katie will be subject to post-cessation holding requirements and will continue to maintain her in-employment shareholding requirement for two years after leaving M&S.

PAYMENTS TO PAST DIRECTORS (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 last year, 51% of the PSPs granted in 2020 vested on 6 July 2023. For Steve Rowe, based on the share price at the time of vesting of £1.89, the 496,308 shares that vested had a value of £938,022.

As detailed earlier in the report on page 107, 90% of PSP awards granted in 2021 will vest in June 2024. For Steve Rowe, the award is pro-rated so of the 455,503 shares and 5,215 dividend equivalents accrued during the performance period 414,646 shares will vest at an estimated value of c.£1,038,274 based on the average share price of £2.504 between 2 January 2024 and 30 March 2024. Steve has no further PSP awards outstanding.

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 £29,167 from the ECB and £96,269 from Barratt Developments in 2023/24 in respect of these external appointments.

REMUNERATION REPORT CONTINUED

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 2023/24 and 2022/23 are detailed in Figure 26.

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 are the taxable expenses that the Company grossed up and paid the UK tax on, for the non-executive directors. Non-taxable expense reimbursements have not been included in the table.

In line with pay increases across the business, non-executive director fees will increase by 3% to £78,909 with effect from 1 July 2024. The Board Chairman was also awarded an increase of 3% bringing the total aggregate fee to £675,305.

To reflect the time commitment, demands and responsibilities of Committee members, with effect from 1 July 2024, a membership fee of £5,000 will be payable to non-executive directors serving on a Board Committee. The membership fee will not be paid to the Chair of our committees, the Board Chairman or to members of the Nomination Committee.

Fee levels will again be reviewed in the year, ahead of any changes which would be effective 1 July 2025.

FIGURE 26: NON-EXECUTIVE DIRECTORS' TOTAL SINGLE FIGURE REMUNERATION (AUDITED)

Director	Year	Basic fees £000	Additional fees £000	Benefits £000	Total £000
Archie Norman	2023/24	76	575	1	652
	2022/23	74	558	0	632
Andrew Fisher	2023/24	76	51	1	128
	2022/23	74	28	0	102
Justin King	2023/24	76	0	1	77
	2022/23	74	0	0	74
Tamara Ingram	2023/24	76	20	0	96
	2022/23	74	20	0	94
Sapna Sood	2023/24	76	0	0	76
	2022/23	74	0	0	74
Evelyn Bourke	2023/24	76	20	0	96
	2022/23	74	16	0	90
Fiona Dawson	2023/24	76	0	0	76
	2022/23	74	0	0	74
Ronan Dunne	2023/24	76	0	0	76
	2022/23	50	0	0	50
Cheryl Potter	2023/24	76	0	0	76
	2022/23	6	0	0	6

FIGURE 27: 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 30 March 2024, 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 21 May 2024 are shown in the table below.

Director	Number of shares held as at 30 March 2024	Number of shares held as at 21 May 2024
Archie Norman	148,600	148,600
Andrew Fisher	4,243	4,243
Justin King	64,000	64,000
Tamara Ingram	2,000	2,000
Sapna Sood	2,000	2,000
Evelyn Bourke	50,000	50,000
Fiona Dawson	21,432	21,432
Ronan Dunne	25,000	25,000
Cheryl Potter	100,000	100,000

FIGURE 28: 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

REMUNERATION COMMITTEE MEMBERS

The Committee members during the year were Andrew Fisher (Committee Chair), Archie Norman, Fiona Dawson and Tamara Ingram. The role and responsibilities of the Committee can be found on page 76.

REMUNERATION 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 £50,000 for Remuneration Committee matters. This is based on an agreed fee for business as usual support, with additional work charged at hourly rates. PwC's advisory team has no connection with any individual director of the Group.

The Committee also seeks internal support from the CEO, CFO, General Counsel & Company Secretary, People Director, 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.

SHAREHOLDER SUPPORT FOR THE REMUNERATION POLICY AND 2022/23 DIRECTORS' REMUNERATION REPORT

At the Annual General Meeting on 4 July 2023, 97.83% of shareholders voted in favour of the advisory resolution to approve the Directors' Remuneration Report for 2022/23. In addition, 97.74% of shareholders voted in favour of the Remuneration Policy. The Committee believes this illustrates the strong level of shareholder support for the senior remuneration framework. Figure 29 below shows full details of the voting outcomes for the 2022/23 Directors' Remuneration Report and Remuneration Policy.

FIGURE 29: VOTING OUTCOMES FOR THE REMUNERATION POLICY AND 2022/23 REMUNERATION REPORT

Member	Votes for	% Votes for	Votes against	% Votes against	Votes withheld
Remuneration Policy (at the 2023 AGM)	1,286,748,793	97.74	29,785,038	2.26	261,392
2022/23 Remuneration Report (at the 2023 AGM)	1,280,489,585	97.83	28,445,795	2.17	7,859,859

APPROVED BY THE BOARD

Andrew Fisher Chair of the Remuneration Committee

21 May 2024

The Remuneration Policy and this Remuneration Report have been prepared in accordance with the relevant provisions 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 our external auditor, Deloitte, and this is indicated appropriately.

OTHER DISCLOSURES

DIRECTORS' REPORT

Marks and Spencer Group plc (the "Company") is the holding company of the Marks and Spencer Group of companies (the "Group").

The Directors' Report for the year ended 30 March 2024 comprises pages 72 to 119 and pages 214 to 215 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 3 to 71, as the Board considers them to be of strategic importance. Specifically, these are:

- Future business developments (throughout the Strategic Report).
- Risk management on pages 62 to 63.
- Information on how the directors have had regard for the Company's stakeholders, and the effect of that regard, on pages 9 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 170 to 179 and is incorporated by reference.

For information on our approach to social, environmental and ethical matters, please see our ESG Committee report on pages 87 to 88, our ESG Review and TCFD Report on pages 42 to 58, and our ESG 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. The Company's full Corporate Governance Statement is available online at **corporate.marksandspencer.com/about-us/corporate-governance**.

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	96-97, 101-102, 106-109

BOARD OF DIRECTORS

The membership of the Board and biographical details of the directors are provided on pages 74 to 75. There were no changes to the directors during the year. 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 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.

Details of directors' beneficial and non-beneficial interests in the shares of the Company are shown on pages 107 to 109 and 112. Options granted to directors under the Save As You Earn ("SAYE") and Executive Share Option Schemes are shown on page 109. Further information regarding employee share option schemes is provided in note 13 to the financial statements on pages 159 to 161.

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.

NUMERICAL DIVERSITY DATA

Our gender identity and ethnicity data in accordance with Listing Rule 9.8.6R(10) as at 30 March 2024 is set out below. Board and Executive Committee ("ExCo") members are asked to complete a diversity disclosure to confirm which of the categories set out below they identify with. Note, the CFO is a member of ExCo but not a member of the Board.

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	30
Men	5	45	3	7	70
Non-binary	–	–	–	–	–
Not specified/prefer not to say	–	–	–	–	–

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	8	80%
Mixed/Multiple Ethnic Groups	–	–	–	1	10%
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	10%

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 30 March 2024 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 30 March 2024 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 £425.2m (last year £364.5m). The directors have declared dividends as follows:

Ordinary shares	£m
Paid interim dividend of 1p per share (last year no proposed interim dividend)	19.6
Proposed final dividend of 2p per share (last year no proposed final dividend)	40.8
Total dividend of 3p per share for 2023/24 (last year no proposed dividend)	60.4

Subject to shareholder approval at this year's AGM, the final dividend will be paid on 5 July 2024 to shareholders whose names were on the Register of Members at close of business on 31 May 2024.

SHARE CAPITAL

The Company's issued ordinary share capital as at 30 March 2024 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, 69,181,462 ordinary shares in the Company were issued under the terms of the United Kingdom Employees' SAYE Share Option Scheme. 682,231 shares were issued at a price of 151p, 68,193,661 shares at a price of 82p, 21,205 shares at a price of 189p, 14,169 shares at a price of 99p, and a further 270,196 ordinary shares were issued at their nominal value of 1p.

In addition, during the period, 6,240,430 ordinary shares were issued at their nominal value of 1p to satisfy employee share awards under the Company's Performance Share Plan and 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 181.

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 2023 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 30 March 2024 and up to the date of this report. This standard authority is renewable annually; the directors will seek to renew it at the 2024 AGM.

The directors were granted authority at the 2023 AGM to allot relevant securities up to a nominal amount of £6,550,886.24. This authority will apply until the conclusion of the 2024 AGM. At this year's AGM, shareholders will be asked to grant an authority to allot relevant securities (i) up to a nominal amount of £6,823,061.67 and (ii) comprising equity securities up to a nominal amount of £13,646,123.34 (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 2025 or on 1 October 2025, whichever is sooner.

At the 2023 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 2024 AGM to renew 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 £2,046,918.50. 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 £2,046,918.50. 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.

OTHER DISCLOSURES CONTINUED

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 204,691,850 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 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.

BRANCHES
In accordance with the Companies Act 2006 and the Disclosure and Transparency Rules, the Group discloses below the subsidiary companies that have branches outside the UK:

- Marks and Spencer plc: Isle of Man.
- Marks and Spencer (Shanghai) Limited: Dongguan.

COLLEAGUE INVOLVEMENT
We remain committed to colleague involvement throughout the business. 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 9, 38 to 41, 81 and 98 to 99.

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 30 March 2024, 13,234 colleagues were participating in the Company's SAYE Scheme. Full details of all schemes are given on pages 159 to 161.

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 colleagues and former colleagues who have retained benefits in either scheme. Colleagues are updated as needed with any pertinent information on their pension savings.

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 30 March 2024, 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	% of capital disclosed	Date notified
Ameriprise Financial, Inc	4.978	7 March 2024
RWC Asset Management LLP	4.937	12 February 2024
Schroders plc	4.760152	20 September 2023

EQUAL OPPORTUNITIES
The Group is committed to an active approach to Diversity, Equity and Inclusion ("DE&I"). Our strategy is built on two pillars – driving improved diverse representation at all levels of the business and developing a continually evolving inclusive culture. Providing a safe space for colleagues is a fundamental principle, with respect for each other being the foundation of our DE&I approach. We are clear that any forms of discrimination, harassment, bullying and victimisation are not tolerated, with processes in place to ensure any allegations are handled effectively.

Our colleagues are central to the design of our plans, with our eight Inclusion and Diversity Networks at the heart of bringing our communities together, amplifying the voice of our colleagues and guiding the business. We have over 10,000 members within our networks.

Whilst our approach is designed around all colleagues, from all backgrounds, all levels and all business areas, we have particular focus on the experience and representation of women and colleagues from ethnic minority backgrounds.

We have made good progress against our ambition to become the leading employer for women in retail, reaching our target of 50% of senior leader roles held by women and driving strong representation in our talent pipelines.

We have taken action to better understand the experiences and challenges of colleagues from ethnic minority backgrounds and have much to do in this space, but are confident that we have effective plans in place to address these and drive improved representation across the business.

We have reset our target for ethnic minority representation in senior leader roles, and aim to have 12% ethnic minority representation by 2027, and 20% representation by 2030. We are committed to taking the necessary steps to achieve this, and have established a clear framework of KPIs to measure our progress towards this, as well as strengthening the diversity within our talent pipelines. More information on our ethnic minority targets and how this relates to the Parker Review recommendation can be found in our Nomination Committee report on page 85.

More information on our inclusion and diversity initiatives can be found on pages 38 to 41, and pages 85 to 86.

EMPLOYEES WITH DISABILITIES
The Company is clear in its commitment to support colleagues and candidates with both visible and non-visible accessibility challenges and health conditions. We have continued to demonstrate our commitment to interviewing those applicants with disabilities who fulfil the minimum criteria. We are proactive in taking steps to support colleagues through health and wellbeing reviews and reasonable adjustments, and our colleague health and wellbeing network provides an additional space for colleagues to access available support. We continue to provide workplace opportunities through our innovative Marks and Start scheme, working closely with The Prince's Trust and Jobcentre Plus.

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 in our ESG Report 2024.

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 2 April 2023 to 30 March 2024 to the Audit & Risk Committee on 9 May 2024. It was approved on 16 May 2024.

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 three 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 all of them have been resolved or closed, with no issues remaining open. Two Code references made by suppliers before 2 April 2023 were also closed during the reporting period.

A detailed summary of the compliance report is available on our corporate website: **corporate.marksandspencer.com**.

OTHER DISCLOSURES CONTINUED

ANTI-BRIBERY & CORRUPTION

Our Anti-Bribery & Corruption ("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.

POLITICAL DONATIONS

The Company did not make any political donations or incur any political expenditure during the year ended 30 March 2024. 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 29 to 37, 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 64 to 70.

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 2027. 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 page 71.

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 2024 AGM.

ANNUAL GENERAL MEETING

The AGM of Marks and Spencer Group plc will be a digitally-enabled meeting, broadcast from M&S' Waterside House support centre on 2 July 2024 at 11am. If a shareholder wishes to attend the AGM in person, seats will be allocated on a first-come first-served basis. Shareholders are requested to register their intention to do so in advance, so we can manage capacity on the day. The Notice of Meeting is given, together with explanatory notes and guidance on how to access the meeting and vote, on pages 202 to 213.

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 92.

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 74 and 75, 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 21 May 2024 and signed on its behalf by

Nick Folland

NICK FOLLAND
General Counsel & Company Secretary
London, 21 May 2024

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 30 March 2024 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 31 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 year 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

The key audit matters that we identified in the current year were:

- impairment and impairment reversal of UK store assets;
- accounting for the Store Estate programme;
- disclosure of adjusting items as part of alternative performance measures; and
- fair value of Ocado contingent consideration.

Materiality

The materiality that we used for the Group financial statements was £34.0m (2023: £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 and 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 92% (2023: 93%) of Group revenue, 97% (2023: 90%) of profit before tax and adjusting items, 98% (2023: 81%) of profit before tax, 72% (2023: 78%) of total assets and 79% (2023: 84%) of total liabilities. We perform specified audit procedures in relation to the India business and analytical procedures on residual balances.

Significant changes in our approach

The changes made to the key audit matters during the current year are the addition of fair value of Ocado contingent consideration and the removal of inventory provisions within UK Clothing & Home.

- As a result of the impact on our audit strategy and allocation of resources, we have identified the fair value of contingent consideration arising from the arrangement with Ocado as a key audit matter in the current period.
- In the prior period inventory provisions within UK Clothing & Home was identified as a key audit matter given the quantum of UK Clothing & Home gross inventory and the judgement required in assessing the future salability of products in a challenging trading environment. Due to the continued improvement in trading performance, there is a reduction in the level of uncertainty associated with estimating the required provision and accordingly we have not identified inventory provisions for UK Clothing & Home as a key audit matter in the current period.
- We have reduced the risk on impairment and impairment reversal of UK store assets due to the recent performance of UK store estate coupled with an improvement in business performance resulting in the level of risk reducing. We have continued to identify this as a key audit matter as a result of the level of audit effort in responding to this matter.

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 sensitivity analysis;
- reviewing the entity'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;
- considering the results of the sensitivity analyses performed; and
- evaluating the adequacy of the Group's disclosures on going concern in the financial statements.

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 30 March 2024 the Group held £3,554.5 million (2023: £3,452.5 million) of UK store assets in respect of stores not considered for closure within the 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 £0.5 million (2023: £17.3 million) and a reversal of previously recognised impairment charges of £35.6 million (2023: £33.1 million) have been recognised.

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 the entity. 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 degree of estimation uncertainty (as disclosed in note 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 91.

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;
- assessed and challenged the entity's range of impairment indicators and indicators of reversal 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 the entity for consistency with the requirements of IAS 36;
- 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;
- performed profiling of all stores' data to provide insights into store performance and to identify any outliers;
- 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 disclosure within the financial statements in accordance with IFRS.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MARKS AND SPENCER GROUP PLC 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 Store estate programme

Key audit matter description

In February 2018, the Board approved a list of stores marked for closure as part of its Store Estate programme. The total charge recognised in connection with this closure programme in previous periods was £870 million. A further net charge of £93 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, where this matter is also disclosed as a key source of estimation uncertainty, 5 and 15 to the financial statements and page 16 of the strategic report.

Our key audit matter was focused on the specific assumptions applied in the discounted cash flow analysis prepared by the entity including the discount rate, expected sublet income, sublet lease incentives, void periods, freehold sales proceeds, leasehold surrender costs and store closure costs.

The Audit & Risk Committee considers this to be a significant matter. Their consideration is on page 91.

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 the Board and inspected the latest strategic plans, Board and relevant sub-committee minutes of meetings;
- understood and challenged the basis of the entity'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 the entity'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 sales 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 store estate plan; and
- assessed the completeness and accuracy of disclosures within the financial statements in accordance with IFRS.

Key observations

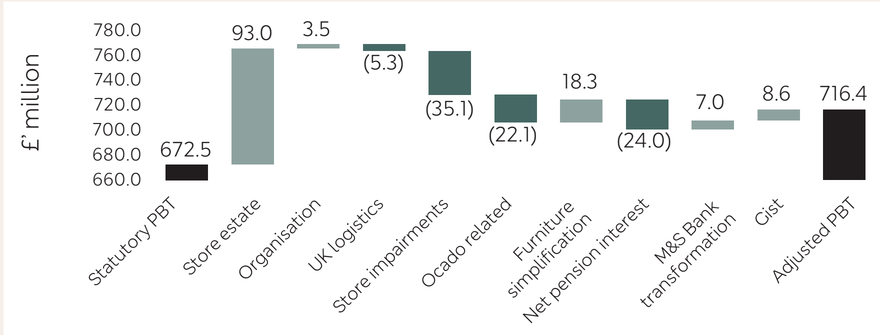
We are satisfied that the Group's estimate of the store exit charges and the associated disclosures are appropriate.

5.3. 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 £716.4 million (2023 restated: £453.3 million), which is derived from profit before tax of £672.5 million (2023: profit before tax of £475.7 million) adjusted for a number of items totalling £43.9 million (2023: restated net credit of £22.4 million) which the Group considers meet their definition of an 'adjusting item'. Due to a change in the Group's classification of pension net finance income as an adjusting item (refer to note 1), the comparative amounts have been restated. Judgement is exercised by the entity 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.



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, where this is also highlighted as a critical accounting judgement. This is a significant matter considered by the Audit & Risk Committee on page 91.

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 the entity 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;
- benchmarking certain adjusting items identified by the entity with comparable companies;
- use of 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 IFRS.

Key observations

The value of adjusting items results in a material difference between the statutory and adjusted results. We are satisfied the adjusting items in their classification and presentation is consistent with the Group's policy and the amounts are appropriate.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MARKS AND SPENCER GROUP PLC CONTINUED

5.4. Fair value of Ocado contingent consideration

Key audit matter description

As described in note 21 to the financial statements, the purchase of 50% of Ocado Retail Limited ("ORL") from Ocado Group PLC ("Ocado") in August 2019 included contingent consideration equal to £156.3m, plus interest, that is contingent on ORL achieving certain performance targets ("the Target") in the financial year to November 2023. This is based on the contractual terms and the outcome is binary such that if the measure is not met or exceeded, no amount is payable by M&S to Ocado. The measurement period has ended with the Target not met. The share purchase agreement contains a mechanism for reasonable adjustments to be made to the Target by either shareholder to reflect certain events, if applicable. No adjustments have been made at this point in time.

The contingent consideration represents a financial liability and is accounted for in accordance with IFRS 9 Financial Instruments and measured at fair value under IFRS 13 Fair Value Measurement. The group has recorded a liability of £nil (FY23: £64.7m). As described on page 91, the entity has estimated the fair value using the expected present value technique that is based on a number of probability-weighted possible scenarios that a market participant would consider in valuing the contract.

As a result of the impact on our audit strategy and allocation of resources, we have identified the fair value of Ocado contingent consideration as a key audit matter. Further information related to this area is set out in the Audit & Risk Committee report on page 91, in note 21 and in note 1 to the group financial statements.

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:

- reviewed the terms of the share purchase agreement and shareholders' agreement to identify and consider clauses that are relevant to determining a fair value of the contingent consideration;
- obtained an understanding of relevant controls, relating to the determination of the fair value of the contingent consideration;
- assessed the competence, capabilities and objectivity of the Group's external advisors;
- held partner-led enquiries with senior management and the Group's external advisors to challenge the judgements adopted by the entity in their assessment;
- inspected evidence for the estimates and judgements adopted by the entity in their qualitative and quantitative assessment of the fair value of the liability;
- involved our valuations and disputes resolution specialists to challenge the entity's methodology and assumptions and to search for potential contradictory evidence to the judgements adopted by management;
- developed an independent range using probability-weighted scenario-based models and comparing this with the Group's valuation; and
- assessed the completeness and accuracy of the Group's disclosures in accordance with IFRS.

Key observations

We are satisfied that the judgements applied, the fair value recorded, and disclosures within the financial statements are reasonable.

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	£34.0 million (2023: £24.0 million)	£30.6 million (2023: £21.6 million)
Basis for determining materiality	We consider the following metrics in the current and prior period: – profit before tax and adjusting items; – profit before tax; – earnings before interest, tax, depreciation and amortisation ("EBITDA"); and – revenue. Using professional judgement, we determined materiality to be £34.0m based on the four key metrics above. The increase in materiality primarily reflects the year-on-year increase in the profitability of the Group.	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 have used the same approach as last year where we have considered a number of different metrics used by investors and other readers of the financial statements. Group materiality represents: (see table below)	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.

Metric	%
Profit before tax	5.1
Profit before tax and adjusting items	4.7
EBITDA	2.5
Revenue	0.3

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% (2023: 65%) of Group materiality	65% (2023: 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, both corrected and uncorrected.	

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MARKS AND SPENCER GROUP PLC CONTINUED

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 £1.7 million (2023: £1.2 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.

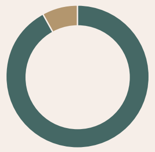
7. AN OVERVIEW OF THE SCOPE OF OUR AUDIT
7.1. Identification and scoping of components
Our audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level.

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 scope audit procedures and specified audit procedures respectively. We have performed our full scope audit of the UK component using a materiality of £30.6 million (or 90.0% of Group materiality) (2023: £21.6 million), and our specified audit procedures in India using a component materiality of £5.0 million (or 14.7% of Group materiality) (2023: £3.5 million).

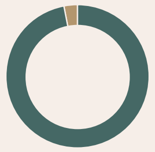
The Group holds 50% of the ordinary shares of Ocado Retail Ltd ('ORL'). This interest is accounted for as an investment in associate in accordance with IAS 28 on the basis that the shareholders' agreement gives control over ORL to Ocado Group plc. In the current period the Group recorded a share of loss of associate from ORL of £79.9 million (2023: £43.5 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.

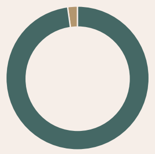
REVENUE



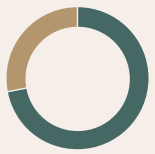
ADJUSTED PROFIT BEFORE TAX



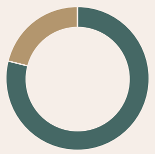
PROFIT BEFORE TAX



TOTAL ASSETS



TOTAL LIABILITIES



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, sales to cash and fixed assets including IFRS 16. 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 also obtained an understanding of the controls relating to inventory provisions, food rebates and financial close and reporting processes.

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.

Where controls deficiencies and improvements are identified, these are reported to management and the Audit and Risk Committee as appropriate. The Group continues to invest in responding to, and addressing, our observations.

7.3. Our consideration of climate-related risks
The Group continues to reassess the potential impacts of climate change and set targets which the directors consider to be aligned with the Paris Agreement. The entity has identified a number of milestones, including the target of net zero carbon emissions by FY2040, as discussed in the Task Force on Climate-Related Financial Disclosures report on pages 44 to 58. This assessment focused on property, fleet and two of the Group's key resources: protein and cotton.

The entity considers that the most likely impact on the financial statements will be in relation to its three-year cash flow forecasts 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 the entity'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 the entity'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 reasonable 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.

In considering the disclosures presented as part of the Strategic Report, we engaged our climate-change specialists to assess compliance with the TCFD and CFD requirements and the recommendations made by both the Task Force and FRC as set out in their thematic reviews. We have also assessed whether these disclosures reflect our understanding of the Group's approach to climate.

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: Deloitte UK and Deloitte India. We have issued detailed instructions to both component audit teams to perform 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 3 December 2023 and the reporting received from the component auditor for the period subsequent to 3 December 2023.

We have engaged regularly with the component auditors throughout the audit process, determining the nature, timing and extent of the audit procedures to be performed and to review their component reporting.

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.

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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MARKS AND SPENCER GROUP PLC CONTINUED

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 management, the directors, internal audit and the Audit & Risk Committee about their own identification and assessment of the risks of irregularities, including those that are specific to the Group's sector;
- 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;
- the matters discussed among the audit engagement team and relevant internal specialists, including tax, valuations, pensions, IT, climate-change, dispute resolution and analytics 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 disclosure of adjusting items as part of 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 the UK Companies Act, Financial Conduct Authority regulations, 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 as part of 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 audit teams 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 page 118;
- 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 page 71;
- the directors' statement on fair, balanced and understandable set out on page 119;
- the board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 119;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 62; and
- the section describing the work of the Audit & Risk Committee set out on page 90.

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 in 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 year ending 28 March 2015 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 10 years, covering the years ending 28 March 2015 to 30 March 2024.

15.2. 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 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 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 Company and the 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) 4.1.15R – DTR 4.1.18R, these financial statements will form part of the Electronic Format Annual Financial Report filed on the National Storage Mechanism of the FCA in accordance with DTR 4.1.15R – DTR 4.1.18R. This auditor's report provides no assurance over whether the Electronic Format Annual Financial Report has been prepared in compliance with DTR 4.1.15R – DTR 4.1.18R.

RICHARD MUSCHAMP FCA
(Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London
21 May 2024

CONSOLIDATED INCOME STATEMENT

	Notes	52 weeks ended 30 March 2024 £m	52 weeks ended 1 April 2023 £m
Revenue	2, 3	**13,040.1**	11,931.3
Share of result in associate – Ocado Retail Limited	3, 29	**(79.9)**	(43.5)
Operating profit	3, 5	**714.2**	515.1
Finance income	5, 6	**146.7**	166.1
Finance costs	5, 6	**(188.4)**	(205.5)
Profit before tax	4, 5	**672.5**	475.7
Income tax expense	7	**(247.3)**	(111.2)
Profit for the year		**425.2**	364.5
Attributable to:			
Owners of the parent		**431.2**	363.4
Non-controlling interests		**(6.0)**	1.1
		425.2	364.5
Earnings per share			
Basic earnings per share	8	**21.9p**	18.5p
Diluted earnings per share	8	**20.8p**	17.9p
Reconciliation of profit before tax and adjusting items:			
Profit before tax		**672.5**	475.7
Adjusting items[1]	5	**43.9**	(22.4)
Profit before tax and adjusting items[1] – non-GAAP measure		**716.4**	453.3
Adjusted earnings per share – non-GAAP measure			
Adjusted basic earnings per share[1]	8	**24.6p**	16.9p
Adjusted diluted earnings per share[1]	8	**23.3p**	16.4p

1. Comparative information has been restated due to a change in adjusting items classification. See note 1 for details.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	52 weeks ended 30 March 2024 £m	52 weeks ended 1 April 2023 £m
Profit for the year		**425.2**	364.5
Other comprehensive income/(expense):			
Items that will not be reclassified subsequently to profit or loss			
Remeasurements of retirement benefit schemes	11	**(419.2)**	(622.8)
Tax on retirement benefit schemes		**104.8**	158.0
		(314.4)	(464.8)
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation differences			
– movements recognised in other comprehensive income		**(11.5)**	4.3
Cash flow hedges			
– fair value movements recognised in other comprehensive income	21	**(27.5)**	77.0
– reclassified and reported in profit or loss	21	**5.3**	(14.4)
Tax charge/(credit) on cash flow hedges		**6.1**	(18.6)
		(27.6)	48.3
Other comprehensive (expense) for the year, net of tax		**(342.0)**	(416.5)
Total comprehensive income/(expense) for the year		**83.2**	(52.0)
Attributable to:			
Owners of the parent		**89.2**	(53.1)
Non-controlling interests		**(6.0)**	1.1
		83.2	(52.0)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 March 2024 £m	As at 1 April 2023 (restated) £m	As at 3 April 2022 (restated) £m
Assets				
Non-current assets				
Intangible assets	14	**179.5**	163.1	192.5
Property, plant and equipment	15	**5,190.1**	5,203.7	4,902.3
Investment property		**11.6**	11.8	15.0
Investments in joint ventures and associates	29	**684.2**	767.9	810.9
Other financial assets	16	**12.6**	7.9	4.5
Retirement benefit assets	11	**81.8**	482.0	1,043.9
Trade and other receivables	17	**356.7**	298.7	270.6
Derivative financial instruments	21	**0.7**	0.1	21.4
Deferred tax assets	23	**11.7**	7.6	–
		6,528.9	6,942.8	7,261.1
Current assets				
Inventories		**776.9**	764.4	706.1
Other financial assets	16	**12.3**	13.0	17.6
Trade and other receivables	17	**302.0**	280.6	217.1
Derivative financial instruments	21	**6.8**	22.6	43.6
Current tax assets		**32.9**	6.5	–
Cash and cash equivalents	18	**1,022.4**	1,067.9	1,197.9
		2,153.3	2,155.0	2,182.3
Total assets		**8,682.2**	9,097.8	9,443.4
Liabilities				
Current liabilities				
Trade and other payables	19	**2,107.9**	2,048.8	1,960.9
Partnership liability to the Marks & Spencer UK Pension Scheme	12	**88.8**	73.0	71.9
Borrowings and other financial liabilities	20	**250.4**	444.0	247.2
Derivative financial instruments	21	**20.0**	58.1	3.2
Provisions	22	**47.6**	44.0	53.6
Current tax liabilities		**1.5**	38.5	34.0
		2,516.2	2,706.4	2,370.8
Non-current liabilities				
Retirement benefit deficit	11	**4.6**	4.6	5.7
Trade and other payables	19	**116.7**	181.3	188.2
Partnership liability to the Marks & Spencer UK Pension Scheme	12	**–**	51.8	120.4
Borrowings and other financial liabilities	20	**2,882.8**	3,184.0	3,561.0
Derivative financial instruments	21	**21.9**	7.1	0.4
Provisions	22	**104.1**	75.4	91.8
Deferred tax liabilities	23	**205.8**	206.4	321.3
		3,335.9	3,710.6	4,288.8
Total liabilities		**5,852.1**	6,417.0	6,659.6
Net assets		**2,830.1**	2,680.8	2,783.8
Equity				
Issued share capital	24	**20.5**	19.8	19.7
Share premium account		**967.0**	910.7	910.6
Capital redemption reserve		**2,680.4**	2,680.4	2,680.4
Hedging reserve	21	**(8.4)**	(31.9)	17.6
Cost of hedging reserve	21	**5.4**	4.2	3.6
Other reserve		**(6,542.2)**	(6,542.2)	(6,542.2)
Foreign exchange reserve		**(81.1)**	(69.6)	(73.9)
Retained earnings		**5,789.6**	5,705.0	5,763.8
Equity attributable to owners of the parent		**2,831.2**	2,676.4	2,779.6
Non-controlling interests		**(1.1)**	4.4	4.2
Total equity		**2,830.1**	2,680.8	2,783.8

Deferred tax and retained earnings have been restated in the comparative information. See note 1 for further details. The financial statements were approved by the Board and authorised for issue on 21 May 2024. The financial statements also comprise notes 1 to 31.

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 £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**
Prior year restatement	–	–	–	–	–	–	–	(134.1)	(134.1)	–	(134.1)
As at 3 April 2022 (restated)	**19.7**	**910.6**	**2,680.4**	**17.6**	**3.6**	**(6,542.2)**	**(73.9)**	**5,763.8**	**2,779.6**	**4.2**	**2,783.8**
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 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)**	**5,705.0**	**2,676.4**	**4.4**	**2,680.8**

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 £m	Total £m	Non-controlling interest £m	Total £m
As at 2 April 2023	19.8	910.7	2,680.4	(31.9)	4.2	(6,542.2)	(69.6)	5,705.0	2,676.4	4.4	2,680.8
Profit for the year	–	–	–	–	–	–	–	431.2	431.2	(6.0)	425.2
Other comprehensive income/(expense):											
Foreign currency translation											
– movements recognised in other comprehensive income	–	–	–	–	–	–	(11.5)	–	(11.5)	–	(11.5)
Remeasurements of retirement benefit schemes	–	–	–	–	–	–	–	(419.2)	(419.2)	–	(419.2)
Tax on retirement benefit schemes	–	–	–	–	–	–	–	104.8	104.8	–	104.8
Cash flow hedges											
– fair value movement in other comprehensive income	–	–	–	(29.1)	1.6	–	–	–	(27.5)	–	(27.5)
– reclassified and reported in profit or loss	–	–	–	5.3	–	–	–	–	5.3	–	5.3
Tax on cash flow hedges	–	–	–	6.5	(0.4)	–	–	–	6.1	–	6.1
Other comprehensive (expense)/income	–	–	–	(17.3)	1.2	–	(11.5)	(314.4)	(342.0)	–	(342.0)
Total comprehensive (expense)/income	–	–	–	(17.3)	1.2	–	(11.5)	116.8	89.2	(6.0)	83.2
Cash flow hedges recognised in inventories	–	–	–	54.4	–	–	–	–	54.4	–	54.4
Tax on cash flow hedges recognised in inventories	–	–	–	(13.6)	–	–	–	–	(13.6)	–	(13.6)
Transactions with owners:											
Dividends	–	–	–	–	–	–	–	(19.6)	(19.6)	–	(19.6)
Transactions with non-controlling shareholders	–	–	–	–	–	–	–	–	–	0.5	0.5
Shares issued in respect of employee share options	0.7	56.3	–	–	–	–	–	–	57.0	–	57.0
Purchase of shares held by employee trusts	–	–	–	–	–	–	–	(83.1)	(83.1)	–	(83.1)
Credit for share-based payments	–	–	–	–	–	–	–	48.3	48.3	–	48.3
Tax on share schemes	–	–	–	–	–	–	–	22.2	22.2	–	22.2
As at 30 March 2024	20.5	967.0	2,680.4	(8.4)	5.4	(6,542.2)	(81.1)	5,789.6	2,831.2	(1.1)	2,830.1

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.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	52 weeks ended 30 March 2024 £m	52 weeks ended 1 April 2023 £m
Cash flows from operating activities			
Cash generated from operations	26	1,492.9	1,100.5
Income tax paid		(191.2)	(70.6)
Net cash inflow from operating activities		1,301.7	1,029.9
Cash flows from investing activities			
Proceeds on property disposals		6.1	1.1
Purchase of property, plant and equipment		(359.5)	(325.8)
Purchase of intangible assets		(69.8)	(84.5)
Proceeds on disposal of current financial assets		0.7	5.3
Purchase of non-current financial assets		(2.6)	(4.2)
Proceeds on disposal of non-current financial assets		–	0.2
Acquisition of subsidiary, net of cash acquired[1]		–	(102.8)
Loans to related parties	28	(62.0)	(30.0)
Interest received		51.8	24.1
Net cash used in investing activities		(435.3)	(516.6)
Cash flows from financing activities			
Interest paid[2]		(185.0)	(212.5)
Redemption of Medium-Term Notes[3]		(395.6)	(189.9)
Repayment of lease liabilities		(243.5)	(231.8)
Payment of partnership liability to the Marks & Spencer UK Pension Scheme		(40.0)	(66.0)
Equity dividends paid		(19.6)	–
Shares issued on exercise of employee share options	24	57.0	–
Purchase of own shares by employee trust		(83.1)	(0.1)
Cash received from settlement of derivatives		–	56.5
Net cash used in financing activities		(909.8)	(643.8)
Net cash from activities		(43.4)	(130.5)
Effects of exchange rate changes		(2.1)	0.5
Opening net cash		1,067.9	1,197.9
Closing net cash	27	1,022.4	1,067.9

1. Last year includes £102.8m relating to the purchase of Gist Limited, being consideration of £170.6m net of cash acquired of £67.8m.
2. Includes interest paid on the partnership liability to the Marks & Spencer UK Pension Scheme of £nil (last year: £5.9m) and interest paid on lease liabilities of £102.0m (last year: £121.9m).
3. Includes £267.5m of outstanding 2023, 2025, and 2026 notes repurchased in June 2023, resulting in a gain of £10.3m recognised within "interest payable on Medium-Term Notes" in net finance costs.

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 30 March 2024 (last year: 52 weeks ended 1 April 2023) 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 29 to 37, 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 64 to 70.

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 30 March 2024, the Group had liquidity of £1,897.4m (last year: £1,942.9m), comprising cash and cash equivalents of £1,022.4m, an undrawn committed syndicated bank revolving credit facility ("RCF") of £850.0m, and undrawn uncommitted facilities amounting to £25.0m.

In December 2023, the Group successfully extended its RCF, which now expires in June 2027. 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 their 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 2024/25, resulting in a reduction in sales growth of 2.0-5.0% across all three business units compared to the Budget and Three-Year Plan.
- 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.
- Ocado Retail Limited experiences limited customer demand, with a 5.0% decline in volume growth each year across the three-year period compared to the Budget and Three-Year Plan.

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. In addition, should such a scenario arise, there are 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, is 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 2 April 2023:

- IFRS 17 Insurance Contracts.
- 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 IAS 12: International Tax reform – Pillar Two Model rules.

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:

- Amendment to IFRS 16: Lease Liability in a Sale and Leaseback.
- Amendments to IAS 1: Classification of Liabilities as Current or Non-Current.
- Amendments to IAS 1: Non-current Liabilities with Covenants.
- Amendments to IAS 7 and IFRS 7: Supplier Finance Arrangements.
- Amendments to IAS 21: Lack of Exchangeability.
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.
- IFRS 18: Presentation and Disclosure in Financial Statements.

With the exception of the adoption of IFRS 18, 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.

IFRS 18 was issued in April 2024 and is effective for periods beginning on or after 1 January 2027. Early application is permitted and comparatives will require restatement. The standard will replace IAS 1 Presentation of Financial Statements and although it will not change how items are recognised and measured, the standard brings a focus on the income statement and reporting of financial performance. Specifically classifying income and expenses into three new defined categories - "operating", "investing" and "financing" and two new subtotals "operating profit and loss" and "profit or loss before financing and income tax", introducing disclosures of management defined performance measures (MPMs) and enhancing general requirements on aggregation and disaggregation. The impact of the standard on the Group is currently being assessed and it is not yet practicable to quantify the effect of IFRS 18 on these consolidated financial statements, however there is no impact on presentation for the Group in the current year given the effective date - this will be applicable for the Group's 2027/28 Annual Report.

Prior year restatement

An error has been identified within the Group's deferred tax calculations which was triggered by a series of historic changes in the residual value applied to Buildings impacting the portion of the asset to be recovered through use and the portion through sale. In line with IAS 8, the Group has restated balances as at 1 April 2023 and 2 April 2022.

Specifically the impact on the financial results as at 1 April 2023 was a £134.1m increase in deferred tax liabilities recognised in relation to Buildings following management's downwards revision of its estimate of the residual value on Buildings. There is no impact on cash flow statement in any years.

The financial impact of the errors identified are as follows:

	As at 1 April 2023			As at 2 April 2022		
	Reported £m	Adjustment £m	Restated £m	Reported £m	Adjustment £m	Restated £m
Deferred tax liability	72.3	134.1	206.4	187.2	134.1	321.3
Retained earnings	5,839.1	(134.1)	5,705.0	5,897.9	(134.1)	5,763.8

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 30 March 2024:

- Net charges associated with the strategic programme in relation to the review of the 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.
- Significant costs relating to the acquisition of Gist Limited.
- Net finance costs incurred in relation to Gist Limited deferred and contingent consideration.
- (New) Share of net charges associated with Ocado Retail Limited's UK network capacity review.
- (New) Net pension finance income in relation to closed scheme not considered part of ongoing operating activities of the Group.
- (New) Significant charges relating to the renegotiation of the Group's Relationship Agreement with M&S Bank.
- (New) Significant charges in relation to the furniture simplification programme that are not considered to be day-to-day operational costs of the business, mainly relating

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

to contractual obligations with suppliers.

Refer to note 5 for a summary of the adjusting items.

Due to a change in the Group's classification of pension net finance income as an adjusting item (see note 5), the comparative amounts have been restated.

The impact on the 52 weeks ended 1 April 2023 income statement is a decrease to the adjusting items charge of £28.7m (resulting in a net adjusting items credit), a decrease to profit before tax & adjusting items of £28.7m, a decrease to adjusted basic earnings per share of 1.2p and a decrease to adjusted diluted earnings per share of 1.1p. There is no impact on profit before tax, earnings per share or net assets.

A summary of the Company's and the Group's material 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 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-judgemental, 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.

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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

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 – 3-25 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 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[2]
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.
[2]Deposits held in low volatility net asset value money market funds are classified as FVTPL.

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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

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 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 judgements and key sources of estimation uncertainty
The preparation of consolidated financial statements requires the Group to make estimates and judgements that affect the application of policies and reported amounts.

Critical judgements 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 judgements 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 judgements
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 judgement 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 30 March 2024.

Following consultation with external advisers, the directors have made the judgement 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 £81.8m 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 judgement 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 judgement 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 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 judgement 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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

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 58 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.

Store estate programme

The Group is undertaking a significant strategic programme to review its store estate, resulting in a net charge of £93.0m (last year: £51.3m) in the year. A significant level of estimation has been used to determine the charges to be recognised in the year. The most significant judgement 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 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 assumption most likely to have a material impact is closure date. See notes 5 and 15 for further detail.

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.

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; 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 30 March 2024						52 weeks ended 1 April 2023					
	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]	**3,910.7**	**8,158.8**	**1,039.8**	**–**	**–**	**13,109.3**	3,715.0	7,218.0	1,055.0	–	–	11,988.0
Revenue	**3,841.5**	**8,158.8**	**1,039.8**	**–**	**–**	**13,040.1**	3,658.3	7,218.0	1,055.0	–	–	11,931.3
Adjusted operating profit/(loss)[2]	**402.8**	**395.3**	**75.6**	**(37.3)**	**2.2**	**838.6**	323.8	248.0	84.8	(29.5)	(0.5)	626.6
Finance income before adjusting items[3]						**58.0**						29.4
Finance costs before adjusting items[3]						**(180.2)**						(202.7)
Profit/(loss) before tax and adjusting items	**402.8**	**395.3**	**75.6**	**(37.3)**	**2.2**	**716.4**	323.8	248.0	84.8	(29.5)	(0.5)	453.3
Adjusting items[3]						**(43.9)**						22.4
Profit/(loss) before tax	**402.8**	**395.3**	**75.6**	**(37.3)**	**2.2**	**672.5**	323.8	248.0	84.8	(29.5)	(0.5)	475.7

1. Sales is revenue stated prior to adjustments for UK Clothing & Home brand consignment sales of £69.2m (last year: £56.7m).
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.
3. See note 1 for details on a change in adjusting items and the resulting restatement.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Other segmental information

	52 weeks ended 30 March 2024						52 weeks ended 1 April 2023					
	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)	**193.5**	**201.0**	**18.9**	**–**	**–**	**413.4**	170.4	221.1	29.9	–	–	421.4
Depreciation and amortisation[1,2]	**(219.6)**	**(236.6)**	**(45.4)**	**–**	**–**	**(501.6)**	(267.9)	(274.8)	(35.7)	–	–	(578.4)
Impairment charges, impairment reversals and asset disposals[1]	**(43.4)**	**(29.0)**	**–**	**–**	**–**	**(72.4)**	10.2	6.1	(1.9)	–	–	14.4

[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 £0.2m (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

	2024 £m	2023 £m
Revenue	**13,040.1**	11,931.3
Cost of sales	**(8,447.2)**	(7,786.7)
Gross profit	**4,592.9**	4,144.6
Selling and administrative expenses	**(3,822.4)**	(3,609.2)
Other operating income	**23.6**	23.2
Share of results of Ocado Retail Limited	**(79.9)**	(43.5)
Operating profit	**714.2**	515.1

The figures above include £124.4m (last year: £111.5m) adjusting item charges within operating profit (see note 5). These are further analysed against the categories of selling and administrative expenses (£81.8m; last year: £103.8m), other operating income (£nil; last year: £6.3m) and share of results of Ocado Retail Limited (£42.6m; last year: £14.0m).

The selling and administrative expenses are further analysed below:

	2024 £m	2023 £m
Employee costs[1]	**1,505.9**	1,449.5
Occupancy costs	**493.8**	463.9
Repairs, renewals and maintenance of property	**134.5**	111.2
Depreciation, amortisation and asset impairments and disposals[2]	**607.2**	574.7
IT costs	**229.9**	228.6
Marketing costs	**249.4**	220.2
Other costs[3]	**601.7**	561.1
Selling and administrative expenses	**3,822.4**	3,609.2

[1]There are an additional £268.2m (last year: £155.8m) employee costs recorded within cost of sales. These costs are included within the aggregate remuneration disclosures in note 10A.Last year is restated to reflect certain employee costs related to Gist Limited and Gist Distribution Limited, omitted in error.
[2]Includes £0.2m (last year: £0.2m) depreciation and £nil (last year: £2.9m) 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 income £1.9m (last year £19.0m cost); occupancy costs £20.6m (last year: cost £8.2m); depreciation, amortisation and asset impairments and disposals £29.6m (last year: £43.0m); and other costs £33.5m (last year: £33.6m).

4 PROFIT BEFORE TAXATION

The following items have been included in arriving at profit before taxation:

	2024 £m	2023 £m
Net foreign exchange (gains)/losses	**0.4**	6.7
Cost of inventories recognised as an expense	**7,419.2**	6,751.3
Write-down of inventories recognised as an expense	**300.6**	266.0
Depreciation of property, plant and equipment[1]		
– owned assets	**275.0**	310.5
– right-of-use assets	**172.1**	180.9
Amortisation of intangible assets	**54.7**	87.0
Impairments and disposals of intangible assets and property, plant and equipment[2]	**78.8**	35.4
Impairment reversals of property, plant and equipment	**(32.0)**	(40.2)
Impairments of right-of-use assets	**21.7**	14.8
Impairment reversals of right-of-use assets	**(13.6)**	(14.9)

[1]Includes £0.2m (last year: £0.2m) depreciation charged on investment property.
[2]Includes £nil (last year: £2.9m) 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:

	2024 £m	2023 £m
Annual audit of the Company and the consolidated financial statements	**2.1**	2.0
Audit of subsidiary companies	**0.7**	0.7
Total audit fees	**2.8**	2.7
Audit-related assurance services	**0.3**	0.3
Total non-audit services fees	**0.3**	0.3
Total audit and non-audit services	**3.1**	3.0

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

5 ADJUSTING ITEMS

The total adjusting items reported for the 52-week period ended 30 March 2024 is a net charge of £43.9m (last year: restated net credit of £22.4m). Refer to note 1 for further details on the restatement. The adjustments made to reported profit before tax to arrive at adjusted profit are:

	Notes	2024 £m	2023 £m
Included in share of result of associate – Ocado Retail Limited			
Ocado Retail Limited – UK network capacity review	29	**(29.7)**	–
Amortisation and fair value adjustments arising as part of the investment in Ocado Retail Limited	29	**(12.9)**	(14.0)
		(42.6)	(14.0)
Included in operating profit			
Strategic programmes – Store estate	15,22	**(93.0)**	(51.3)
Strategic programmes – Furniture simplification	22	**(18.3)**	–
Strategic programmes – Organisation	17	**(3.5)**	(10.7)
Strategic programmes – Structural simplification	22	**–**	(16.4)
Strategic programmes – UK logistics	15,22	**5.3**	(10.5)
Store impairments, impairment reversals and other property charges	15	**35.1**	15.1
M&S Bank transformation and insurance mis-selling provisions		**(7.0)**	(2.0)
Acquisition of Gist Limited		**(0.4)**	(22.1)
Franchise restructure		**–**	0.4
		(81.8)	(97.5)
Included in net finance income/(costs)			
Remeasurement of Ocado Retail Limited contingent consideration		**64.7**	108.0
Pension net finance income[1]	11	**24.0**	28.7
Net finance costs incurred in relation to Gist Limited deferred and contingent consideration		**(8.2)**	(2.8)
		80.5	133.9
Adjustments to profit before tax[1]		**(43.9)**	22.4

1. See note 1 for details on restatement.

Ocado Retail Limited – UK network capacity review (£29.7m)
On 25 April 2023, Ocado Retail Limited announced the plan to cease operation at its Customer Fulfilment Centre ("CFC") in Hatfield as part of the wider review of UK network capacity. During H2 2023/24, Ocado Retail Limited also undertook a strategy and capacity review for the Zoom network.

As a result, Ocado Retail Limited has recorded impairment charges, restructuring costs and other related costs of closure.

The Group's share of these costs, reported within the Group's "share of result of associate – Ocado Retail Limited", are considered to be adjusting items as they are one-off in nature and significant in value to the results of the Group and to the Ocado segment. No further charges are expected in this programme.

Amortisation and fair value adjustments arising as part of the investment in Ocado Retail Limited (£12.9m)
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 £17.2m (last year: £17.1m) recognised in the period and a related deferred tax credit of £4.3m (last year: £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 judgements 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.

Strategic programmes – Store estate (£93.0m)
In November 2016, the Group announced a strategic programme to transform and rotate the store estate with the overall objective to improve our store estate to better meet our customers' needs. The Group has incurred charges of £963m in the eight years up to March 2024 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 £93.0m 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 store estate are anticipated over the next seven 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 30 March 2024, the total closure programme now consists of 211 stores, 122 of which have already closed. Further charges of c.£209m are estimated within the next seven financial years, bringing anticipated total programme costs since 2016 to c.£1.2bn. In addition, where store exit routes in the next seven 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 seven 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.

Strategic programmes – Furniture simplification (£18.3m)
In March 2024 the Group withdrew from its two-person furniture delivery operation. Following this the Group will no longer sell bulky products through its existing 2-person delivery network.

As part of this closure the Group has incurred £18.3m of one-off charges that are not considered to be day-to-day operational costs of the business. This mainly relates to contractual obligations with suppliers.

These costs are adjusting items as they relate to a significant withdrawal of an operation within the UK Clothing & Home segment and the business would not have incurred these costs but for the closure. Further costs of £7.2m are expected in 2024/25 in relation to the operation closure, expected to be offset by profit on disposal of a distribution centre in the range of £5.0m to £15.0m.

Strategic programmes – Organisation (£3.5m)
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 £3.5m has been recognised (last year: £10.7m impairment). 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.£101m. 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 in total, 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 (£5.3m credit)
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 three further distribution centres across 2020/21, 2021/22 and 2022/23.

A net credit of £5.3m has been recognised in the period, reflecting a revised view of estimated closure costs. Total programme costs to date are £23.1m with further net charges of £14.7m expected over the next four 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 (£35.1m 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 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 £0.5m (last year: £18.0m) has been incurred primarily in respect of the impairment of assets associated with these stores. In addition, a credit of £35.6m (last year: £33.1m) 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 not otherwise meeting the Group's adjusting items policy will be recognised in the underlying results.

M&S Bank transformation and insurance mis-selling provisions (£7.0m)
Up until April 2024, the Group had 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 did 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 have been 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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

with the accounting treatment that was in the Relationship Agreement, there was a cap on the amount of charges that could be offset against the profit share in any one year, whereby excess liabilities carried forward would be deducted from the Group's future profit share from M&S Bank. The deduction in the period is £2.0m (last year: £2.0m).

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 £321.9m which exceeds the total offset against profit share of £248.7m to date resulting in a deficit of £73.2m as at 30 March 2024.

On 9 April 2024, the Group and HSBC UK agreed a new seven-year deal focused on enhancing M&S' credit offering and payment solutions through M&S Bank and bringing together digital payments and loyalty for M&S customers.

£5.0m of legal and consultancy costs have been recognised during the period in connection with the new agreement. Under the term of the new agreement, material charges are expected over the next seven years, predominantly related to the settlement of the existing deficit of £73.2m.

All of these costs are considered to be adjusting items as they are significant in quantum and have crystallised as a result of major business change linked to M&S Bank. Recognition of these costs within adjusting items is consistent with the disclosure of costs relating to the deficit previously recognised within adjusting items. Furthermore these costs are significant in value to the results of both the Group and to the "all other segments" segment.

Acquisition of Gist Limited (£0.4m)
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 charges of £0.4m in the period relating to retention bonuses and had in the previous year incurred £28.3m of one-off charges to date that are not considered to be day-to-day operational costs of the business. Transaction costs of £6.8m were 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.

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. No future charges are expected in this programme.

Remeasurement of contingent consideration including discount unwind (£64.7m 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. A credit of £64.7m has been recognised in the period, representing the revaluation of the contingent consideration payable. 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.

Net pension finance income (£24.0m credit)
During the year, the Group has reviewed the classification of net pension finance income or costs and concluded these should be treated as adjusting items, in line with the Group's adjusting items policy.

The net pension finance income or expense can fluctuate significantly each year due to changes in external market factors that are outside management's control. Furthermore, as the scheme is now closed, it is not considered to be part of the ongoing operating activities of the Group.

Therefore, consistent with how management assess the performance of the business, the net pension finance income is considered to be an adjusting item. To aid comparability, the comparative amount of £28.7m has been restated.

Net finance costs incurred in relation to Gist Limited deferred and contingent consideration (£8.2m)
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 £8.2m (last year: £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.

6 FINANCE INCOME/(COSTS)

	2024 £m	2023 £m
Bank and other interest receivable	**52.3**	22.9
Other finance income	**–**	0.9
Interest income of subleases	**5.7**	5.6
Finance income before adjusting items[1]	**58.0**	29.4
Finance income in adjusting items[1]	**88.7**	136.7
Finance income	**146.7**	166.1
Other finance costs	**(6.3)**	(6.4)
Interest payable on syndicated bank facility	**(4.8)**	(4.5)
Interest payable on Medium-Term Notes	**(42.2)**	(65.4)
Interest payable on lease liabilities	**(116.2)**	(116.7)
Unwind of discount on provisions	**(6.6)**	(5.4)
Unwind of discount on Partnership liability to the Marks & Spencer UK Pension Scheme (see note 12)	**(4.1)**	(4.3)
Finance costs before adjusting items	**(180.2)**	(202.7)
Finance costs in adjusting items	**(8.2)**	(2.8)
Finance costs	**(188.4)**	(205.5)
Net finance costs	**(41.7)**	(39.4)

[1]Due to a change in classification of pension net finance income as an adjusting item, the comparative amounts have been restated. See notes 1 and 5 for details.

7 INCOME TAX EXPENSE
A. Taxation charge

	2024 £m	2023 £m
Current tax		
UK corporation tax on profits for the year at 25% (last year: 19%)		
– current year	**151.8**	67.6
– adjustments in respect of prior years	**(8.4)**	(3.8)
UK current tax	**143.4**	63.8
Overseas current taxation		
– current year	**9.6**	9.9
– adjustments in respect of prior years	**(2.9)**	(3.6)
Total current taxation	**150.1**	70.1
Deferred tax		
– origination and reversal of temporary differences	**65.6**	26.5
– adjustments in respect of prior years	**31.6**	8.1
– changes in tax rate	**–**	6.5
Total deferred tax (see note 23)	**97.2**	41.1
Total income tax expense	**247.3**	111.2

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

B. Taxation reconciliation

The effective tax rate was 36.8% (last year: 23.4%) and is explained below.

	2024 £m	2023 £m
Profit before tax	**672.5**	475.7
Notional taxation at standard UK corporation tax rate of 25% (last year: 19%)	**168.1**	90.4
Adjustment to land and buildings deferred tax following changes in residual values	**21.1**	–
Depreciation and other amounts in relation to fixed assets that do not qualify for tax relief	**11.2**	6.2
Tax benefit arising from UK super deduction regime	**–**	(7.9)
Other income and expenses that are not taxable or allowable for tax purposes	**17.9**	16.7
Joint venture results accounted for as profit after tax	**8.6**	5.5
Impact of tax rate differential	**–**	6.6
Overseas profits taxed at rates different to those of the UK	**(3.3)**	0.4
Movement in unrecognised deferred tax assets	**(1.1)**	0.3
Controlled foreign companies charge	**2.1**	–
Adjustments to the current and deferred tax charges in respect of prior periods	**2.4**	5.4
Adjusting items:		
– Store and strategic programme impairments and other property charges where no tax relief is available	**1.3**	2.7
– Cost incurred on acquisition of Gist	**0.3**	3.6
– Other strategic programme income and expenses that are not taxable or allowable for tax purposes	**6.4**	2.7
– Amortisation arising as a part of the investment in Ocado Retail Limited	**3.2**	2.7
– Release of Ocado contingent consideration	**(8.7)**	(19.4)
– Adjustments to the current and deferred tax charges in respect of prior periods	**17.8**	(4.7)
Total income tax expense	**247.3**	111.2

The effective tax rate in respect of the profit adjusting items was 33.2% (last year: 26.4% restated).

Pillar Two legislation was substantively enacted in the UK on 20 June 2023 and will be effective for the Group's financial year beginning 1 April 2024.

The Group has applied the temporary exemption under IAS 12 in relation to the accounting for deferred taxes arising from the implementation of the Pillar Two rules, so that the Group neither recognises nor discloses information about deferred tax assets and liabilities related to Pillar Two.

The Group has performed an assessment of the Group's potential exposure to Pillar Two income taxes. The assessment of the potential exposure to Pillar Two incomes taxes is based on the most recent tax filings, country-by-country reporting and financial statements for the constituent entities in the Group. Based on the assessment, the Pillar Two effective tax rates in most of the jurisdictions in which the Group operated are above 15%. However, there are a limited number of jurisdictions where the transitional safe harbour relief does not apply and the Pillar Two effective tax rate is close to 15%. The Group does not expect a material exposure to Pillar Two incomes taxes in those jurisdictions.

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.

	2024 £m	2023 £m
Profit before tax	**672.5**	475.7
Notional taxation at standard UK corporation tax rate of 25% (last year: 19%)	**168.1**	90.4
Disallowable accounting depreciation and other similar items	**66.6**	55.8
Deductible capital allowances	**(108.0)**	(77.9)
Adjustments in relation to employee share schemes	**(2.4)**	5.8
Adjustments in relation to employee pension schemes	**14.6**	7.6
Overseas profits taxed at rates different from those of the UK	**(3.3)**	0.4
Joint venture results accounted for as profit after tax	**8.6**	5.5
Utilisation or increase of unrecognised losses	**–**	0.3
Other income and expenses that are not taxable or allowable	**15.4**	2.8
Controlled foreign companies	**2.1**	–
Adjusting items:		–
– Store and strategic programme impairments and other property charges where no tax relief is available	**4.5**	2.7
– Employee pension scheme	**(6.0)**	(5.5)
– Store estate lease surrender payments	**6.0**	–
– Other strategic programme income and expenses that are not taxable nor allowable for tax purposes	**0.4**	2.7
– Cost incurred on acquisition of Gist	**0.3**	3.6
– Amortisation arising as a part of the investment in Ocado Retail Limited	**10.7**	2.7
– Release of Ocado contingent consideration	**(16.2)**	(19.4)
Current year current tax charge	**161.4**	77.5
Represented by:		
UK current year current tax	**151.8**	67.6
Overseas current year current tax	**9.6**	9.9
	161.4	77.5
UK adjustments in respect of prior years	**(8.4)**	(3.8)
Overseas adjustments in respect of prior years	**(2.9)**	(3.6)
Total current taxation (note 7A)	**150.1**	70.1

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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Details of the adjusted earnings per share are set out below:

	2024 £m	2023 £m
Profit attributable to equity shareholders of the Company	**431.2**	363.4
Add/(less):		
Adjusting items (see note 5)[1]	**43.9**	(22.4)
Tax on adjusting items[1]	**9.5**	(8.2)
Profit before adjusting items attributable to equity shareholders of the Company	**484.6**	332.8

	Million	Million
Weighted average number of ordinary shares in issue	**1,973.2**	1,963.5
Potentially dilutive share options under Group's share option schemes	**102.7**	70.4
Weighted average number of diluted ordinary shares	**2,075.9**	2,033.9

	Pence	Pence
Basic earnings per share	**21.9**	18.5
Diluted earning per share	**20.8**	17.9
Adjusted basic earnings per share[1]	**24.6**	16.9
Adjusted diluted earnings per share[1]	**23.3**	16.4

1. See note 1 for details on a change in adjusting items and the resulting restatement.

9 DIVIDENDS

	2024 per share	2023 per share	2024 £m	2023 £m
Dividends on equity ordinary shares				
Paid interim dividend	**1.0p**	–	**19.6**	–
	1.0p	–	**19.6**	–

With the Group generating a further improvement in operating performance, balance sheet and credit metrics, the Board restored a dividend to shareholders in the year, starting with an interim dividend of 1.0p per share (last year: 0.0p per share), paid on 12 January 2024.

The directors have approved a final dividend of 2.0p per share (last year: 0.0p per share), which, in line with the requirements of IAS 10 Events after the Reporting Period, has not been recognised within these results. This final dividend of c.£40.8m (last year: £nil) will be paid on 5 July 2024 to shareholders whose names are on the Register of Members at the close of business on 31 May 2024. The ordinary shares will be quoted ex dividend on 30 May 2024.

A dividend reinvestment plan (DRIP) is available to shareholders who would prefer to invest their dividends in the shares of the Company. For those shareholders electing to receive the DRIP, the last date for receipt of a new election is 14 June 2024.

10 EMPLOYEES

A. Aggregate remuneration

The aggregate remuneration and associated costs of Group employees (including Executive Committee) were:

	2024 Total £m	2023 Total £m
Wages and salaries[1]	**1,738.1**	1,454.9
Social security costs[1]	**128.7**	106.0
Pension costs[1]	**104.0**	86.6
Share-based payments (see note 13)	**42.3**	32.7
Employee welfare and other personnel costs	**47.5**	47.4
Capitalised staffing costs	**(20.5)**	(14.9)
Total aggregate remuneration[2]	**2,040.1**	1,712.7

1. Last year restated to reflect certain employee costs related to Gist Limited and Gist Distribution Limited, omitted in error.
2. Excludes amounts recognised within adjusting items of £1.9m income (last year: £19.0m cost) (see notes 3 and 5).

Details of key management compensation are given in note 28.

B. Average monthly number of employees

	2024	2023
UK stores		
– management and supervisory categories	**4,915**	4,823
– other	**52,150**	50,019
UK support centre		
– management and supervisory categories	**3,709**	3,823
– other	**917**	822
UK operations		
– management and supervisory categories	**723**	682
– other	**6,491**	6,856
Overseas	**5,392**	5,291
Total average number of employees	**74,297**	72,316

The average number of full-time equivalent employees is 52,639 (last year: 52,092).

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), 46,779 deferred members (last year: 49,634) and 54,085 pensioners (last year: 53,634).

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 50,641 active members (last year: 56,520) and some 64,473 deferred members (last year: 52,956).

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 £45.9m (last year: £36.4m). Of this, income of £18.9m (last year: income of £24.1m) relates to the UK DB Pension Scheme, costs of £61.7m (last year: costs of £57.4m) to the UK DC plan and costs of £3.1m (last year: costs of £3.1m) 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).

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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

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 73% 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.

The Group is aware of a UK High Court legal ruling in June 2023 between Virgin Media Limited and NTL Pension Trustees II Limited, which decided that certain historic rule amendments were invalid if they were not accompanied by the actuarial certifications. The ruling is subject to appeal and the Group is monitoring developments. As the outcome of the appeal is still unknown, no adjustments have been made to the Consolidated Financial Statements at 30 March 2024.

A. Pensions and other post-retirement liabilities

	2024 £m	2023 £m
Total market value of assets	**6,108.9**	6,781.9
Present value of scheme liabilities	**(6,027.1)**	(6,299.9)
Net funded pension plan asset	**81.8**	482.0
Unfunded retirement benefits	**(2.2)**	(2.2)
Post-retirement healthcare	**(2.4)**	(2.4)
Net retirement benefit surplus	**77.2**	477.4
Analysed in the statement of financial position as:		
Retirement benefit asset	**81.8**	482.0
Retirement benefit deficit	**(4.6)**	(4.6)
Net retirement benefit surplus	**77.2**	477.4

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:

	2024 £m	2023 £m
Fair value of scheme assets at start of year	**6,781.9**	10,090.7
Interest income based on discount rate	**313.4**	267.0
Actual return on scheme assets excluding amounts included in net interest income[1]	**(647.8)**	(3,231.1)
Actuarial loss – asset ceiling	**(2.5)**	(38.2)
Employer contributions	**0.5**	38.1
Benefits paid	**(331.8)**	(344.9)
Administration costs	**(5.2)**	(4.6)
Exchange movement	**0.4**	4.9
Fair value of scheme assets at end of year	**6,108.9**	6,781.9

1. The actual return on scheme assets was a loss of £334.4m (last year: loss of £2,964.1m).

C. Pensions and other post-retirement liabilities

Changes in the present value of retirement benefit obligations are as follows:

	2024 £m	2023 £m
Present value of obligation at start of year	**6,304.5**	9,052.5
Current service cost	**0.1**	0.1
Administration costs	**0.2**	0.2
Interest cost	**289.4**	238.3
Benefits paid	**(331.8)**	(344.9)
Actuarial loss – experience	**5.5**	250.3
Actuarial gain – demographic assumptions	**(102.0)**	(205.4)
Actuarial gain – financial assumptions	**(134.6)**	(2,691.4)
Exchange movement	**0.4**	4.8
Present value of obligation at end of year	**6,031.7**	6,304.5
Analysed as:		
Present value of pension scheme liabilities	**6,027.1**	6,299.9
Unfunded pension plans	**2.2**	2.2
Post-retirement healthcare	**2.4**	2.4
Present value of obligation at end of year	**6,031.7**	6,304.5

The average duration of the defined benefit obligation at 30 March 2024 is 13.0 years (last year: 14.0 years).

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 93% of interest rate movements and 102% 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:

	2024			2023		
	Quoted £m	Unquoted £m	Total £m	Quoted £m	Unquoted £m	Total £m
Debt investments						
– Government bonds net of repurchase agreements[1]	**1,706.0**	**(106.2)**	**1,599.8**	2,023.7	(196.6)	1,827.1
– Corporate bonds	**12.4**	**1.1**	**13.5**	12.0	1.2	13.2
– Asset backed securities and structured debt	**–**	**258.8**	**258.8**	–	443.6	443.6
Scottish Limited Partnership Interest (see note 12)	**–**	**88.5**	**88.5**	–	122.8	122.8
Equity investments						
– Developed markets	**13.2**	**–**	**13.2**	41.6	–	41.6
– Emerging markets	**–**	**–**	**–**	109.5	–	109.5
Growth asset funds				–	–	
– Global property	**–**	**219.3**	**219.3**	–	287.0	287.0
– Hedge and reinsurance	**5.7**	**314.5**	**320.2**	12.0	316.3	328.3
– Private equity and infrastructure	**–**	**148.1**	**148.1**	–	171.9	171.9
Derivatives						
– Interest and inflation rate swaps	**168.1**	**–**	**168.1**	7.0	88.6	95.6
– Foreign exchange contracts and other derivatives	**(3.5)**	**–**	**(3.5)**	–	21.4	21.4
Cash and cash equivalents	**230.7**	**–**	**230.7**	4.0	206.2	210.2
Other						
– Buy-in insurance	**–**	**2,026.3**	**2,026.3**	–	2,150.0	2,150.0
– Secure income asset funds	**–**	**1,064.4**	**1,064.4**	–	998.3	998.3
Total[2]	**2,132.6**	**4,014.8**	**6,147.4**	2,209.8	4,610.7	6,820.5

1. Repurchase agreements were £106.2m (last year: £196.6m).
2. The difference between the total assets of £6,147.4m above compared to £6,108.9m is £38.5m.This relates to the cap applied to the Irish DB scheme and therefore the actuarial gain is not recognised.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

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.

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:

	2024 %	2023 %
Rate of increase in pensions in payment for service	**2.1-3.1**	2.2-3.2
Discount rate	**4.80**	4.75
Inflation rate (RPI)	**3.20**	3.25
Long-term healthcare cost increases	**7.20**	7.30

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:

		2024	2023
Current pensioners (at age 65)	– male	**21.7**	22.0
	– female	**24.1**	24.4
Future pensioners – currently in deferred status (at age 65)	– male	**23.0**	23.6
	– female	**25.5**	26.1

G. Sensitivity analysis

The table below summarises the estimated impact of reasonably possible changes in the significant actuarial assumptions on the UK DB Pension Scheme surplus:

	2024 £m	2023 £m
Decrease in scheme surplus caused by a decrease in the discount rate of 0.25%	**(30.0)**	(25.0)
Increase in scheme surplus caused by an increase in the discount rate of 0.25%	**25.0**	20.0
Decrease in scheme surplus caused by a decrease in the discount rate of 1.0%	**(120.0)**	(95.0)
Increase in scheme surplus caused by an increase in the discount rate of 1.0%	**100.0**	80.0
Decrease in scheme surplus caused by a decrease in the inflation rate of 0.25%	**(20.0)**	(30.0)
Decrease in scheme surplus caused by a decrease in the inflation rate of 0.5%	**(40.0)**	(60.0)
Increase in scheme surplus caused by decrease in the average life expectancy of one year	**130.0**	130.0

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:

	2024 £m	2023 £m
Current service cost	**0.1**	0.1
Administration costs	**5.2**	4.8
Net interest income	**(24.0)**	(28.7)
Total	**(18.7)**	23.8
Remeasurement on the net defined benefit surplus:		
Actual return on scheme assets excluding amounts included in net interest income	**647.8**	3,231.1
Actuarial gain – demographic assumptions	**(102.0)**	(205.4)
Actuarial loss – experience	**5.5**	250.3
Actuarial gain – financial assumptions	**(134.6)**	(2,691.4)
Actuarial loss – asset ceiling	**2.5**	38.2
Components of defined benefit expense recognised in other comprehensive income	**419.2**	622.8

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), previously entitled the Pension Scheme to receive £73.0m in 2023 and £54.4m in 2024. During the period, the Group and the Pension Scheme Trustees agreed to amend the distribution dates so that the Pension Scheme received £40.0m in October 2023 and will receive £89.7m in June 2024.

The second Partnership interest (also held by the Marks & Spencer UK Pension Scheme), previously entitled the Pension Scheme to receive a further annual distribution of £36.4m from June 2017 until June 2031. During the period, the Group and the Pension Scheme Trustees agreed to amend the distribution dates so that the Pension Scheme is entitled to £38.3m in June 2024 and then an annual distribution of £36.4m from June 2024 to June 2031. All profits generated by the Partnership in excess of these amounts are distributable to Marks and Spencer plc.

The Partnership liability in relation to the first interest of £88.8m (last year: £124.8m) 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 30 March 2024 an interest charge of £4.1m (last year: £4.3m) 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 £88.5m (last year: £122.8m).

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.

The Group and Pension scheme are in ongoing discussions to ensure that the distributions to the scheme are appropriate. If the ongoing discussions are successfully concluded, the profile of contributions to the scheme would be revised so that distributions in the year would substantially reduce and the Group would commit to extending the distribution profile, if required, to ensure that the scheme was fully funded.

13 SHARE-BASED PAYMENTS

This year a charge of £42.3m was recognised for share based payments (last year: £32.7m). Of the total share-based payments charge, £6.9m (last year: £15.2m) relates to the UK Save As You Earn Share Option scheme, £18.7m (last year: £7.0m) relates to Performance Share Plans, £3.2m (last year: £3.4m) relates to Restricted Share Plans, £13.4m relates to Deferred Share Bonus Schemes (last year: £6.9m) and the remaining charge of £0.1m relates to Republic of Ireland Save As You Earn Share Option Scheme (last year: £0.2m).

In addition, a charge of £6.0m was recognised in relation to Annual Bonus Schemes under the Deferred Share Bonus Scheme (last year: £5.3m). The Annual Bonus for 2023/24 is due to be granted in July 2024. Further details of the option and share schemes that the Group operates are provided in the Remuneration Report.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

A. Save As You Earn scheme – £6.9m

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.

	2024		2023	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
Outstanding at beginning of the year	**107,052,423**	**94.3p**	110,562,961	100.9p
Granted	**16,992,982**	**204.0p**	14,349,909	99.0p
Exercised	**(69,447,176)**	**83.7p**	(690,665)	111.1p
Forfeited	**(4,293,304)**	**119.4p**	(14,390,102)	124.9p
Expired	**(4,217,661)**	**149.4p**	(2,779,680)	220.0p
Outstanding at end of year	**46,087,264**	**143.2p**	107,052,423	94.3p
Exercisable at end of year	**9,196,010**	**83.2p**	6,309,033	144.2p

For SAYE share options exercised during the period, the weighted average share price at the date of exercise was 238.7p (last year: 144.1p).

The fair values of the options granted during the year have been calculated using the Black-Scholes model assuming the inputs shown below:

	2024	2023	
	3-year plan	3-year plan	3-year plan 2021 modified[1]
Grant date	**Dec 23**	Dec 22	Dec 22
Share price at grant date	**255p**	123p	123p
Exercise price	**204p**	99p	189p
Option life in years	**3 years**	3 years	3 years
Risk-free rate	**3.9%**	3.3%	3.3%
Expected volatility	**37.6%**	51.0%	51.0%
Expected dividend yield	**1.2%**	0.0%	0.0%
Fair value of option	**87p**	43p	26p
Incremental fair value of option	**n/a**	n/a	17p

1. In the prior 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. In the current year, modifications in relation to previous schemes were immaterial.

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 30% (last year: 27%) 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]	**2024**	2023	**2024**	2023	Option price
January 2019	**–**	13,016	**–**	(0.8)	238p
February 2020	**17,994**	5,732,723	**(0.7)**	0.3	151p
February 2021	**11,607,154**	81,037,194	**0.3**	1.3	82p
February 2022	**5,609,211**	6,333,538	**1.3**	2.3	189p
February 2023	**12,381,002**	13,935,952	**2.3**	3.3	99p
February 2024	**16,471,903**	–	**3.3**	–	204p
	46,087,264	107,052,423	**2.1**	1.6	143.2p

1. For the purpose of the above table, the option granted date is the contract start date.

B. Performance Share Plan* – £18.7m

The Performance Share Plan ("PSP") is the primary long-term incentive plan for approximately 145 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 2023/24 included Adjusted Earnings Per Share ("EPS"), Adjusted 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, 13,926,961 shares (last year: 22,498,271) were awarded under the plan. The weighted average fair value of the shares awarded was 192.4p (last year: 139.6p). As at 30 March 2024, 41,854,500 shares (last year: 47,532,523) were outstanding under the plan.

Movement during the year of share options granted under the PSP Scheme are as follows:

	2024	2023
	Number of options	Number of options
Outstanding at beginning of the year	**47,532,523**	44,534,437
Granted	**13,926,961**	22,498,271
Exercised	**(7,429,851)**	(20,053)
Lapsed	**(12,175,133)**	(19,480,132)
Outstanding at end of year	**41,854,500**	47,532,523

C. Deferred Share Bonus Plan* – £13.4m

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 4,750 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 18,919,979 shares (last year: 29,630,372 shares) have been awarded under the plan in relation to the annual bonus. As at 30 March 2024, 40,631,579 shares (last year: 26,794,048) were outstanding under the plan.

D. Restricted Share Plan*– £3.2m

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, 824,300 shares (last year: 2,624,496) have been awarded under the plan. The weighted average fair value of the shares awarded was 45.9p (last year: 76.9p). As at 30 March 2024, 3,450,543 shares (last year: 5,557,542) were outstanding under the plan.

E. Republic of Ireland Save As You Earn scheme – £0.1m

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 30 March 2024, 426,760 options (last year: 1,264,131) were outstanding under the scheme.

F. Marks and Spencer Employee Benefit Trust

The Marks and Spencer Employee Benefit Trust (the "Trust") holds 31,840,513 (last year: 166,057) shares with a book value of £0.3m (last year: £0.0m) and a market value of £84.4m (last year: £0.3m). 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 2 April 2022					
Cost	140.6	118.7	1,570.1	76.1	1,905.5
Accumulated amortisation, impairments and disposals	(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)
Disposals	–	–	(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 disposals	(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**
Year ended 30 March 2024					
Opening net book value	**28.4**	**5.0**	**69.6**	**60.1**	**163.1**
Additions	**–**	**–**	**1.0**	**68.8**	**69.8**
Transfers and reclassifications	**–**	**–**	**89.3**	**(82.2)**	**7.1**
Disposals	**–**	**–**	**(5.6)**	**–**	**(5.6)**
Amortisation charge	**–**	**(0.7)**	**(54.0)**	**–**	**(54.7)**
Exchange difference	**–**	**–**	**(0.2)**	**–**	**(0.2)**
Closing net book value	**28.4**	**4.3**	**100.1**	**46.7**	**179.5**
At 30 March 2024					
Cost	**140.6**	**118.7**	**1,702.5**	**78.8**	**2,040.6**
Accumulated amortisation, impairments and disposals	**(112.2)**	**(114.4)**	**(1,602.4)**	**(32.1)**	**(1,861.1)**
Net book value	**28.4**	**4.3**	**100.1**	**46.7**	**179.5**

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 1 April 2023 and 30 March 2024	**16.5**	**6.4**	**4.8**	**0.7**	**28.4**

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: £6.4m), 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 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 2.0% (last year: 1.6%), which is the same as 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 13.5% for per una (last year: 13.4%) and 16.1% for India (last year: 15.4%).

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 £5,190.1m (last year: £5,203.7m) consists of owned assets of £3,760.8m (last year: £3,747.7m) and right-of-use assets of £1,429.3m (last year: £1,456.0m).

Property, plant and equipment – owned

	Land and buildings £m	Fixtures, fittings and equipment £m	Assets in the course of construction £m	Total £m
At 2 April 2022				
Cost	2,764.8	5,275.7	141.2	8,181.7
Accumulated depreciation, impairments and disposals	(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	–	(0.7)	–	(0.7)
Impairment reversals	25.8	14.4	–	40.2
Impairment charge	(22.5)	(9.3)	–	(31.8)
Depreciation charge	(59.9)	(250.4)	–	(310.3)
Exchange difference	5.5	1.6	0.1	7.2
Closing net book value	2,067.6	1,537.7	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 disposals	(843.8)	(3,994.6)	(18.2)	(4,856.6)
Net book value	2,067.6	1,537.7	142.4	3,747.7
Year ended 30 March 2024				
Opening net book value	**2,067.6**	**1,537.7**	**142.4**	**3,747.7**
Additions	**3.4**	**26.9**	**313.3**	**343.6**
Transfers and reclassifications	**10.3**	**304.9**	**(324.0)**	**(8.8)**
Disposals	**(46.5)**	**(1.6)**	**(1.1)**	**(49.2)**
Impairment reversals	**19.2**	**12.8**	**–**	**32.0**
Impairment charge	**(9.1)**	**(14.9)**	**–**	**(24.0)**
Depreciation charge	**(32.5)**	**(242.3)**	**–**	**(274.8)**
Exchange difference	**(3.5)**	**(2.1)**	**(0.1)**	**(5.7)**
Closing net book value	**2,008.9**	**1,621.4**	**130.5**	**3,760.8**
At 30 March 2024				
Cost	**2,852.7**	**5,709.5**	**148.8**	**8,711.0**
Accumulated depreciation, impairments and disposals	**(843.8)**	**(4,088.1)**	**(18.3)**	**(4,950.2)**
Net book value	**2,008.9**	**1,621.4**	**130.5**	**3,760.8**

Disposals in the year include assets with gross book value of £216.1m (last year: £240.9m).

Right-of-use assets

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

	Land and buildings £m	Fixtures, fittings and equipment £m	Total £m
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**
Additions	**161.1**	**15.0**	**176.1**
Transfers and reclassifications	**1.7**	**–**	**1.7**
Disposals	**(17.6)**	**–**	**(17.6)**
Impairment reversals	**13.6**	**–**	**13.6**
Impairment charge	**(21.7)**	**–**	**(21.7)**
Depreciation charge	**(148.8)**	**(23.3)**	**(172.1)**
Exchange difference	**(6.6)**	**(0.1)**	**(6.7)**
As at 30 March 2024	**1,371.5**	**57.8**	**1,429.3**

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 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 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 are 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 17.6% (last year: 12.5% to 18.1%). If the CGU relates to a store which the Group has identified as part of the 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

Impairments – UK stores excluding the store estate programme
During the year, the Group has recognised an impairment charge of £0.5m and impairment reversals of £31.5m in property, plant and equipment as a result of UK store impairment testing unrelated to the store estate programme (last year: impairment charge of £17.3m and impairment reversals of £33.1m). These have been recognised within adjusting items (see note 5). The impaired stores were impaired to their value in use recoverable amount of £37.4m, 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 £171.7m.

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: 8.5%).

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.

Neither an increase or reduction in sales of 5% from the three-year plan in year 3, a 25 basis point increase in the discount rate, a 25 basis point increase or reduction in gross profit margin from year 3 onwards, result in a significant change to the impairment charge or impairment reversal, individually or in combination with the other reasonably possible scenarios considered.

Impairments – Store estate programme
During the year, the Group has recognised an impairment charge of £37.0m and impairment reversals of £14.1m relating to the ongoing store estate programme (last year: impairment charge of £28.6m and impairment reversals of £22.0m). These stores were impaired to their value in use recoverable amount of £120.2m, 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 7.3% (last year: 8.5%).

As disclosed in the accounting policies (note 1), the cash flows used within the impairment models for the 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 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 £53.5m.

Neither an increase or decrease of 5% from the three-year plan in years 2 and 3, a 25 basis point increase in the discount rate, a 25 basis point reduction in 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: £0.7m) in International stores as a result of store impairment testing.

16 OTHER FINANCIAL ASSETS

	2024 £m	2023 £m
Non-current		
Other investments[1]	**12.6**	7.9
	12.6	7.9
Current		
Other investments[2]	**12.3**	13.0
	12.3	13.0

1. Includes £9.4m (last year: £7.3m) of venture capital investments managed by True Capital Limited. See note 21 for further details.
2. Includes £4.7m (last year: £5.6m) of money market deposits held by Marks and Spencer plc in an escrow account.

17 TRADE AND OTHER RECEIVABLES

	2024 £m	2023 £m
Non-current		
Lease receivables – net of provision for impairment	**62.0**	64.6
Other receivables	**1.9**	2.5
Loans to related parties (see note 28)	**92.2**	30.0
Prepayments	**200.6**	201.6
	356.7	298.7
Current		
Trade receivables	**137.2**	128.3
Less: provision for impairment of receivables	**(1.3)**	(5.4)
Trade receivables – net	**135.9**	122.9
Lease receivables – net of provision for impairment	**1.0**	0.9
Other receivables	**37.0**	36.8
Prepayments	**109.0**	97.0
Accrued income	**19.1**	23.0
	302.0	280.6

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 21(b). Included in accrued income is £6.0m (last year: £8.8m) 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.

The maturity analysis of the Group's lease receivables is as follows:

	2024 £m	2023 £m
Timing of cash flows		
Within one year	**4.7**	4.7
Between one and two years	**6.1**	4.7
Between two and three years	**7.8**	6.1
Between three and four years	**7.8**	7.8
Between four and five years	**7.8**	7.8
More than five years	**105.5**	113.3
Total undiscounted cash flows	**139.7**	144.4
Effect of discounting	**(62.5)**	(68.2)
Present value of lease payments receivable	**77.2**	76.2
Less: provision for impairment of receivables	**(14.2)**	(10.7)
Net investment in the lease	**63.0**	65.5

Included within trade and other receivables is £1.3m (last year: £0.4m) 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 £1,022.4m (last year: £1,067.9m). The carrying amount of these assets approximates their fair value.

The effective interest rate on short-term bank deposits is 5.3% (last year: 4.1%). These deposits have an average maturity of 15 days (last year: 18 days).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

19 TRADE AND OTHER PAYABLES

	2024 £m	2023 £m
Current		
Trade payables	**762.3**	801.7
Other payables	**363.5**	370.8
Social security and other taxes	**80.1**	85.3
Deferred income from gift card sales	**203.2**	189.2
Accruals	**648.9**	554.5
Deferred income	**49.9**	47.3
	2,107.9	2,048.8
Non-current		
Other payables	**103.6**	166.6
Deferred income	**13.1**	14.7
	116.7	181.3

Included within current other payables is £6.9m (last year: £7.2m) of deferred and contingent consideration and within non-current other payables £102.2m (last year: £100.6m) of deferred and contingent consideration, both relating to the acquisition of Gist Limited. Also included in non-current other payables is £nil (last year: £64.7m) of contingent consideration relating to the investment in Ocado Retail Limited. See note 21(d)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 other payables are gift card/voucher scheme liabilities:

	2024 £m	2023 £m
Opening balance	**189.2**	189.6
Issues	**456.7**	415.9
Released to the income statement	**(442.7)**	(416.3)
Closing balance	**203.2**	189.2

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.

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 30 March 2024, £284.1m (last year: £303.9m) of trade payables were amounts owed under these arrangements. During the year the maximum facility available at any one time under the arrangements was £441.4m (last year: £442.6m).

20 BORROWINGS AND OTHER FINANCIAL LIABILITIES

	2024 £m	2023 £m
Current		
Lease liabilities	**220.3**	216.7
3.00% £300m Medium-Term Notes 2023[1]	**–**	185.3
Interest accrued on Medium-Term Notes	**30.1**	42.0
	250.4	444.0
Non-current		
4.75% £400m Medium-Term Notes June 2025[1,2]	**205.6**	330.0
3.75% £300m Medium-Term Notes May 2026[1]	**200.8**	298.9
3.25% £250m Medium-Term Notes July 2027[1]	**248.9**	248.6
7.125% US$300m Medium-Term Notes December 2037[3,4]	**251.8**	251.8
Revaluation of Medium-Term Notes[5]	**(15.5)**	(10.2)
Lease liabilities	**1,991.2**	2,064.9
	2,882.8	3,184.0
Total	**3,133.2**	3,628.0

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, £2.1m (last year: £6.1m) 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). Refer to note 21 for further details.
5. Revaluation consists of cumulative foreign exchange gain on revaluation of the 7.125% US$300m Medium-Term Notes 2037 of £15.5m (last year: £10.2m).

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.

	2024 £m	2023 £m
Opening lease liabilities	**2,281.6**	2,278.7
Acquisitions	**–**	21.3
Additions	**176.0**	249.4
Interest expense relating to lease liabilities	**120.0**	121.0
Payments	**(345.5)**	(353.8)
Disposals	**(12.8)**	(39.0)
Exchange difference	**(7.8)**	4.0
	2,211.5	2,281.6
Current	**220.3**	216.7
Non-current	**1,991.2**	2,064.9

The maturity analysis of lease liabilities is disclosed in note 21(a).

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 store estate programme) within the total £2,211.5m of lease liabilities held on the balance sheet.

The following amounts were recognised in profit or loss:

	2024 £m	2023 £m
Expenses relating to short-term leases	**15.5**	13.2
Expenses relating to low-value assets	**0.1**	–
Expenses relating to variable consideration	**5.8**	4.9

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

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 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 2027. 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. Any adjustment to the margin relating to these metrics would not be material to the Group.

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 £0.7bn (last year: £1.1bn) 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.

Ocado Retail Limited, an associate of the Group, had entered into a £30m revolving credit facility which expired on 19 December 2023 (last year: £25.0m drawn). Subsequent to the year end, on 9 May 2024, a new £30m revolving credit facility was agreed. 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 translated at the year end spot rate, excluding trade payables, other payables and accruals. The carrying value of all trade payables, other payables (excluding contingent consideration payable) and accruals of £1,769.2m (last year: £1,721.1m) 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 £6.9m (last year: £7.2m) is expected to become payable within one year and £102.2m (last year: £165.3m) 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	(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)			
Timing of cash flows							
Within one year	(47.9)	(331.2)	(89.7)	(468.8)	1,334.7	(1,355.6)	(20.9)
Between one and two years	(251.6)	(317.0)	–	(568.6)	83.7	(84.1)	(0.4)
Between two and five years	(532.3)	(742.7)	–	(1,275.0)	50.7	(51.1)	(0.4)
More than five years	(389.6)	(2,847.7)	–	(3,237.3)	389.6	(406.2)	(16.6)
Total undiscounted cash flows	(1,221.4)	(4,238.6)	(89.7)	(5,549.7)	1,858.7	(1,897.0)	(38.3)
Effect of discounting	299.7	2,027.1	0.9	2,327.7			
At 30 March 2024	(921.7)	(2,211.5)	(88.8)	(3,222.0)			

1. Total undiscounted lease payments of £746.6m 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.

	Credit rating of counterparty								
	AAA £m	AA+ £m	AA £m	AA- £m	A+ £m	A £m	A- £m	BBB £m	Total £m
Cash and cash equivalents[1]	99.4	–	–	90.6	355.9	284.3	65.0	–	895.2
Other investments[2]	–	–	–	4.9	4.3	3.1	–	–	12.3
Derivative assets[3]	–	–	–	–	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

	AAA £m	**AA+ £m**	**AA £m**	**AA- £m**	**A+ £m**	**A £m**	**A- £m**	**BBB £m**	**Total £m**
Cash and cash equivalents[1]	**116.7**	**–**	**–**	**130.9**	**242.2**	**95.6**	**197.2**	**–**	**782.6**
Other investments[2]	**–**	**–**	**–**	**3.0**	**8.0**	**1.3**	**–**	**–**	**12.3**
Derivative assets[3]	**–**	**–**	**–**	**0.9**	**6.0**	**0.3**	**0.2**	**0.1**	**7.5**
At 30 March 2024	**116.7**	**–**	**–**	**134.8**	**256.2**	**97.2**	**197.4**	**0.1**	**802.4**

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 £239.8m (last year: £172.7m).
2. Relates to money market deposits held by Marks and Spencer General Insurance. Excludes other non-rated investments of £nil (last year: £0.7m).
3. 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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

21 FINANCIAL INSTRUMENTS CONTINUED

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 £137.2m (last year: £128.3m), lease receivables £63.0m (last year: £65.5m), other receivables (including loans to related parties) £131.1m (last year: £69.3m), cash and cash equivalents £1,022.4m (last year: £1,067.9m) and derivatives £7.5m (last year: £22.7m).

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.

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

As at 30 March 2024	**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	**119.3**	**9.3**	**4.3**	**0.7**	**3.1**	**0.5**	**137.2**
Expected loss rate	**0.1%**	**0.8%**	**4.5%**	**8.9%**	**11.0%**	**100.0%**	**0.9%**
Lifetime expected credit loss	**0.1**	**0.1**	**0.2**	**0.1**	**0.3**	**0.5**	**1.3**
Net carrying amount	**119.2**	**9.2**	**4.1**	**0.6**	**2.8**	**–**	**135.9**

The closing loss allowances for trade receivables reconciles to the opening loss allowances as follows:

Trade receivables expected loss provision	**2024 £m**	2023 £m
Opening loss allowance	**5.4**	4.8
(Decrease)/increase in loss allowance recognised in profit and loss during the year	**(2.3)**	5.5
Receivables written off during the year as uncollectable	**(1.8)**	(4.9)
Closing loss allowance	**1.3**	5.4

21 FINANCIAL INSTRUMENTS CONTINUED

The closing loss allowances for lease receivables reconciles to the opening loss allowances as follows:

Lease receivables expected loss provision	**2024 £m**	2023 £m
Opening loss allowance	**10.7**	–
Increase in loss allowance recognised in profit and loss during the year[1]	**3.5**	10.7
Closing loss allowance	**14.2**	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 £2,011.0m (last year: £1,785.7m) with a weighted average maturity date of seven months (last year: six months).

Gains and losses in equity on forward foreign exchange contracts designated in cash flow hedge relationships as at 30 March 2024 will be reclassified to the income statement at various dates over the following 14 months (last year: 14 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.

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 £1.1m loss (last year: £1.8m loss) in the income statement. As at the balance sheet date, the gross notional value of intercompany loan hedges was £246.7m (last year: £125.8m).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

21 FINANCIAL INSTRUMENTS CONTINUED

After taking into account the hedging derivatives entered into by the Group, the currency and interest rate exposure of the Group's borrowings and other financial liabilities, is set out below:

	2024 Fixed rate £m	2024 Floating rate £m	2024 Total £m	2023 Fixed rate £m	2023 Floating rate £m	2023 Total £m
Currency						
Sterling	**2,920.0**	**–**	**2,920.0**	3,419.6	–	3,419.6
Euro	**95.0**	**–**	**95.0**	106.8	–	106.8
Rupee	**118.0**	**-**	**118.0**	101.0	-	101.0
Other	**0.2**	**-**	**0.2**	0.6	–	0.6
	3,133.2	**–**	**3,133.2**	3,628.0	–	3,628.0

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 5.3% (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 £3,133.2m (last year: £3,628.0m) 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:

	2024 %	2023 %
Committed and uncommitted borrowings	**N/A**	N/A
Medium-Term Notes	**5.3%**	5.1%
Leases	**5.2%**	5.1%

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.

	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
Net 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)	–

21 FINANCIAL INSTRUMENTS CONTINUED

	30 March 2024			
	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	**1,547.6**	**246.7**	**252.9**	**216.7**
Carrying amount assets	**6.6**	**0.2**	**–**	**0.7**
Carrying amount (liabilities)	**(18.2)**	**(1.8)**	**(21.6)**	**(0.3)**
Maturity date	**to Oct 2024**	**to Apr 2024**	**to Dec 2037**	**to Jun 2025**
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 probably transactional FX exposures**
Change in fair value of hedging instrument	**17.6**	**0.5**	**(18.4)**	**2.2**
Change in fair value of hedged item used to determine hedge effectiveness	**(17.6)**	**(1.6)**	**18.4**	**(2.2)**
Weighted average hedge rate for the year	**GBP/USD 1.25; GBP/EUR 1.14**	**–**	**GBP/USD 1.19**	**GBP/USD 1.27; GBP/EUR 1.14**
Amounts recognised within finance costs in profit and loss	**–**	**(1.1)**	**–**	**–**
Balance on cash flow hedge reserve at 30 March 2024	**6.0**	**–**	**6.1**	**(0.5)**
Balance on cost of hedging reserve at 30 March 2024	**–**	**–**	**(7.4)**	**–**

		30 March 2024				1 April 2023			
		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	**501.3**	**1,046.3**	**6.6**	**(18.2)**	559.2	945.6	22.6	(56.0)
	– FVTPL	**60.6**	**186.1**	**0.2**	**(1.8)**	8.0	117.7	–	(2.1)
		561.9	**1,232.4**	**6.8**	**(20.0)**	567.2	1,063.3	22.6	(58.1)
Non-current									
Cross-currency swaps	– cash flow hedges	**–**	**252.9**	**–**	**(21.6)**	125.0	127.9	0.1	(5.3)
Forward foreign exchange contracts	– cash flow hedges	**149.9**	**66.8**	**0.7**	**(0.3)**	18.1	137.1	–	(1.8)
		149.9	**319.7**	**0.7**	**(21.9)**	143.1	265.0	0.1	(7.1)

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

21 FINANCIAL INSTRUMENTS CONTINUED

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 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[2]	–	–	**–**	(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**
Opening balance 2 April 2023	**(5.8)**	**1.6**	**(4.2)**	**49.1**	**(7.0)**	**0.1**	**(10.3)**	**31.9**
Add: Change in fair value of hedging instrument recognised in OCI	**–**	**–**	**–**	**10.7**	**18.4**	**–**	**–**	**29.1**
Add: Costs of hedging deferred and recognised in OCI	**(1.6)**	**–**	**(1.6)**	**–**	**–**	**–**	**–**	**–**
Less: Reclassified to the cost of inventory	**–**	**–**	**–**	**(54.4)**	**–**	**–**	**–**	**(54.4)**
Less: Reclassified from OCI to profit or loss	**–**	**–**	**–**	**–**	**(5.3)**	**–**	**–**	**(5.3)**
Less: Deferred tax	**–**	**0.4**	**0.4**	**–**	**–**	**–**	**7.1**	**7.1**
Closing balance 30 March 2024	**(7.4)**	**2.0**	**(5.4)**	**5.4**	**6.1**	**0.1**	**(3.2)**	**8.4**

1. Cross-currency interest rate swaps.
2. Other comprehensive income.

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 £nil gain (last year: £0.9m gain) as the gain on the hedged items was £18.4m (last year: £30.0m loss) and the movement on the hedging instruments was a £18.4m loss (last year: £30.9m gain).

Movement in hedged items and hedging instruments	**2024 £m**	2023 £m
Net (loss)/gain in fair value of cross-currency interest rate swap	**(18.4)**	30.9
Net gain/(loss) on hedged items	**18.4**	(30.0)
Ineffectiveness	**–**	0.9

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 and cash balances 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.

21 FINANCIAL INSTRUMENTS CONTINUED

	2% decrease in interest rates £m	2% increase in interest rates £m	20% weakening in sterling £m	20% strengthening in sterling £m
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)
At 30 March 2024				
Impact on income statement: (loss)/gain	**(15.0)**	**15.0**	**–**	**–**
Impact on other comprehensive income: (loss)/gain	**5.8**	**(4.4)**	**278.9**	**(278.9)**

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 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)

	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 30 March 2024					
Trade and other receivables	**33.1**	**(31.2)**	**1.9**	**–**	**1.9**
Derivative financial assets	**7.5**	**–**	**7.5**	**(6.7)**	**0.8**
	40.6	**(31.2)**	**9.4**	**(6.7)**	**2.7**
Trade and other payables	**(357.8)**	**31.2**	**(326.6)**	**–**	**(326.6)**
Derivative financial liabilities	**(41.9)**	**–**	**(41.9)**	**6.7**	**(35.2)**
	(399.7)	**31.2**	**(368.5)**	**6.7**	**(361.8)**

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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

21 FINANCIAL INSTRUMENTS CONTINUED

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.
- 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.

At the end of the reporting period, the Group held the following financial instruments at fair value:

	2024				2023			
	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	**–**	**0.2**	**–**	**0.2**	–	–	–	–
– other investments[1]	**–**	**12.3**	**12.6**	**24.9**	–	12.3	8.6	20.9
Derivatives used for hedging	**–**	**7.5**	**–**	**7.5**	–	22.7	–	22.7
Liabilities measured at fair value								
Financial liabilities at fair value through profit or loss								
– derivatives held at FVTPL	**–**	**(1.8)**	**–**	**(1.8)**	–	(2.1)	–	(2.1)
– Ocado contingent consideration[2]	**–**	**–**	**–**	**–**	–	–	(64.7)	(64.7)
– Gist contingent consideration[3]	**–**	**–**	**(25.6)**	**(25.6)**	–	–	(25.0)	(25.0)
Derivatives used for hedging	**–**	**(40.2)**	**–**	**(40.2)**	–	(63.1)	–	(63.1)

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 £9.4m of venture capital investments, managed by True Capital Limited, measured at FVTPL (last year: £7.3m) (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. In 2021/22, £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.
   Previously, the fair value of the contingent consideration was estimated using an expected present value technique and was based on probability-weighting possible scenarios. With Ocado Retail Limited's FY23 year now closed, the end of the measurement period for the target has been reached and the valuation of the contingent consideration has been revisited.
   The actual FY23 performance is below the target required for automatic payment of the contingent consideration. However, there is a mechanism for reasonable adjustments to be made to the performance target to reflect certain events, if applicable. Both shareholders have proposed adjustments which are currently being evaluated but we have not, to date, seen evidence we believe would result in a payment being made.
   In these circumstances, the fair value of the liability has been recorded as £nil.
3. As part of the investment in Gist Limited, the Group has agreed to pay the former owners of Gist 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 £25.6m was estimated by calculating the present value of the future expected cashflows.
   The estimates are based on a discount rate of 5.1%. A 2.5% change in the discount rate would result in a change in fair value of £0.9m.

The Marks & Spencer UK Pension Scheme holds a number of financial instruments which make up the pension asset of £6,108.9m (last year: £6,781.9m). Level 1 and Level 2 financial assets measured at fair value through other comprehensive income amounted to £2,074.3m (last year: £2,754.7m). Additionally, the scheme assets include £4,034.6m (last year: £4,027.2m) of Level 3 financial assets. See note 11 for information on the Group's retirement benefits.

21 FINANCIAL INSTRUMENTS CONTINUED

The following table represents the changes in Level 3 instruments held by the Pension Schemes:

	2024 £m	2023 £m
Opening balance	**4,027.2**	5,144.9
Fair value gain/(loss) recognised in other comprehensive income	**362.5**	(401.8)
Cash withdrawals	**(355.1)**	(715.9)
Closing balance	**4,034.6**	4,027.2

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 £921.7m (last year: £1,346.4m); the fair value of this debt was £919.8m (last year: £1,264.3m) 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 £88.8m (last year: £124.8m) and the fair value of this liability is £81.9m (last year: £121.9m).

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 which avoids creating a significant re-financing risk in any one financial period. 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 its credit rating with Moody's of Ba1 but with an improved positive outlook and was upgraded to BBB- (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 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 £m	**Restructuring £m**	**Other £m**	**Total £m**
At 2 April 2023	**78.8**	**16.9**	**23.7**	**119.4**
Provided in the year – charged to profit or loss	**54.9**	**25.0**	**6.4**	**86.3**
Provided in the year – charged to property, plant & equipment	**5.3**	**–**	**–**	**5.3**
Released in the year	**(24.4)**	**(9.1)**	**(9.9)**	**(43.4)**
Utilised during the year	**(11.2)**	**(2.3)**	**(9.2)**	**(22.7)**
Exchange differences	**–**	**–**	**0.2**	**0.2**
Discount rate unwind	**6.6**	**–**	**–**	**6.6**
At 30 March 2024	**110.0**	**30.5**	**11.2**	**151.7**
Analysed as:				
Current				**47.6**
Non-current				**104.1**

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

22 PROVISIONS CONTINUED

Property provisions relate primarily to obligations such as dilapidations arising as a result of the closure of stores as part of the 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).

Restructuring 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 new costs in the year associated with the furniture simplification strategic programme.

Other provisions include amounts in respect of probable liabilities for employee-related matters.

Provisions related to adjusting items were £130.6m at 30 March 2024 (last year: £100.3m), with a net charge in the year of £43.8m (last year: £3.9m) (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: 25%) 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 3 April 2022 (restated)	(199.8)	26.3	(292.1)	117.5	24.2	(323.9)	2.6	(321.3)
(Charged)/credited to income statement	3.7	(36.4)	(7.4)	(5.7)	4.9	(40.9)	(0.2)	(41.1)
Credited 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 (restated)	(207.6)	(11.1)	(140.5)	111.8	46.8	(200.6)	1.8	(198.8)
At 2 April 2023 (restated)	**(207.6)**	**(11.1)**	**(140.5)**	**111.8**	**46.8**	**(200.6)**	**1.8**	**(198.8)**
Credited/(charged) to income statement	**(21.1)**	**(69.0)**	**(3.9)**	**(7.1)**	**(0.9)**	**(102.0)**	**4.7**	**(97.3)**
Credited/(charged) to equity/other comprehensive income	**–**	**–**	**104.7**	**–**	**(1.9)**	**102.8**	**(0.8)**	**102.0**
At 30 March 2024	**(228.7)**	**(80.1)**	**(39.7)**	**104.7**	**44.0**	**(199.8)**	**5.7**	**(194.1)**

Deferred tax has been restated in the comparative information. See note 1 for further details.

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 £162.4m (last year: £170.2m (restated)) and a tax value of £40.6m (last year: £42.6m (restated)). The gross carried forward capital losses are £399.0m (last year: £348.0m) with a tax value of £99.8m (last year: £87.0m) and are inclusive of the gross £162.4m 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: £5.2m) and a tax value of £1.3m (last year: £1.3m).

No deferred tax is recognised in respect of undistributed earnings of overseas subsidiaries and joint ventures with a gross value of £46.4m (last year: £46.1m) 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: £4.4m) 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

	2024		2023	
	Ordinary shares of £0.01 each		Ordinary shares of £0.01 each	
	Shares	£m	Shares	£m
Issued and fully paid				
At start of year	**1,964,933,931**	**19.8**	1,958,905,344	19.7
Shares issued in respect of employee share option schemes	**75,421,892**	**0.7**	6,028,587	0.1
At end of year	**2,040,355,823**	**20.5**	1,964,933,931	19.8

Issue of new shares

A total of 75,421,892 (last year: 6,028,587) ordinary shares having a nominal value of £0.7m (last year: £0.1m) 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 £57.0m (last year: £0.1m).

25 CONTINGENCIES AND COMMITMENTS

A. Capital commitments

	2024 £m	2023 £m
Commitments in respect of properties in the course of construction	**175.2**	100.8
Software capital commitments	**6.5**	6.1
	181.7	106.9

During 2021/22, 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. This period was extended to 2026/27 during the year. The fund can drawdown amounts at any time over the five-year period to make specific investments. At 30 March 2024, the Group had invested £10.1m (last year: £7.5m) 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

See note 12 for details on the Partnership arrangement with the Marks & Spencer UK Pension Scheme.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

26 ANALYSIS OF CASH FLOWS GIVEN IN THE STATEMENT OF CASH FLOWS

Cash flows from operating activities

	2024 £m	2023 £m
Profit on ordinary activities after taxation	**425.2**	364.5
Income tax expense	**247.3**	111.2
Finance costs	**188.4**	205.5
Finance income	**(146.7)**	(166.1)
Operating profit	**714.2**	515.1
Share of results of Ocado Retail Limited	**37.3**	29.5
Share of results in other joint ventures	**0.3**	–
Increase in inventories	**(31.3)**	(58.5)
Increase in receivables	**(17.5)**	(33.7)
Increase in payables	**126.0**	82.1
Depreciation, amortisation and disposals	**526.3**	523.2
Non-cash share based payment expense	**48.3**	38.0
Non-cash pension expense	**5.3**	–
Defined benefit pension funding	**(0.4)**	(36.8)
Adjusting items net cash outflows[1,2]	**(38.0)**	(67.9)
Adjusting items M&S Bank[3]	**(2.0)**	(2.0)
Adjusting operating profit items	**124.4**	111.5
Cash generated from operations	**1,492.9**	1,100.5

1. Excludes £24.1m (last year: £11.5m) of surrender payments included within repayment of lease liabilities in the consolidated statement of cash flows relating to leases within the store estate programme.
2. Adjusting items net cash outflows relate to strategic programme costs associated with the Store estate, UK logistics, Structural simplification programme, M&S financial services transformation and interest payments relating to the deferred and contingent consideration for 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.

27 ANALYSIS OF NET DEBT

A. Reconciliation of movement in net debt

	At 3 April 2022 £m	Cash flow £m	Changes in fair values £m	Lease additions and remeasure-ments £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: Cash flows 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)

	At 2 April 2023 £m	Cash flow £m	Changes in fair values £m	Lease additions and remeasure-ments £m	Exchange and other non-cash movements[1] £m	**At 30 March 2024 £m**
Net debt						
Cash and cash equivalents (see note 18)	1,067.9	(43.4)	–	–	(2.1)	**1,022.4**
Net cash per statement of cash flows	1,067.9	(43.4)	–	–	(2.1)	**1,022.4**
Current other financial assets (see note 16)	13.0	(0.7)	–	–	–	**12.3**
Liabilities from financing activities						
Medium-Term Notes (see note 20)	(1,346.4)	461.3	–	–	(36.6)	**(921.7)**
Lease liabilities (see note 20)	(2,281.6)	345.5	–	(176.0)	(99.4)	**(2,211.5)**
Partnership liability to the Marks & Spencer UK Pension Scheme (see note 12)	(121.9)	40.0	–	–	–	**(81.9)**
Derivatives held to hedge Medium-Term Notes	(5.2)	–	(16.4)	–	–	**(21.6)**
Liabilities from financing activities	(3,755.1)	846.8	(16.4)	(176.0)	(136.0)	**(3,236.7)**
Less: Cash flows related to interest and derivative instruments	37.0	(185.7)	16.4	–	168.5	**36.2**
Net debt	(2,637.2)	617.0	–	(176.0)	30.4	**(2,165.8)**

1. Exchange and other non-cash movements includes interest charges on Medium-Term Notes of £42.2m (last year: £65.4m), interest charges on lease liabilities of £116.2m (last year: £116.7m) and interest charges on the Partnership liability to the Marks & Spencer UK Pension Scheme of £4.1m (last year: £4.3m).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

27 ANALYSIS OF NET DEBT CONTINUED

B. Reconciliation of net debt to statement of financial position

	2024 £m	2023 £m
Statement of financial position and related notes		
Cash and cash equivalents (see note 18)	**1,022.4**	1,067.9
Current other financial assets (see note 16)	**12.3**	13.0
Medium-Term Notes – net of foreign exchange revaluation (see note 20)	**(937.2)**	(1,356.6)
Lease liabilities (see note 20)	**(2,211.5)**	(2,281.6)
Partnership liability to the Marks & Spencer UK Pension Scheme (see note 12 and 21)	**(88.8)**	(124.8)
	(2,202.8)	**(2,682.1)**
Interest payable included within related borrowing and the partnership liability to the Marks & Spencer UK Pension Scheme	**37.0**	44.9
Net debt	**(2,165.8)**	**(2,637.2)**

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

	2024 £m	2023 £m
Opening balance	**30.9**	–
Loans advanced	**60.0**	30.0
Interest charged	**6.0**	0.9
Interest repaid	**(4.7)**	–
Closing balance	**92.2**	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, an associate of the Group, had entered into a £30m revolving credit facility which expired on 19 December 2023 (last year: £25.0m drawn) and subsequent to the year end, on 9 May 2024, was renewed. The Group, along with Ocado Group plc, jointly guarantee the facility.

Sales and purchases of goods and services

	2024 £m	2023 £m
Sales of goods and services	**44.9**	35.7
Purchases of goods and services	**0.1**	0.1

Included within trade and other receivables is a balance of £4.1m (last year: £2.9m) 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 £7.0m (last year: £6.3m).

At 30 March 2024, there was a balance of £0.1m within trade and other payables (last year: £nil) owed to Nobody's Child Limited, and £2.7m 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.

D. Key management compensation

The Group has determined that the key management personnel constitute the Board and the members of the Executive Committee.

	2024 £m	2023 £m
Salaries and short-term benefits	**10.6**	14.3
Pension costs[1]	**0.4**	0.3
Share-based payments	**10.0**	4.8
Total	**21.0**	19.4

1. Last year restated to include split of pension costs, including payments in lieu of pension which were omitted last year.

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. Through Board representation and shareholder voting rights, the Group is currently considered to have significant influence and therefore the investment in Ocado Retail Limited is treated as an associate and the Group applies the equity method of accounting. It is currently expected that Ocado Group plc will give up those rights to the Group in early April 2025. There will be no change in economic interest of both shareholders in Ocado Retail Limited, or any consideration paid by the Group, as a result of this proposed change. After Ocado Group plc give up the rights, it is expected that Ocado Retail Limited will then be consolidated as a subsidiary of the Group.

Ocado Retail Limited had a financial year end date of 3 December 2023, 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 27 February 2023 to 3 March 2024. There were no significant events or transactions in the period from 3 March 2024 to 30 March 2024.

The carrying amount of the Group's interest in Ocado Retail Limited is £677.1m (last year: £756.9m). The Group's share of Ocado Retail Limited losses of £79.9m (last year: loss of £43.5m) includes the Group's share of underlying losses of £37.3m (last year: share of underlying losses: £29.5m) and the Group's share of adjusting items of £29.7m (last year: £nil) and adjusting item charges of £12.9m (last year: £14.0m) (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 3 March 2024 £m	As at 26 February 2023 £m
Ocado Retail Limited		
Current assets	**261.7**	220.0
Non-current assets	**517.4**	618.7
Current liabilities	**(272.3)**	(267.7)
Non-current liabilities	**(491.2)**	(421.7)
Net assets	**15.6**	149.3

	27 February 2023 to 3 March 2024 £m	28 February 2022 to 26 February 2023 £m
Revenue	**2,470.3**	2,222.0
Loss for the period	**(133.7)**	(59.0)
Total comprehensive loss	**(133.7)**	(59.0)

NOTES TO THE FINANCIAL STATEMENTS 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 30 March 2024 £m	As at 1 April 2023 £m
Ocado Retail Limited		
Net assets	**15.6**	149.3
Proportion of the Group's ownership interest	**7.8**	74.6
Goodwill	**449.1**	449.1
Brand	**229.7**	236.2
Customer relationships	**56.5**	67.1
Other adjustments to align accounting policies	**(71.7)**	(75.8)
Acquisition costs	**5.7**	5.7
Carrying amount of the Group's interest in Ocado Retail Limited	**677.1**	756.9

In addition, the Group holds immaterial investments in joint ventures and associates totalling £7.1m (last year: £11.0m). The Group's share of losses totalled £0.5m (last year: £0.5m profit) and an impairment of £3.5m (last year: £nil) was recognised.

30 CONTINGENT ASSETS
The Group is currently seeking damages from an independent third party following their 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 judgements in similar claims. The value of the claim is confidential and is therefore not disclosed.

31 SUBSEQUENT EVENTS
On 10 April 2024 M&S and HSBC UK announced a new seven-year deal focused on enhancing M&S' credit and payments offering through M&S Bank. See note 5 for further details.

The Board have approved a tender offer to repurchase the Group's 2025 and 2026 Medium-Term Notes on an "any and all" basis, which will be announced on 22 May 2024.

COMPANY STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 March 2024 £m	As at 1 April 2023 £m
Assets			
Non-current assets			
Investments in subsidiary undertakings	C6	**10,004.6**	8,006.9
Total assets		**10,004.6**	8,006.9
Liabilities			
Current liabilities			
Amounts owed to subsidiary undertakings		**2,483.6**	2,541.0
Total liabilities		**2,483.6**	2,541.0
Net assets		**7,521.0**	5,465.9
Equity			
Ordinary share capital	C7	**20.5**	19.8
Share premium account	C7	**967.0**	910.7
Capital redemption reserve		**2,680.4**	2,680.4
Merger reserve	C7	**1,397.3**	–
Retained earnings		**2,455.8**	1,855.0
Total equity		**7,521.0**	5,465.9

The Company's profit for the year was £1,975.9m (last year: loss of £1,429.5m).

The financial statements were approved by the Board and authorised for issue on 21 May 2024. 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 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	–	–	–	(870.9)	870.9	–
At 1 April 2023	**19.8**	**910.7**	**2,680.4**	**–**	**1,855.0**	**5,465.9**
At 2 April 2023	**19.8**	**910.7**	**2,680.4**	**–**	**1,855.0**	**5,465.9**
Profit for the year	**–**	**–**	**–**	**–**	**1,975.9**	**1,975.9**
Dividends	**–**	**–**	**–**	**–**	**(19.6)**	**(19.6)**
Capital contribution for share-based payments	**–**	**–**	**–**	**–**	**41.8**	**41.8**
Shares issued on exercise of employee share options	**0.7**	**56.3**	**–**	**–**	**–**	**57.0**
Reclassification to merger reserve (see note C7)	**–**	**–**	**–**	**1,397.3**	**(1,397.3)**	**–**
At 30 March 2024	**20.5**	**967.0**	**2,680.4**	**1,397.3**	**2,455.8**	**7,521.0**

COMPANY STATEMENT OF CASH FLOWS

	52 weeks ended 30 March 2024 £m	52 weeks ended 1 April 2023 £m
Cash flow from investing activities		
Dividends received	**20.0**	–
Net cash (used in)/generated from investing activities	**20.0**	–
Cash flows from financing activities		
Shares issued on exercise of employee share options	**57.0**	0.2
Repayment of intercompany loan	**(57.4)**	(0.2)
Equity dividends paid	**(19.6)**	–
Net cash generated from/(used in) financing activities	**(20.0)**	–
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 £1,350,288 (last year: £1,273,406). 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

	2024 per share	2023 per share	2024 £m	2023 £m
Dividends on equity ordinary shares				
Paid interim dividend	**1.0p**	–	**19.6**	–
	1.0p	–	**19.6**	–

With the Group generating a further improvement in operating performance, balance sheet and credit metrics, the Board restored a dividend to shareholders in the year, starting with an interim dividend of 1.0p per share (last year: 0.0p per share), paid on 12 January 2024.

The directors have approved a final dividend of 2.0p per share (last year: 0.0p per share) which in line with the requirements of IAS 10 Events after the Reporting Period, has not been recognised within these results. This final dividend of c.£40.8m (last year: £nil) will be paid on 5 July 2024 to shareholders who are on the Register of Members at the close of business on 31 May 2024. The ordinary shares will be quoted ex dividend on 30 May 2024.

A dividend reinvestment plan (DRIP) is available to shareholders who would prefer to invest their dividends in the shares of the Company. For those shareholders electing to receive the DRIP, the last date for receipt of a new election is 14 June 2024.

C5 RELATED PARTY TRANSACTIONS

During the year, the Company received a dividend of £20.0m (last year: £nil) and decreased its loan from Marks and Spencer plc by £57.4m (last year: £0.2m). The outstanding balance was £2,483.6m (last year: £2,541.0m) and is non-interest bearing. There were no other related party transactions.

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

C6 INVESTMENTS
A. Investments in subsidiary undertakings

	2024 £m	2023 £m
Beginning of the year	**8,006.9**	9,403.7
Contributions to subsidiary undertakings relating to share-based payments	**41.8**	32.7
Impairment reversal/(charge)	**1,955.9**	(1,429.5)
End of year	**10,004.6**	8,006.9

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.

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 30 March 2024, the market capitalisation of the Group was significantly above the carrying value of its investment in Marks and Spencer plc of £7,442.5m, indicating a potential impairment reversal, due to 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 30 March 2024, reflecting the latest budget and forecast cash flows covering a three-year period. The pre-tax discount rate of 12.5% (last year: 12.5%) 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 £11,226.5m and as a result has recognised an impairment reversal of £1,955.9m. This fully reverses the impairments charged from 2019/20 to 2022/23. This reversal primarily relates to improved trading expectations, reflecting the Group's strategy and current three-year plan.

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 10% reduction in cash flows from the three-year plan would reduce the headroom by £1,122.7m;
- A 50-basis point decrease in the long-term growth rate would reduce the headroom by £441.5m; and
- A 250-basis point increase in the discount rate would reduce the headroom by £2,154.4m.

None of these in isolation would result in impairment. In the event that all three were to occur simultaneously, the impairment reversal would be reduced by £1,166.3m.

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 30 March 2024 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 (50% of total capital)	–
Registered Office: 33 Holborn, London, EC1N 2HT	£1 ordinary B (50% of total capital)	100
Marks and Spencer Pension Trust Limited [ii][iii]	£1 ordinary A	100
	£1 ordinary B	–
	£1 ordinary C	–
Marks and Spencer plc [iii]	£0.25 ordinary	100
Marks and Spencer Scottish Limited Partnership [iv] **Registered Office: 2-28 St Nicholas Street, Aberdeen, AB10 1BU**	Partnership interest	100
Ocado Retail Limited Registered Office: Apollo Court, 2 Bishop Square, Hatfield Business Park, Hatfield, Hertfordshire, AL10 9NE	£0.01 ordinary	50
Amethyst Leasing (Holdings) Limited	£1 ordinary	100
M & S Limited	£1 ordinary	100

Name	Share class	Proportion of shares held (%)
Marks and Spencer Pearl (1) Limited	£1 ordinary	100
Manford (Textiles) Limited	£1 ordinary	100
Marks and Sparks Limited	£1 ordinary	100
Marks and Spencer (Northern Ireland) Limited Registered Office: Merchant Square, 20-22 Wellington Place, Belfast, BT1 6GE	£1 ordinary	100
Marks and Spencer Property Developments Limited	£1 ordinary	100
Nobody's Child Limited	£0.01 ordinary (72.910% of total capital)	–
Registered Office: 10-11 Greenland Place, Camden, London, NW1 0AP	£0.01 Preference (27.090% of total capital)	100
St. Michael (Textiles) Limited	£1 ordinary	100

(i) All companies registered at Waterside House, 35 North Wharf Road, London, W2 1NW, United Kingdom, unless otherwise stated.
(ii) 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.
(iii) Interest held directly by Marks and Spencer Group plc.
(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.

NOTES TO THE COMPANY 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 30 March 2024. 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 [i]	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 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

Name	Proportion of shares held (%)	Company Number
Marks and Spencer (Investment Holdings) Limited	100	13587353
Marks and Spencer (A2B) Limited [i]	100	14228803
Marks and Spencer Company Archive (CIC) [ii]	N/A	7377510
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 [i]	100	11845975
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) Limited	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 (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 £106.1m in accordance with section 479C of the Companies Act 2006. The Company has assessed the probability of loss under the guarantee as remote.

(i) Interest held directly by Marks and Spencer Group plc.
(ii) No share capital, as the company is limited by guarantee. Marks and Spencer plc is the sole member.

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	AUD 2 Ordinary	100
Marks and Spencer (Shanghai) Limited[ii]	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[iii]
			€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
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

Name	Registered address	Country	Share class	Proportion of shares held by subsidiary (%)
Aprell Limited	24/29 Mary Street, Dublin 2, Ireland	Ireland	€1.25 Ordinary	100
Marks and Spencer (Ireland) Limited	24/27 Mary Street, Co. Dublin, D01 YE83, Ireland	Ireland	€1.25 Ordinary	100
Marks and Spencer Pensions Trust (Ireland) Company Limited By Guarantee	24-27 Mary Street, Dublin 1, D01 YE83, Ireland	Ireland	N/A[v]	–
M & S Mode International B.V. [vi]	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 (in liquidation)	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
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 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) Registered address from 19 April 2024: Unit 03-05A 16/F, Eco City 1788, 1788 West Nan Jing Road, Shanghai, China.
(iii) 20% of ordinary shares are owned by JV partner.
(iv) INR 5 Class C shares 100% owned by JV partner.
(v) No share capital as the company is limited by guarantee.
(vi) Liquidated on 15 May 2024.

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

C7 SHARE CAPITAL AND OTHER RESERVES

Issue of new shares

A total of 75,421,892 (last year: 6,028,587) ordinary shares having a nominal value of £0.7m (last year: £0.1m) 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 £57.0m (last year: £0.1m).

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. Between 2019/20 and 2022/23 an amount equal to the original merger reserve balance of £1,397.3m has been 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 2023/24, an amount equal to the original merger reserve balance of £1,397.3m has been transferred from retained earnings to the merger reserve, in accordance with TECH 02/17.

GROUP FINANCIAL RECORD

	2024 52 weeks £m	2023 52 weeks (restated) £m	2022 52 weeks (restated) £m	2021 53 weeks (restated) £m	2020 52 weeks (restated) £m
Income statement					
Revenue[1]					
UK Clothing & Home	**3,841.5**	3,658.3	3,308.3	2,239.0	3,209.1
UK Food	**8,158.8**	7,218.0	6,639.6	6,138.5	6,028.2
International	**1,039.8**	1,055.0	937.2	789.4	944.6
Revenue before adjusting items	**13,040.1**	11,931.3	10,885.1	9,166.9	10,181.9
Adjusting items included in revenue	**–**	–	–	(11.2)	–
Revenue	**13,040.1**	11,931.3	10,885.1	9,155.7	10,181.9
Adjusted operating profit/(loss)[1]					
UK Clothing & Home	**402.8**	323.8	330.7	(130.8)	223.9
UK Food	**395.3**	248.0	277.8	228.6	236.7
Ocado	**(37.3)**	(29.5)	13.9	78.4	2.6
Other	**2.2**	(0.5)	13.0	1.9	16.8
International	**75.6**	84.8	73.6	44.1	110.7
Total adjusted operating profit	**838.6**	626.6	709.0	222.2	590.7
Adjusting items included in operating profit	**(124.4)**	(111.5)	(136.8)	(252.9)	(335.9)
Total operating profit/(loss)	**714.2**	515.1	572.2	(30.7)	254.8
Net interest payable	**(122.2)**	(173.3)	(199.3)	(219.1)	(211.2)
Adjusting items included in net finance costs[2]	**80.5**	133.9	18.8	40.4	23.6
Net finance costs	**(41.7)**	(39.4)	(180.5)	(178.7)	(187.6)
Profit on ordinary activities before taxation and adjusting items[3]	**716.4**	453.3	509.7	3.1	379.5
Profit/(loss) on ordinary activities before taxation	**672.5**	475.7	391.7	(209.4)	67.2
Income tax (expense)/credit[3]	**(247.3)**	(111.2)	(180.3)	17.0	(57.8)
Profit/(loss) after taxation[3]	**425.2**	364.5	211.4	(192.4)	9.4

GROUP FINANCIAL RECORD CONTINUED

		2024 52 weeks	2023 52 weeks	2022 52 weeks	2021 53 weeks	2020 52 weeks
Basic earnings per share[1]	Basic earnings/Weighted average ordinary shares in issue	**21.9p**	18.5p	10.7p	(9.7p)	0.3p
Adjusted basic earnings per share[1,3]	Adjusted basic earnings/ Weighted average ordinary shares in issue	**24.6p**	16.9p	16.2p	(0.1p)	14.7p
Dividend per share declared in respect of the year		**1.0p**	–	–	–	3.9p
Dividend cover	Adjusted earnings per share/ Dividend per share	**24.6x**	–	–	–	3.8x
Retail fixed charge cover[4]	Operating profit before depreciation/Fixed charges	**5.1x**	3.7x	3.5x	2.0x	3.4x
Statement of financial position						
Net assets[3] (£m)		**2,830.1**	2,680.8	2,783.8	2,249.3	3,663.2
Net debt[5] (£m)		**2,165.8**	2,637.2	2,698.8	3,515.9	3,950.6
Capital expenditure (£m)		**393.4**	402.8	300.2	146.9	332.0
Stores and space						
UK stores		**1,058**	1,064	1,035	1,037	1,038
UK selling space (m sq ft)		**16.7**	16.8	16.7	16.8	16.8
International stores[6]		**434**	403	452	472	483
International selling space[6] (m sq ft)		**4.5**	4.4	5.0	5.1	5.0
Staffing (full-time equivalent)						
UK		**47,680**	47,266	42,550	44,423	49,094
International		**4,959**	4,826	4,558	4,754	4,894

The above results are prepared under IFRS for each reporting period on a consistent basis.

1. Based on continuing operations.
2. Net pension income moved to adjusting items in 2023/24.
3. See note 1 for details on a change in adjusting items and the resulting restatement.
4. Calculated on Marks and Spencer Group plc's consolidated basis.
5. Excludes accrued interest.
6. Prior year International stores and selling space has been restated.

GLOSSARY AND ALTERNATIVE PERFORMANCE MEASURES

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 revenues on a year-on-year basis is a good indicator of the performance of the stores and online channels.

	2024 £m	2023 £m	%
UK Clothing & Home			
Store sales[1]	**2,642.3**	2,538.6	4.1
Consignment sales	**(18.6)**	(21.4)	
Store revenue	**2,623.7**	2,517.2	4.2
Online sales[1]	**1,268.4**	1,176.4	7.8
Consignment sales	**(50.6)**	(35.3)	
Online revenue	**1,217.8**	1,141.1	6.7
UK Clothing & Home sales	**3,910.7**	3,715.0	5.3
Consignment sales	**(69.2)**	(56.7)	
Total UK Clothing & Home revenue	**3,841.5**	3,658.3	5.0

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 AND ALTERNATIVE PERFORMANCE MEASURES 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-retail businesses	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, stores with significant footage change and non-retail businesses such as supply chain services.

	2023/24 £m	2022/23 £m	%
UK Food			
Like-for-like	**7,780.6**	6,992.9	11.3
Net new space[1]	**378.2**	225.1	
Total UK Food sales	**8,158.8**	7,218.0	13.0
UK Clothing & Home			
Like-for-like	**3,814.8**	3,626.9	5.2
Net new space	**95.9**	88.1	
Total UK Clothing & Home sales	**3,910.7**	3,715.0	5.3

1. UK Food net new space includes Gist third party revenue.

Alternative performance measure ("APM")	Closest equivalent statutory measure	Reconciling items to statutory measure	Definition and purpose
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.

	2023/24 £m	2022/23 £m	%
International sales			
Stores	**875.6**	874.5	0.0
Online	**164.2**	180.5	(9.0)
At reported currency	**1,039.8**	1,055.0	(1.4)

Alternative performance measure ("APM")	Closest equivalent statutory measure	Reconciling items to statutory measure	Definition and purpose
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.

	2023/24 £m	2022/23 £m	%
International sales			
At constant currency	**1,039.8**	1,039.9	0.0
Impact of FX retranslation	**–**	15.1	
At reported currency	**1,039.8**	1,055.0	(1.4)

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 Adjusted EBITDA	EBIT[1]	Not applicable	Calculated as Ocado Retail Limited earnings before interest, taxation, depreciation, amortisation, impairment and adjusting 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.

GLOSSARY AND ALTERNATIVE PERFORMANCE MEASURES CONTINUED

Alternative performance measure ("APM")	Closest equivalent statutory measure	Reconciling items to statutory measure	Definition and purpose
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.
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.
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 funds/(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 cash flow 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.
Adjusted 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:

	2024 £m	2023 £m
Operating profit	**714.2**	**515.1**
Adjusting items included in operating profit (see note 5)[1]	**124.4**	111.5
Adjusted operating profit	**838.6**	**626.6**
Net assets	**2,830.1**	**2,680.8**
Add back:		
Partnership liability to the Marks & Spencer UK Pension Scheme	**88.8**	124.8
Deferred tax liabilities	**205.8**	206.4
Non-current borrowings and other financial liabilities	**2,882.8**	3,184.0
Retirement benefit deficit	**4.6**	4.6
Derivative financial instruments	**34.4**	42.5
Current tax liabilities	**1.5**	38.5
Less:		
Investment property	**(11.6)**	(11.8)
Retirement benefit assets	**(81.8)**	(482.0)
Current tax assets	**(32.9)**	(6.5)
Deferred tax assets	**(11.7)**	(7.6)
Net operating assets	**5,910.0**	**5,773.7**
Add back: Provisions related to adjusting items	**130.6**	100.3
Capital employed	**6,040.6**	**5,874.0**
Average capital employed	**5,957.3**	**5,888.4**
ROCE %	**14.1%**	**10.6%**

1. See note 1 for details on a change in adjusting items and the resulting restatement.

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 2024

Tuesday 2 July 2024 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.

NOTICE OF MEETING 2024

"I am pleased to announce the 23rd Annual General Meeting of Marks and Spencer Group plc will be held on 2 July 2024.

NICK FOLLAND
General Counsel & Company Secretary

DEAR SHAREHOLDER,
ANNUAL GENERAL MEETING ("AGM")
The Board regards the AGM as an important opportunity to listen to its shareholders and to be held to account by them. As well as presenting the Company's business matters for shareholders to vote upon, it is also when the Board updates shareholders directly on the Company's performance and M&S' future strategy.

The Board is committed to leading on shareholder engagement, through our innovative private shareholder panel and public campaign to enhance the shareholder voice. The Board continues to believe a digitally-enabled meeting is the best way for directors to interact and engage with the broadest range of shareholders. Participation levels have increased considerably year-on-year since our last in-person meeting and, for the first time last year, we partnered with Interactive Investor to provide shareholders on their platform with their own unique link to participate in our AGM.

The 2024 AGM will therefore be a digitally-enabled meeting, broadcast from M&S' Waterside House Support Centre at 11am on Tuesday 2 July 2024.

Shareholders may participate in the AGM electronically via the Lumi AGM platform, which can be accessed by logging on to https://web.lumiagm.com/148-969-154. On this website, questions and voting instructions can be submitted, both during the meeting and in advance. A step-by-step guide on how to join the meeting electronically and submit votes and questions can be found on pages 212 to 213.

As the AGM is a digital-first event, **shareholders will enjoy the best experience by joining the meeting online**. If a shareholder wishes to attend in person, seats will be allocated on a first-come first-served basis. Shareholders are requested to register their intention to do so in advance, to help us to manage capacity on the day. Details of how to register to attend in person can be found on page 211.

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 shareholder views and questions are put to the Board. Shareholders are strongly encouraged to log on and submit questions in advance of the meeting, so their views are heard even if they are unable to participate live.

VOTING BEFORE THE MEETING
All shareholders are encouraged to vote either in advance or on the day. There are several ways to submit 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 28 June 2024. After then, shareholders will no longer be able to submit their proxy vote via Shareview, CREST or Proxymity. Voting via the Lumi website will also close at 11am on Friday 28 June 2024, 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 28 June 2024. Paper proxy forms are available from Equiniti on request; shareholders can call our shareholder helpline on 0345 609 0810, or use any of Equiniti's alternative contact details listed on page 214.

Shareholders 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.

JOINING THE MEETING AND VOTING ON THE DAY
Shareholders can watch the broadcast live, vote and ask questions on the day of the meeting via the Lumi website. Pages 211 to 213 provide instructions on how to join the meeting and submit votes and questions on the day.

Shareholders who wish to attend the AGM in person are requested to register their intention to do so in advance, to help us to manage capacity on the day. Details of how to register to attend in person can be found on page 211.

Voting on all resolutions on the day will be by way of a poll. The Lumi website will reopen at 10am on Tuesday 2 July 2024, and votes can be cast once the poll has been declared open.

NOTICE OF MEETING 2024 CONTINUED

QUESTIONS
On the day, shareholder questions will be posed to the Board by Anita Anand. Where a number of questions are received covering the same topic, Anita will group these to address as many queries as possible. Questions may be submitted via Lumi, either in advance, to be received before 11am on Friday 28 June 2024, or on the day (more information can be found on pages 211 to 213).

Shareholders can also send a video recording of their question by email to **AGMquestionsubmission@marks-and-spencer.com**, to be received by no later than 5pm on Friday 28 June 2024.

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 Tuesday 2 July 2024, or as soon as reasonably practicable thereafter.

In 2023, all resolutions were passed at the meeting with votes ranging from 86.12% 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 205 to 206.

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 30 March 2024.

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 30 March 2024. In line with legislation, this vote is advisory and the directors' entitlement to remuneration is not conditional on it.

3 FINAL DIVIDEND
The Board proposes a final dividend of 2p per share for the year ended 30 March 2024. If approved, the recommended final dividend will be paid on 5 July 2024 to all shareholders who were on the Register of Members at the close of business on 31 May 2024.

4–12 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).

On 7 March 2024 the Company announced Katie Bickerstaffe will be retiring from the Board following the conclusion of this year's AGM to pursue her board career. Katie will therefore not be standing for re-election. On 28 May 2024 Andrew Fisher informed the Company that he will be stepping down from the Board on 2 July 2024 and therefore will also not be standing for re-election.

In accordance with the UK Corporate Governance Code, all other directors will stand for re-election at the AGM this year. Biographies are available on pages 74 to 75 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.

13–14 APPOINTMENT AND REMUNERATION OF AUDITOR
On the recommendation of the Audit & Risk Committee, the Board proposes in resolution 13 that Deloitte LLP be reappointed as auditor of the Company. Resolution 14 proposes that the Audit & Risk Committee be authorised to determine the level of the auditor's remuneration.

15 AUTHORITY TO MAKE POLITICAL DONATIONS
The Company's policy is that it does not, directly or through any subsidiary, make what are commonly regarded as donations to any political party. The authorities being requested from shareholders are not designed to change this. However, the Companies Act 2006 (the "Act") defines political donations very broadly and, as a result, covers activities that form part of normal relationships and which are accepted as a way of engaging with stakeholders and opinion formers to ensure that the Company's issues and concerns are considered and addressed. Activities of this nature are not designed to support any political party or to influence public support for a particular party and would not be thought of as political donations in the ordinary sense of those words. Shareholder approval is being sought on a precautionary basis only.

The resolution, if passed, will renew the directors' authority until the conclusion of the AGM in 2025 or on 1 October 2025, whichever is sooner, to make donations and incur expenditure which might otherwise be caught by the terms of the Act, up to an aggregate amount of £50,000 for the Company and for subsidiary companies. In the financial year ended 30 March 2024, the Company and its subsidiaries did not incur any expenditure pursuant to equivalent authorities.

16 RENEWAL OF THE POWERS OF THE BOARD TO ALLOT SHARES
Paragraph (A) of this resolution 16 would give the directors the authority to allot ordinary shares of the Company up to an aggregate nominal amount equal to £6,823,061.67 (representing 682,306,167 ordinary shares of £0.01 each). This amount represents approximately one third (33.33%) of the Company's issued ordinary share capital as at 21 May 2024, the latest practicable date before the publication of this Notice.

In line with 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 £13,646,123.34 (representing 1,364,612,334 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 21 May 2024, 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 2025 or on 1 October 2025, 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.

17–18 AUTHORITY TO DISAPPLY PRE-EMPTION RIGHTS
Resolutions 17 and 18 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, in line with institutional shareholder guidelines, including the Statement of Principles on Disapplying Pre-Emption Rights issued by the Pre-Emption Group in November 2022 (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.

If approved, resolution 17, 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 £2,046,918.50 (representing 204,691,850 ordinary shares), being approximately 10% of the Company's issued ordinary share capital as at 21 May 2024 (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 £409,383.70 (representing approximately 2% of the Company's issued ordinary share capital as at 21 May 2024).

The total maximum nominal amount of equity securities to which resolution 17 relates is £2,456,302.20 (representing approximately 12% of the Company's issued ordinary share capital as at 21 May 2024).

The purpose of resolution 18, 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 16, 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 £2,046,918.50 (representing 204,691,850 ordinary shares), being approximately 10% of the Company's issued ordinary share capital as at 21 May 2024 (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 £409,383.70 (representing approximately 2% of the Company's issued ordinary share capital as at 21 May 2024).

NOTICE OF MEETING 2024

NOTICE OF MEETING 2024 CONTINUED

The total maximum nominal amount of equity securities to which resolution 18 relates is £2,456,302.20 (representing approximately 12% of the Company's issued ordinary share capital as at 21 May 2024).

The authority granted by resolution 18 would be in addition to the general authority to disapply pre-emption rights under resolution 17. The maximum nominal value of equity securities that could be allotted if both authorities were used would be £4,912,604.40, which represents approximately 24% of the Company's issued ordinary share capital as at 21 May 2024, being the latest practicable date before the publication of this Notice.

The Board confirms that, should it exercise the authorities granted by resolutions 17 or 18, 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 2025 or on 1 October 2025, whichever is sooner.

19 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 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 39,292,082 ordinary shares, representing 1.92% of the Company's issued ordinary share capital as at 21 May 2024, the latest practicable date before the publication of this Notice.

If the existing authority given at the 2023 AGM and the authority now being sought by this resolution were to be fully used, these options would represent 2.13% of the Company's ordinary share capital in issue at that date.

20 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 20 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, 21 May 2024

NOTICE OF MEETING 2 JULY 2024

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 211, on Tuesday 2 July 2024 at 11am (the "AGM") for the purposes set out below.

Resolutions 1 to 16 will be proposed as ordinary resolutions, and resolutions 17 to 20 will be proposed as special resolutions.

1. To receive the Annual Report and Financial Statements for the 52 weeks ended 30 March 2024.
2. To approve the Directors' Remuneration Report for the year ended 30 March 2024, as set out on pages 95 to 113 of the Annual Report (excluding the part summarising the Directors' Remuneration Policy on pages 100 and 101).
3. To declare a final dividend for the year ended 30 March 2024 of 2p per ordinary share, payable on 5 July 2024 to shareholders on the Register of Members as at the close of business on 31 May 2024.

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. Evelyn Bourke
7. Fiona Dawson
8. Ronan Dunne
9. Tamara Ingram
10. Justin King
11. Cheryl Potter
12. Sapna Sood
13. 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.
14. To resolve that the Audit & Risk Committee determine the remuneration of the auditor on behalf of the Board.

15. 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 and/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 2025 or on 1 October 2025, 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.

16. DIRECTORS' AUTHORITY TO ALLOT SHARES

To resolve that the directors are authorised under Section 551 of the Companies Act 2006 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 £6,823,061.67 (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 £13,646,123.34 (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 2025 or on 1 October 2025, 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.

17. GENERAL DISAPPLICATION OF PRE-EMPTION RIGHTS

To resolve as a special resolution that, subject to the passing of resolution 16, 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 16 (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/or sale of treasury shares in connection with an offer of, or invitation to apply for, equity securities:

- **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;

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

NOTICE OF MEETING 2 JULY 2024 CONTINUED

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 16 and/or in the case of any sale of treasury shares, to the allotment of equity securities and/or sale of treasury shares (otherwise than under paragraph (A) above) up to a nominal amount of £2,046,918.50; and

(C) to the allotment of equity securities and/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 and/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 2025 or on 1 October 2025, 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/or treasury shares to be sold) after the authority ends and the directors may allot equity securities (and/or sell treasury shares) under any such offer or agreement as if the authority had not ended.

18. ADDITIONAL DISAPPLICATION OF PRE-EMPTION RIGHTS

To resolve as a special resolution that, subject to the passing of resolution 16, the directors be empowered in addition to any authority granted under resolution 17 to allot equity securities (as defined in Section 560(1) of the Companies Act 2006) for cash under the authority given by that resolution 16 (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/or sale of treasury shares up to a nominal amount of £2,046,918.50, 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 (otherwise than under paragraph (A) above) 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 2025 or on 1 October 2025, 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/or treasury shares to be sold) after the authority ends and the directors may allot equity securities (and/or sell treasury shares) under any such offer or agreement as if the authority had not ended.

19. 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 204,691,850 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 2025 or until 1 October 2025, 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.

20. 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, 21 May 2024

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 74 to 75, including their membership of the principal Board Committees, with further details available on our website, **corporate.marksandspencer.com.** The notice periods of the current directors are set out in the Directors' Remuneration Report on pages 111 and 113.

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 +44 (0)345 609 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/148-969-154**. Instructions are available on page 212 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 28 June 2024. If you return paper and electronic instructions, those received last by the Registrar before 11am on Friday 28 June 2024 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 28 June 2024.

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 statements 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 28 June 2024 (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 will 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 10am 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.

NOTICE OF MEETING 2 JULY 2024 CONTINUED

14 As at 21 May 2024 (the latest practicable date before the publication of this Notice), the Company's issued share capital consists of 2,046,918,502 ordinary shares carrying one vote each. No shares are held in treasury. Therefore, the total voting rights in the Company as at 21 May 2024 are 2,046,918,502.

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 28 June 2024. 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 **proxymity.io**. Your proxy must be lodged by 11am on Friday 28 June 2024 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.

We will not permit behaviour which may interfere with anyone's safety and comfort, or the orderly conduct of the meeting. Guests will be admitted at the discretion of the Company.

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 21 May 2024 from the General Counsel & Company Secretary on pages 203 to 204 for further explanatory notes.

INFORMATION FOR THE DAY

TIMINGS

Date: **Monday 3 June 2024**
10:00am Registration opens for vote casting and question submission in advance of the meeting.

Date: **Friday 28 June 2024**
11:00am Opportunity to submit votes and questions in advance of the meeting closes.

Date: **Tuesday 2 July 2024**
10:00am Meeting registration 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.

ATTENDANCE AT THE AGM

Shareholders will enjoy the best experience by joining the 2024 AGM online. This can be done by accessing the AGM website: **https://web.lumiagm.com/148-969-154**. Please refer to the following information and the user guide provided on pages 212 to 213 for details of how to join and participate in the meeting electronically.

Shareholders who wish to attend the AGM in person are asked to register their intention to do so in advance of the meeting. Shareholders can register by emailing **privateshareholders@marks-and-spencer.com**, providing their full name and shareholder reference number, or nominee holding details, as applicable. Shareholders holding via a nominee should refer to note 8. Spaces will be allocated on a first-come first-served basis. As the meeting will be broadcast live, shareholders attending the meeting in person may be included in the live broadcast. By attending the meeting, shareholders are consenting to being filmed.

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/148-969-154** on the day.

LOGGING IN

Go to **https://web.lumiagm.com/148-969-154** where shareholders will be prompted to enter their Shareholder Reference Number and PIN. This can be found on the Notice of Availability or Voting Card sent by post. Access to the AGM website to vote and submit questions in advance will be available from 10am on 3 June 2024 until 11am on 28 June 2024. Access to the AGM website will reopen to participate on the day from 10am on 2 July 2024.

QUESTIONS

Shareholders are able to submit questions live during the meeting on the Lumi website by clicking on the "Messaging" button. Alternatively, questions can be submitted in advance via Lumi. A step-by-step guide to voting and question submission in advance and on the day is on pages 212 to 213. Those attending the meeting in person who wish to ask a question will be provided with details and instructions on how to do so on the day of the meeting.

As noted in the Company Secretary's letter on pages 203 to 204 of this Notice, Anita Anand will be posing shareholder questions to the Board during the meeting. Shareholders are able to submit a recorded video question by email to **AGMquestionsubmission@marks-and-spencer.com**, to be received by no later than 5pm on Friday 28 June 2024. Please ensure question recordings last 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

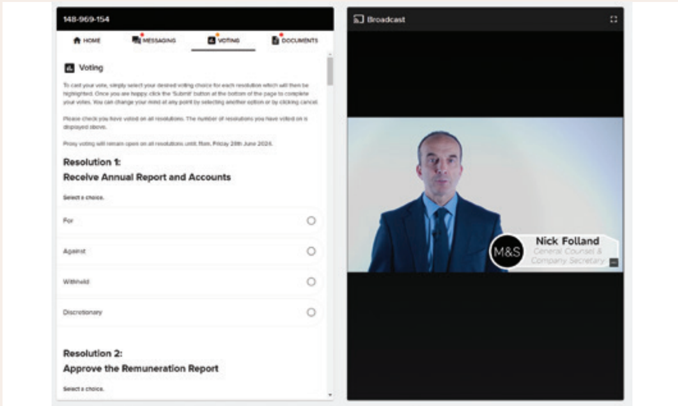
For shareholders voting live during the meeting, the voting options will appear on the screen after the resolutions have been proposed. Shareholders should press or click the option that corresponds with the way in which they wish to vote: "For", "Against" or "Withheld". If a mistake is made or shareholders wish to change their voting instruction, press or click the correct choice for that resolution until the poll is closed. If shareholders wish to cancel their "live" vote, they should press "Cancel". Please note that an active internet connection is required to cast your vote successfully when the Chairman commences polling on the resolutions. It is the responsibility of shareholders to ensure connectivity for the duration of the meeting. Advance voting is also available from 3 June 2024, and details on the different methods for voting in advance are set out in the Company Secretary's letter on pages 203 to 204 of this Notice. A step-by-step guide to voting via the Lumi website live on the day, and in advance, is on pages 212 to 213. Shareholders who attend the meeting in person are encouraged to vote electronically as set out above. Poll cards will be available on request.

PROXIES & CORPORATE REPRESENTATIVES

Duly appointed proxy or corporate representatives should contact the Company's Registrar, Equiniti, before 11am on Monday 1 July 2024 by emailing **hybrid.help@equiniti.com**, for their 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 203. Mailboxes are monitored 9.00am to 5.00pm Monday to Friday (excluding public holidays in England & Wales).

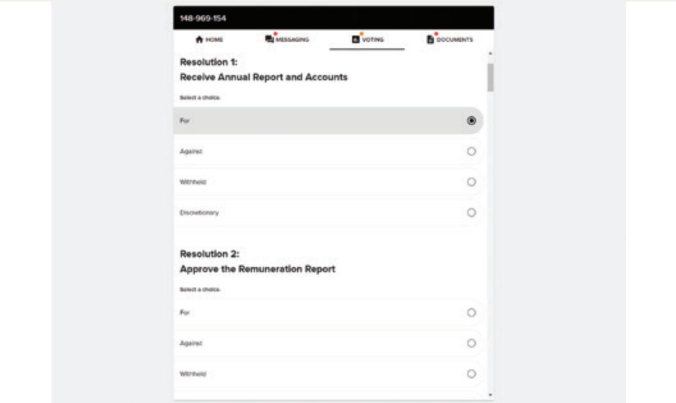
ONLINE USER GUIDE TO THE 2024 ANNUAL GENERAL MEETING

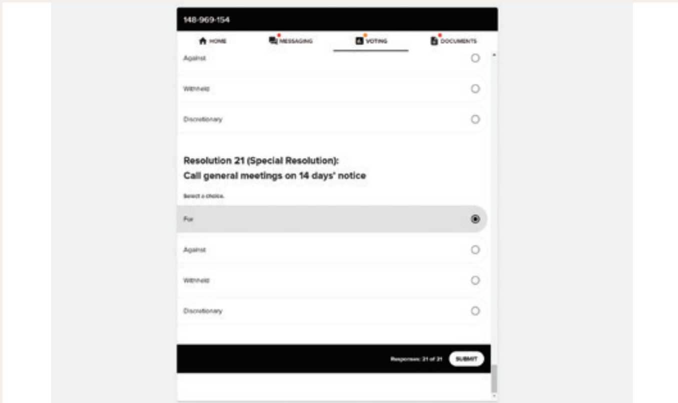
LUMI AGM PLATFORM GUIDE: BEFORE THE AGM



1 Go to **https://web.lumiagm.com/148-969-154**. Shareholders will be prompted to enter their Shareholder Reference Number ("SRN") and PIN, both of which can be found on the Notice of Availability. Shareholders should contact Equiniti by emailing **hybrid.help@equiniti.com** quoting their full name and address to obtain their SRN if they do not have it. 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.

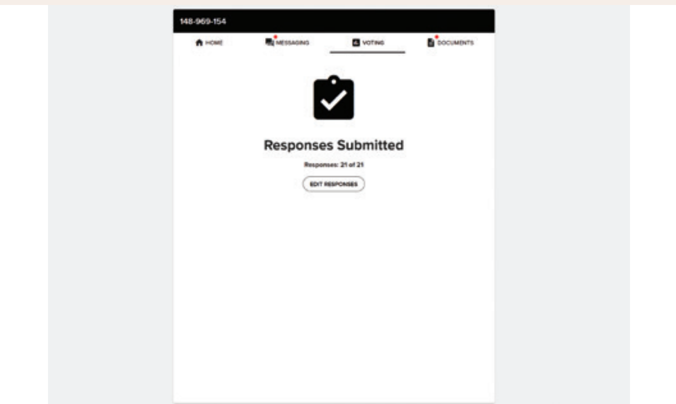


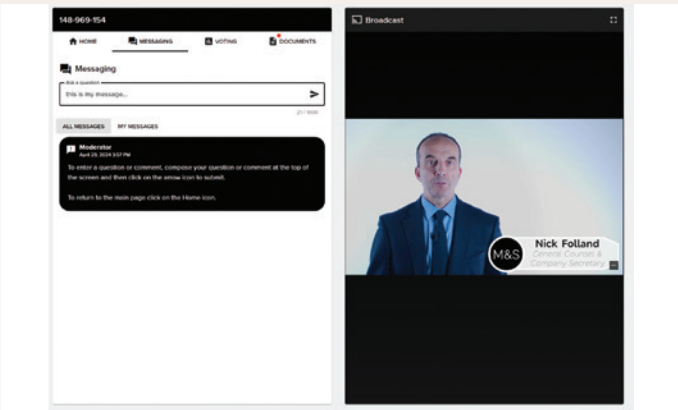


3 To vote, shareholders should select their voting direction from the options shown on screen. Simply select a different option if the wrong choice is selected.

Note: Proxy voting will close at 11am on Friday 28 June 2024.

4 Scroll down the full list of resolutions and vote on each. Once completed, at the bottom of the page, select the "Submit" button.



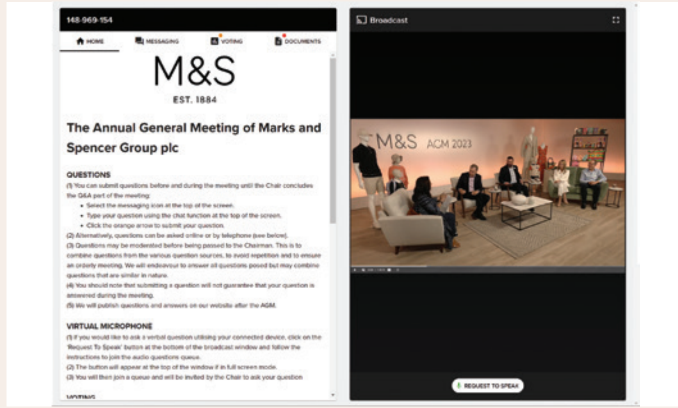


5 If you would like to change your mind, you can do so by clicking "Edit Responses".

6 During the proxy voting period, shareholders can submit a question by typing it into the "Messaging" feature.

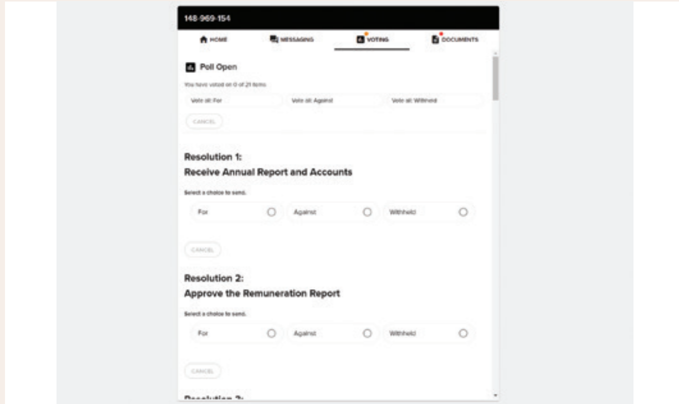
ONLINE USER GUIDE TO THE 2024 ANNUAL GENERAL MEETING

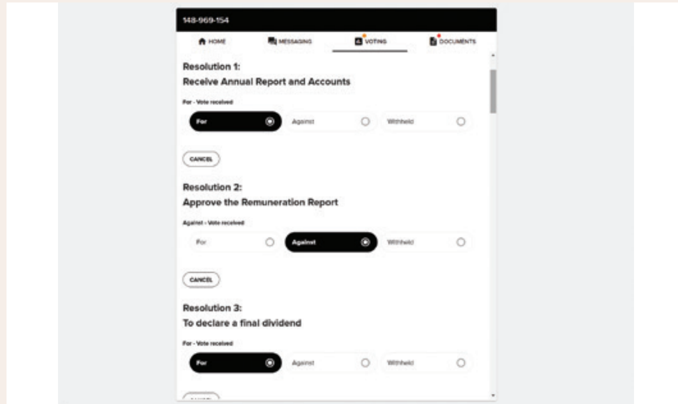
LUMI AGM PLATFORM GUIDE: ON THE DAY



7 The AGM will commence at 11am on Tuesday 2 July 2024. It can be accessed through the same platform: **https://web.lumiagm.com/148-969-154**. Shareholders will be prompted to enter their SRN and PIN, both of which can be found on the Notice of Availability.

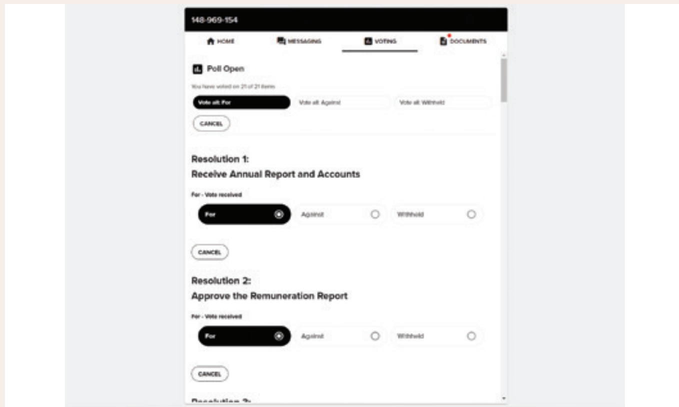
8 The meeting presentation will begin at the start of the AGM, when the broadcast panel will automatically appear at the side of the screen. The screen can be expanded and minimised by pressing the arrow at the top of the page.

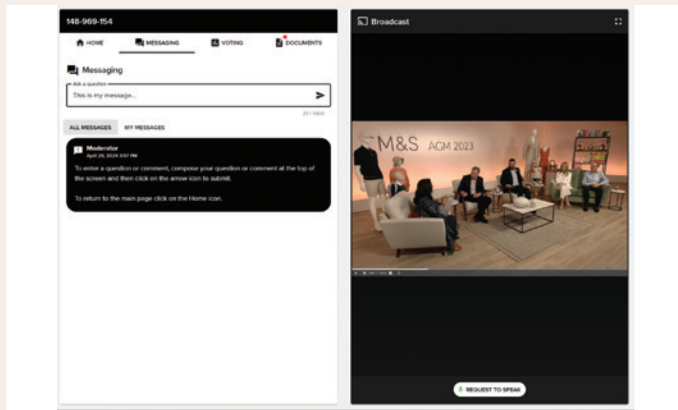




9 When the Chairman declares the poll open, a list of all resolutions and voting choices will appear. Scroll through the list to view all resolutions.

10 For each resolution, shareholders should select the choice corresponding with the way they wish to vote. When selected, a confirmation message will appear. Press a different choice to override a previous selection. To cancel a vote, press "Cancel".





11 To vote for all resolutions at the same time, click on the "Vote All" direction button at the top of the page. Individual resolutions can still be changed if needed while using this feature.

12 To ask a question, select the messaging option in the navigation bar at the top of the page. Type a message within the chat box at the top of the messaging screen. Click the send button to submit.

SHAREHOLDER INFORMATION

ANALYSIS OF SHARE REGISTER

Ordinary shares

As at 30 March 2024, the Company had 122,264 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	65,460	53.54	12,146,937	0.60
501-1,000	22,392	18.32	16,677,055	0.82
1,001-2,000	17,469	14.29	24,890,642	1.22
2,001-5,000	11,930	9.76	36,372,556	1.78
5,001-10,000	3,083	2.52	21,082,056	1.03
10,001-100,000	1,445	1.18	32,566,725	1.60
100,001-1,000,000	299	0.24	118,340,155	5.80
1,000,001-Highest	186	0.15	1,778,279,697	87.15
Total	**122,264**	**100**	**2,040,355,823**	**100**

Category of shareholder	Number of shareholders	Percentage of total shareholders	Number of ordinary shares	Percentage of issued share capital
Private	120,982	98.95	133,925,194	6.57
Institutional and corporate	1,282	1.05	1,906,430,629	93.43
Total	**122,264**	**100**	**2,040,355,823**	**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: +44 (0)333 014 8555
Shareholder queries: +44 (0)345 609 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/investors**.

Additionally, the Annual Report (which contains the Strategic Report) is available for download in pdf format at **corporate.marksandspencer.com/investors**.

2024/25 FINANCIAL CALENDAR AND KEY DATES

30 May 2024	Ex-Dividend Date, Final Dividend
31 May 2024	Record Date to be eligible for Final Dividend
2 July 2024	Annual General Meeting (11am)
5 July 2024	Final Dividend Payment Date
6 November 2024*	Half Year Results†
9 January 2025*	Results, Christmas 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 214 or by visiting **shareview.co.uk**. 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

Subject to the relevant Board and shareholder approvals, dividends are paid in January and July each year. Shareholders who receive their dividend payments directly into their bank accounts will receive an Annual Dividend Confirmation in January, covering both dividend payments made during the tax 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

The 2024 AGM will be a digitally-enabled meeting, broadcast from M&S' Waterside House Support Centre at 11am on Tuesday 2 July 2024. Shareholders may participate in the AGM electronically via the Lumi AGM platform, which can be accessed by logging on to **web.lumiagm.com/148-969-154**. On this website, questions and voting instructions can be submitted, both during the meeting and in advance. A step-by-step guide on how to join the meeting electronically and submit votes and questions can be found on pages 212 to 213.

As the AGM is a digital-first event, shareholders will enjoy the best experience by joining the meeting online. If a shareholder wishes to attend in person, seats will be allocated on a first-come first-served basis. Shareholders are requested to register their intention to do so in advance, so we can manage capacity on the day. Details of how to register attendance can be found on page 211.

The meeting will also be available to view online after the event at **corporate.marksandspencer.com/investors**.

M&S reserves the right to retain and use footage or stills for any purpose, including Annual Reports, marketing materials and other publications.

INDEX

FINANCIAL STATEMENTS

BACK COVER:
M&S King
Blackberries £3

FSC www.fsc.org RECYCLED Paper made from recycled material FSC® C022913

This report is printed on Revive 100 offset, a 100% recycled paper made from post-consumer waste. Revive is manufactured to the certified environmental management system ISO 14001.

Printed at Pureprint Group, ISO 14001.

FSC® certified and CarbonNeutral®.

This report was printed using vegetable oil-based inks by Pureprint Group, a CarbonNeutral® printer certified to ISO 14001 environmental management system and registered to EMAS the Eco Management Audit Scheme.

Both manufacturing mill and the printer are registered to the Environmental Management System ISO4001 and are Forest Stewardship Council® (FSC®) chain of custody certified.

Produced by Brunswick Creative
www.brunswickgroup.com


KING
BLACKBERRIES
OUR LARGEST & JUICIEST
M&S