

## CORPORATE GOVERNANCE STATEMENT 2022

For Marks and Spencer Group plc ('Marks & Spencer'; 'M&S'; the 'Company') for the year ended 2 April 2022. All page references in this statement refer to page numbers in the Annual Report and Financial Statements 2022.

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The Board's primary focus has been to guide the business through varied and challenging headwinds while ensuring the overarching strategy stays the course. The Company is now embarking on the second phase of our transformation programme "Shaping the Future" and the Board continues to take proactive steps to ensure the business is set up for success for the benefit of the Company's shareholders and wider stakeholders. In doing so, the Board remains flexible and able to respond and react to events whilst also fulfilling other core duties to oversee M&S' governance, culture, financial controls, risk and change management.

Our governance framework is structured to facilitate responsive and effective decision making, in support of the Company's ongoing commitment to the highest standards of corporate governance. Further details on our governance arrangements can be found on page 58 of the Annual Report. As always, consideration of the impact on the business' various stakeholders, and on its long-term sustainable success, is integral to decision making. We have outlined how the Board has had regard to the matters set out in Section 172(1) of the Companies Act 2006 on pages 32 to 34 of the Annual Report.

We confirm that throughout the year ended 2 April 2022, the Company has complied with all principles and provisions of the UK Corporate Governance Code 2018 (the 'Code'), which applies to all companies with a premium listing on the London Stock Exchange.

This statement outlines the processes the Company has undertaken throughout the year to apply the Code and demonstrates compliance with each provision. The statement supplements the information given on our governance approach and key issues in our 2022 Annual Report.

A copy of the Code is available from the Financial Reporting Council's website.

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### Board Leadership and Company Purpose

**Provision 1.** In accordance with the Directors' duty under Section 172 of the Companies Act 2006, the Board considers the likely consequences of any decision in the long-term. The Board incorporates the basis on which the Company generates and preserves value in formation of the strategy and strategic decision-making.

Further details of compliance with Provision 1 are contained within the following pages of the Annual Report:

- The Company's governance framework and its contribution to responsive and effective decision-making is outlined on page 58.
- The Company's approach to risk management, including its assessment of long-term viability over three years, can be found on pages 45 to 55.
- The Board delegates oversight of the effectiveness of the risk management process to the Audit Committee. Further details are laid out in the Audit Report on pages 78 to 84.
- An overview of our business model can be found on page 9, with further details for each business unit on pages 10 to 25.
- The contribution of governance to the delivery of the Company's strategy is integrated through the report, with specific details on pages 56 to 58 and 63 to 64.

**Provision 2.** The Board is responsible for establishing, assessing and monitoring the Company's purpose, strategy, and promoting its culture and values. In doing so, the Board ensures the alignment of the Company's culture and the transformation programme.

- An overview of the Company's cultural progress can be found in the People and Culture section on pages 26 to 29 of the Annual Report.
- The Board's activities for the year can be found on pages 32 to 34 and 63 to 64 of the Annual Report. These included how the Board considered the updated Group Purpose, colleague interests, strategic

'deep dives' on culture, related improvements in the talent management framework, and methods of engagement such as Colleague Your Voice surveys and meetings with our colleague representative body BIG (Business Involvement Group).

- The Company's approach to reward, including alignment of senior leadership remuneration with the wider organisation, can be found in the Remuneration Report on pages 85 to 107. Full details of share-based payments are laid out on pages 154 to 156 of the Annual Report.

In addition to competitive reward and benefits, such as employee discount and share schemes, the Company also invests in our colleagues by offering a comprehensive induction programme, tailored training and performance coaching which had a full refresh this year, and an extensive catalogue of training through the M&S e-Learning Hub. Further details are available on the Company's careers website.

**Provision 3.** The Chair of the Board and Chairs of the respective principal Board sub-committees (the 'Committees') ensure there is regular engagement with major shareholders on matters related to their areas of responsibility. In addition to general meetings, there are also investor road shows, written and face-to-face consultations on significant issues and the Board is updated on major investors' views following these meetings. The Chairs of each Committee also provide an update on its activities at each Board meeting following a Committee meeting. Each year the Board reviews an independent report into major investors' views on the Company's management and performance provided by capital markets advisory firm Makinson Cowell.

- An overview of the principal Committees' areas of responsibility can be found on page 58 of the Annual Report and further details are found within their Terms of Reference which are available on our corporate website.
- Presentations for major investors and all interested stakeholders are published on our corporate website.
- An overview of how the Board engages, considers and responds to shareholders and other stakeholders' views and interests can be found on pages 32 to 34 and 63 to 64 of the Annual Report.

**Provision 4.** Following a general meeting, voting results are published on the Company's website. If the votes against a resolution exceeded 20%, an explanation would also be published on the website. At the most recent Annual General Meeting ('AGM') in 2021, there were no resolutions with more than 6.73% of votes cast against the Board's recommendation. The Company engages with shareholders both throughout the year and specifically in respect of new or significantly amended resolutions in order to ensure the Board's recommendation is aligned with the members' views. Details of new resolutions at the Company's forthcoming AGM can be found in the explanatory notes within the 2022 Notice of Meeting and are summarised in a video guide to the Notice on our corporate website.

**Provision 5.** In accordance with the Code, pages 32 to 34 of the Annual Report describe how the Board engages, considers and responds to the views and interests of the Company's key stakeholders set out in section 172 of the Companies Act 2006. The key priorities relating to shareholders, colleagues, suppliers, partners, customers, and the wider community are explained and the Company's and Board's engagement with each is detailed. How each of these parties has been considered is explored generally and also in detail in relation to some of the Board's key strategic decisions during the year. The Board Activities section on pages 63 to 64 also highlights the consideration of different stakeholder groups. Further details of engagement with colleagues specifically can be found on pages 26 to 29, 32 to 34, and 63 to 64 of the Annual Report, including the formal workforce advisory panel, National BIG.

**Provision 6.** The Audit Committee has reviewed the Company's whistleblowing procedures including the reporting and follow-up of any concerns by employees regarding possible improprieties in matters of financial reporting, other fraud-related matters and bribery. Our policies and procedures are detailed in full on our corporate website and summarised on page 31 of the Annual Report.

Our Code of Conduct outlines the behaviours that M&S expects of our colleagues and advises them to report any concerns or suspected wrongdoing by the Company, colleagues or others involved with the Company, by reporting it to a manager, calling a confidential employee helpline, emailing a designated confidential address, or reporting it to the General Counsel & Company Secretary, who will inform the Chief Executive and the Audit Committee Chair of any serious issues as a matter of urgency. As reported last year, the Company launched this new Code of Conduct to set a floor of commitments and responsibilities for business conduct based on the Group's principal risks and regulatory requirements. During the course of the year, the Audit Committee has monitored compliance with the Code, and the Company believes this has provided sufficient visibility to monitor and assess risk and produced an overall improvement in the Company's non-financial controls.

**Provision 7.** The Company has procedures in place for managing conflicts of interest. Should a director become aware that they, or any of their connected parties, have an interest in an existing or proposed transaction with Marks & Spencer, 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 report any changes to these conflicts.

**Provision 8.** Where directors have concerns about the operation of the Board or management of the Company that cannot be resolved, this would be recorded in the Board minutes by the General Counsel & Company Secretary. On resignation, non-executive directors are required to provide a written statement to the Chairman, for circulation to the Board, if they have any such concerns. This year, no such concerns have been recorded.

### **Division of Responsibilities**

**Provision 9.** The Chairman, Archie Norman, was deemed independent on appointment in 2017. The role of Chairman is separate to that of Chief Executive Officer, which was exercised by Steve Rowe during the year. As of 25 May 2022, Steve Rowe stepped down and has been succeeded by Stuart Machin as Chief Executive Officer and Katie Bickerstaffe as Co-Chief Executive Officer.

**Provision 10.** The non-executive directors are identified on pages 60 and 61 of the Annual Report and short biographies are provided for each. Full biographies are available on the corporate website. While Andy Halford's tenure has now reached nine years, the Nomination Committee has reviewed and agreed he remains independent, as detailed on page 67 of the Annual Report. As such, the Board has determined that each non-executive director is independent in character and judgement, commits sufficient time and energy to the role and continues to make a valuable contribution to the Board and its Committees. The Board keeps under review whether there are relationships or circumstances which are likely to affect, or could appear to affect, their independence.

**Provision 11.** Independent non-executive directors, excluding the Chairman, constitute the majority of the Board. The Board reviews the independence of its non-executive directors as part of its annual Board Effectiveness Review, details of which can be found on page 65 of the Annual Report. The non-executive directors also meet annually, led by the Senior Independent Director ('SID'), to conduct the Chairman's appraisal. The results of the meeting are then fed back to the Chairman by the SID.

**Provision 12.** Andy Halford, SID, provides a communication channel between the Chairman and the non-executive directors. He ensures the views of each non-executive director are given due consideration. He is an additional contact point for shareholders if they have reason for concern that cannot be addressed through the normal channels of Chairman, Chief Executive or other executive directors or for which such contact is inappropriate. The SID chairs meetings of the non-executive directors, without the Chairman present, at least annually to review the performance of the Group generally and the Chairman in particular.

In January 2022, Andy reached nine years of service on our Board. The Nomination Committee discussed his independence in depth and, in agreement with the internal Board Review, established Andy remains independent in both character and judgement. It was agreed his roles as SID and member of the Audit Committee remain an important constant while the new leadership team settle into their roles. In line with our succession plan, he stepped down as Chair of the Audit Committee on 7 June 2022 whilst remaining a member of the Committee, and will leave the Board by the end of 2022. See page 67 of the Annual Report for more information.

**Provision 13.** The recommendation of new executive appointments is delegated to the Nomination Committee, which solely comprises the non-executive directors. The activities of the Nomination Committee can be found on pages 66 to 69 of the Annual Report.

The Board as a whole is responsible for overseeing and holding management to account against agreed performance objectives. The Chairman meets the non-executive directors without the executives present to scrutinise and evaluate the performance of management and individual executive directors and to receive further insight into the performance of the Group and management. See page 66 of the Annual Report for more information.

**Provision 14.** The responsibilities of the Chairman, Chief Executive, SID, Board and Committees are set out in the Governance Framework, which is reviewed by the Board, available to view on the corporate website, and

detailed on page 58 of the Annual Report.

The number of Board and Committee meetings held during the year and details of individual attendance by the directors are disclosed in the appropriate sections of the Annual Report:

- Board – see page 59
- Nomination Committee – see page 66
- ESG Committee – see page 70
- Audit Committee – see page 78
- Remuneration Committee – see page 107

**Provision 15.** The directors have ensured that they have sufficient time to carry out their duties. The Chairman's job specification included an assessment of the time commitment expected and an overview of the Chairman's role is available to view in the Governance Framework on our corporate website. The Chairman's other significant commitments were disclosed to the Board before his appointment and are included on page 60 of the Annual Report and in the full Board biographies on our corporate website. Any changes to these commitments will be reported to the Board as they arise and published in the subsequent Annual Report.

The appointment letter for non-executive directors sets out their terms and conditions of appointment, detailed information on the Group and the expected time commitment, including dates of future Board meetings and AGMs. Their other significant commitments are disclosed to the Board before appointment, with a broad indication of the time involved. The Board is informed of any subsequent changes. Their letters of appointment are available for inspection through the General Counsel & Company Secretary and via our AGM.

No full-time executive director has taken on more than one non-executive directorship of a FTSE 100 company, or the chair role of such a company.

**Provision 16.** All directors have access to the advice and services of the General Counsel & Company Secretary, who plays a key role in the promotion of good governance and is responsible for ensuring that Board procedures are complied with. The appointment or removal of the Company Secretary is a matter for the Board as a whole.

Additionally, the Company has in place an established procedure whereby the Board or any of its Committees may take independent professional advice when appropriate. Any individual director wishing to do so in the furtherance of their duties may take independent professional advice through the General Counsel & Company Secretary at the Company's expense.

## **Composition, Succession and Evaluation**

**Provision 17.** The Nomination Committee, which comprises the Chairman (who also chairs the Committee) and the non-executive directors, reviews the leadership and succession needs of the organisation and ensures appropriate procedures are in place for nominating, inducting and evaluating directors. The Chairman of the Board does not chair the Committee when it is discussing matters relating to their succession.

Due regard is given to the benefits of diverse senior leadership, including gender, social background and ethnicity. This year the Committee's activities had particular focus on strengthening diversity and aligning the Company's leadership team's skills with the strategic priorities. Further details can be found in the Nomination Committee report on pages 66 to 69. In addition, the Committee ensures that the Group's governance framework facilitates efficient, effective and entrepreneurial management that can deliver shareholder value over the long term. Appointments are made on merit and against objective criteria to ensure that the Board maintains a balance of skills, knowledge, and experience. An overview of the CEO succession and induction process can be found on page 67 of the Annual Report.

The Committee's performance was reviewed as part of the 2021/22 Board Evaluation, which is covered on page 65. The Committee's Terms of Reference are available on our corporate website and an overview of its activities, and appointments made to the Board during the year, are provided on pages 66 to 67 of the Annual Report.

**Provision 18.** Under the Company's current Articles of Association, all directors seek election at their first AGM following appointment and all directors are subject to annual re-election by shareholders at each AGM

thereafter. All directors were subject to election by shareholders at the 2021 AGM, and will again stand for election by shareholders at the 2022 AGM. Directors' biographies are given on pages 60 and 61 of the Annual Report and can be viewed on our corporate website, enabling shareholders to take an informed decision when determining their election/re-election.

It is the Board's view that the directors' biographies (in the Annual Report and on our corporate website) illustrate why each director's contribution is, and continues to be, important to the Company's long-term sustainable success.

**Provision 19.** The current Chairman, Archie Norman, was appointed to the role in September 2017.

**Provision 20.** To support the recent appointments of the incoming CEOs, the Committee appointed and worked with an independent executive search firm, which does not have any other connection with the Company aside from the provision of recruitment services. The Board supports the provisions of the Voluntary Code of Conduct for Executive Search Firms and only engages executive search firms who are signatories to this code.

**Provision 21.** The Board is committed to best practice in its governance activities. The annual Board effectiveness review provides a useful opportunity for the directors to take a step back and reflect on their collective and individual effectiveness, consider where improvements can be made and chart progress. The Annual Report sets out how the Board and its Committees have been reviewed, their respective performances during 2021/22, and action plans for 2022/23, as detailed on pages 65, 71, 80 and 106 of the Annual Report.

The 2021/22 review was conducted internally. An overview of the review process can be found on page 65 of the Annual Report, and took the form of a series of structured interviews conducted internally and led by the Chairman and supported by the General Counsel & Company Secretary. These interviews were conducted in accordance with the principles of the Code and the supporting Guidance on Board Effectiveness. The Chairman received feedback from all Board members on his performance, which confirmed that his style and approach had been appropriate and necessary to drive change during the critical first stage of transformation.

Externally facilitated Board reviews are held at least every three years. The Company's last externally facilitated Board Review took place in 2021 and was detailed in the 2021 Annual Report on page 70.

**Provision 22.** The 2022 Board Effectiveness Review concluded with the agreement of an action plan to address the areas of improvement highlighted during the review process. The Board action plan for 2022/23, with which all Board members are fully engaged, is set out on page 65 of the Annual Report.

**Provision 23.** The Annual Report describes the work of the Nomination Committee including:

- The process used in relation to appointments, its approach to succession planning and how both support a diverse pipeline on pages 66 to 69.
- How the Board evaluation has been conducted, the outcomes and actions taken on page 65.
- The Board Diversity Policy, its objectives and links to strategy, how it has been implemented and progress on achieving the objectives on pages 68 to 69. The full policy can be found on the Company's corporate website.
- The gender balance of those in senior management and their direct reports on pages 68 and 69.

## **Audit, Risk and Internal Control**

**Provision 24.** As at 2 April 2022, and at the date of publication (7 June 2022), the Audit Committee comprises three independent non-executive directors: Andy Halford, Justin King, and Evelyn Bourke. Andy Halford was Chair during the year, and Evelyn Bourke became Chair with effect from 7 June 2022. The Board has satisfied itself that Andy Halford and Evelyn Bourke have recent and relevant financial experience and that the Audit Committee as a whole has competencies relevant to the sectors in which the Company operates. Detailed information on the experience, qualification and skillsets of all Committee members can be found on pages 60 and 61 of the Annual Report. The Committee also has access to the financial expertise of the Group and its external and internal auditors and can seek further professional advice at the Company's expense, if required.

**Provision 25.** The main roles and responsibilities of the Audit Committee, which include those described in provision 25 of the Code, are set out in written Terms of Reference which are available on our website. An

overview of the Committee's activities during the year, along with how its performance was rated, is provided on pages 78 to 84 of the Annual Report.

At the Board's request for advice on the matter, the Audit Committee confirmed that the 2022 Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy. Further information can be found on page 80 of the Annual Report.

**Provision 26.** The work undertaken by the Audit Committee in discharging its responsibilities during 2021/22 is described in the Audit Committee Report on pages 78 to 84 of the Annual Report. In accordance with the Code, this includes:

- Significant issues considered by the Committee in relation to the financial statements and how these issues were addressed (pages 81 to 82).
- An explanation of how the Committee has assessed the effectiveness of the external audit process, the approach taken to the reappointment of the Company's auditor, Deloitte LLP, and information on their length of tenure (appointed in 2014) and when a tender was last conducted (page 83).
- The Audit Committee's recommendation regarding the re-appointment of the external auditor. As authorised by shareholders at the 2021 AGM, the Audit Committee determines the level of remuneration for the external auditor on behalf of the Board. Details of this year's fees are given in note 4 to the financial statements in the 2022 Annual Report.
- A description of the Company's Auditor Engagement Policy and how this safeguards the auditor's objectivity and independence. This policy is reviewed annually and is available on our website.

**Provision 27.** The responsibilities of the directors in preparing the Financial Statements are set out on page 112 of the Annual Report, as is confirmation that the directors consider the Annual Report and Financial Statements, taken as a whole, to be fair, balanced and understandable.

**Provision 28.** The Board has confirmed on pages 45 to 46 of the Annual Report that it has carried out a robust assessment of the principal and emerging risks facing the Company, including those that could threaten its values, reputation, business model, future performance, solvency or liquidity. Descriptions of those risks and how they are mitigated are set out on pages 47 to 54.

**Provision 29.** On behalf of the Board, the Audit Committee has completed its annual review of the effectiveness of the Group's risk management process and systems of internal control, and has reported on that review on page 46 of the Annual Report. No significant failings or weaknesses were identified in respect of the year ended 2 April 2022 and up to the date of the Annual Report. Where the Committee has identified areas requiring improvement, processes have been put in place to ensure that the necessary action is taken and progress is monitored.

**Provision 30.** The directors' going concern statement is given on page 111 of the Annual Report. 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 operate within the level of its facilities for the foreseeable future, being a period of at least 12 months from the approval of the financial statements.

**Provision 31.** The Board explains on page 55 of the Annual Report how it has assessed the prospects of the Company over the longer term and why it considers a three-year period to be appropriate for the purposes of this assessment. On page 111 of the Annual Report, the Board confirms that it has a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over this period.

## Remuneration

**Provision 32.** The Remuneration Committee currently comprises three independent non-executive directors – Andrew Fisher (Chair), Tamara Ingram and Archie Norman. Archie's membership is deemed appropriate as he was considered independent on appointment and does not Chair the Committee.

Prior to his appointment as Chair of the Remuneration Committee, Andrew Fisher had been a member of a remuneration committee (for Moneysupermarket.com Group PLC) for more than 12 months. The Committee met five times during the year under review. The Committee attendance table can be found on page 107 of the

Annual Report. An overview of what the Committee has done during the year, along with how their performance was rated, is provided on pages 106 to 107 of the Annual Report.

**Provision 33.** The Remuneration Committee's primary role, on behalf of the Board, is to set the senior remuneration strategy and framework, giving due regard to the financial and commercial health of the Company and to ensure the executive directors and senior management are fairly rewarded for their individual contributions to the Company's overall performance. The remit of the Committee also includes considering the appropriateness of the senior remuneration framework when reviewed against arrangements throughout the rest of the organisation, determining the terms of employment and remuneration for executive directors and senior managers. This includes recruitment and termination arrangements, approving the design, targets and payments for all annual incentive schemes that include executive directors and senior managers. In addition, the Committee agrees the design, targets and annual awards made for all share incentive plans requiring shareholder approval. The Remuneration Committee report can be found on pages 85 to 107 of the Annual Report.

**Provision 34.** The fees paid to our non-executive directors recognise the responsibility of the role, the time commitments required and are not performance related nor pensionable. Non-executive directors do not participate in any of the Company's share schemes nor the Annual Bonus Scheme. The basic annual fee which includes membership of Committees was £72,215 per annum with effect from 1 July 2021. In line with pay increases across the business, non-executive director fees will increase by 3% to £74,380 with effect from 1 July 2022. The additional fee for acting as Chair of the Audit, Remuneration or ESG Committees was £20,000 with effect from 1 January 2022. The SID received a total fee of £103,215, which will increase to £105,380, in line with the increase to basic non-executive director fees. Each of the non-executive director fees are disclosed on page 104 of the Annual Report.

**Provision 35.** Full details of advice provided to the Remuneration Committee by its internal support, external advisers, and review of surveys and bespoke benchmarking data is detailed on page 107 of the Annual Report. This statement includes identification of PwC as external consultants and their connection with the Company. The Remuneration Committee exercises independent judgement when evaluating advice from external third parties and receiving views from executive directors and senior management. Executive directors and senior management are not present for discussions that relate directly to their own remuneration.

**Provision 36.** Performance-related elements of remuneration form a significant proportion of the total remuneration package of executive directors. M&S is committed to ensuring its remuneration arrangements motivate participants to strive for exceptional performance while also protecting shareholder value from unnecessary risk-taking. As such, clawback and malus provisions apply to these incentive arrangements. The malus provisions allow the Committee, in its absolute discretion, to determine at any time prior to the vesting of an award to reduce the number of shares, cancel an award or impose further conditions on an award in circumstances for which the Committee considers such action to be appropriate. Such circumstances may include, but are not limited to, a material misstatement of the Company's audited results. The clawback provisions enable the Committee, in its absolute discretion, to reclaim awards paid to individuals for up to two years after the respective vesting or payment date where specified events occur. The Executive Directors shareholding requirements stipulate that they must hold any shares awarded for two years after vesting.

Further detail of the Remuneration Policy including information on holding periods, clawback, and post-cessation periods can be found on pages 91 – 94 of the Annual Report.

**Provision 37.** Recent world events have highlighted the importance of having a flexible Remuneration Policy that has the appropriate permissible discretions to ensure that M&S senior pay arrangements truly reflect the performance of the Company and are aligned with shareholder interests. Page 87 of the Annual Report explicitly outlines the discretions applied to ensure that the Remuneration Committee was able to act in the best interests of the business and our shareholders in unknown and unpredictable circumstances.

The Remuneration Committee has the ability to apply malus, clawback and responsible application of discretion to override formulaic outcomes of the incentive schemes to ensure that pay outcomes are appropriate in the wider business and economic climate beyond the relevant performance measures. During the year, the Committee discussed the breadth of provisions in place and agreed that these provide the Committee with sufficient capacity to act appropriately in unforeseen circumstances. The clawback provisions which have been in place since 2015 and may be exercised by the Committee under a number of circumstances, include, but are not limited to, financial misstatement, calculation errors, gross misconduct or events/behaviour having a detrimental impact on the reputation of any member of the Group.

During the year, the Committee carefully considered pay arrangements and where it may or may not be appropriate to apply discretion. Discretion was applied when the Committee carefully considered and concluded it was appropriate to award Steve Rowe a bonus despite him being under notice at the date of payment. The Committee did not apply any discretion during the year to the outcomes of the 2019 Performance Share Plan ("PSP"), which reached the end of its performance period on 2 April 2022 and will lapse in full. The Committee agreed that the final vesting of the 2019 PSP was reflective of the last three years of the shareholder experience during the period and the scheme had operated as intended.

**Provision 38.** Executive directors may participate in M&S' defined contribution arrangement on the same terms as other colleagues. The cash supplement in lieu of pension contributions has been removed under the terms of the Remuneration Policy which was approved at the 2020 AGM for any future director.

**Provision 39.** All executive directors have rolling contracts for service which may be terminated by M&S giving 12 months' notice and the individual giving six months' notice.

The Chairman has an agreement for service which can be terminated on six months' notice by either party. Non-executive directors have agreements for service with the Company for an initial three-year term, subject to annual re-election, which can be terminated on three months' notice by either party. Details of each executive director's and non-executive director's contract terms are set out on pages 104 to 105 of the Annual Report.

**Provision 40.** The Remuneration Committee continues to have a strong focus on setting remuneration policy and practices that are designed to support strategy and promote the long-term success of M&S, while following the below principles:

- Clarity – remuneration arrangements are transparent and promote effective engagement with shareholders and the workforce.
- Simplicity – remuneration structures are uncomplicated, and their rationale and operation are easy to understand.
- Risk – remuneration practices ensure that reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans, are identified and mitigated.
- Predictability – the range of possible values of rewards to executive directors is identified and explained at the time of approving the policy.
- Proportionality – the link between individual awards, the delivery of strategy and the long-term performance of the Company is clear. Outcomes should not reward poor performance.
- Alignment with culture – incentive schemes drive behaviours consistent with M&S' purpose, values and strategy.

**Provision 41.** The work of the Remuneration Committee is detailed on pages 85 to 107 of the Annual Report and included:

- The strategic rationale for executive directors' Remuneration Policy, including structures and performance metrics, is detailed in pages 85 to 94.
- Reasons why the remuneration is appropriate using internal and external measures, pay ratios and pay gaps is detailed on pages 87 to 90, 99 and 103.
- A description, with examples, of how the Remuneration Committee has addressed the factors in Provision 40 on page 106 and throughout the Remuneration Committee report on pages 85 to 107.
- Confirmation that the Remuneration Policy has operated as intended with the Committee applying robust and proactive discretion to the 2021/22 application of the policy, for example the meaningful deliberation given to the appropriateness of awarding Steve Rowe a bonus despite being under notice on the date of payment.
- Engagement with shareholders and the impact this has had on pages 85 to 90, 91 to 94 and 107.
- Engagement with the workforce, including collaboration with BIG and Your Voice Surveys, on pages 88 and 89.
- The extent to which discretion has been applied to remuneration outcomes and why throughout the Remuneration Committee report and specifically on pages 87 to 88.