ESG COMMITTEE REPORT
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Task Force on Climate-related Financial Disclosures report

INTRODUCTION

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

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

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

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

STRATEGY AND RISK MANAGEMENT

Since its launch in 2007 Plan A, our sustainability programme, has underpinned the resilience of our organisation's strategy, ensuring that we are managing the environmental and ethical risks and opportunities we face as a business, including climate-related issues. In September 2021, our Executive Committee and the Board's ESG Committee reset Plan A to focus exclusively on our new Group goal of being a net zero business by 2040, integrating this ambition into our core strategic planning processes, budgeting and commercial strategy. Led by the CEO, over the course of 2021 the Executive Committee reviewed and updated the sustainability strategies of the Group and accountable businesses. An independent expert review was commissioned to identify the most material sustainability issues for our business and assess our performance relative to competitors. This review highlighted the importance of climate change as an issue for multiple stakeholders and for the M&S business over the short, medium and long term, and led to the inclusion of climate change as a standalone emerging risk in last year's Annual Report. Our response to TCFD last year explored this emerging risk and identified the need to better understand the transitional and physical risks and opportunities we face as a business.

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

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

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

Climate risks and opportunities

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

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

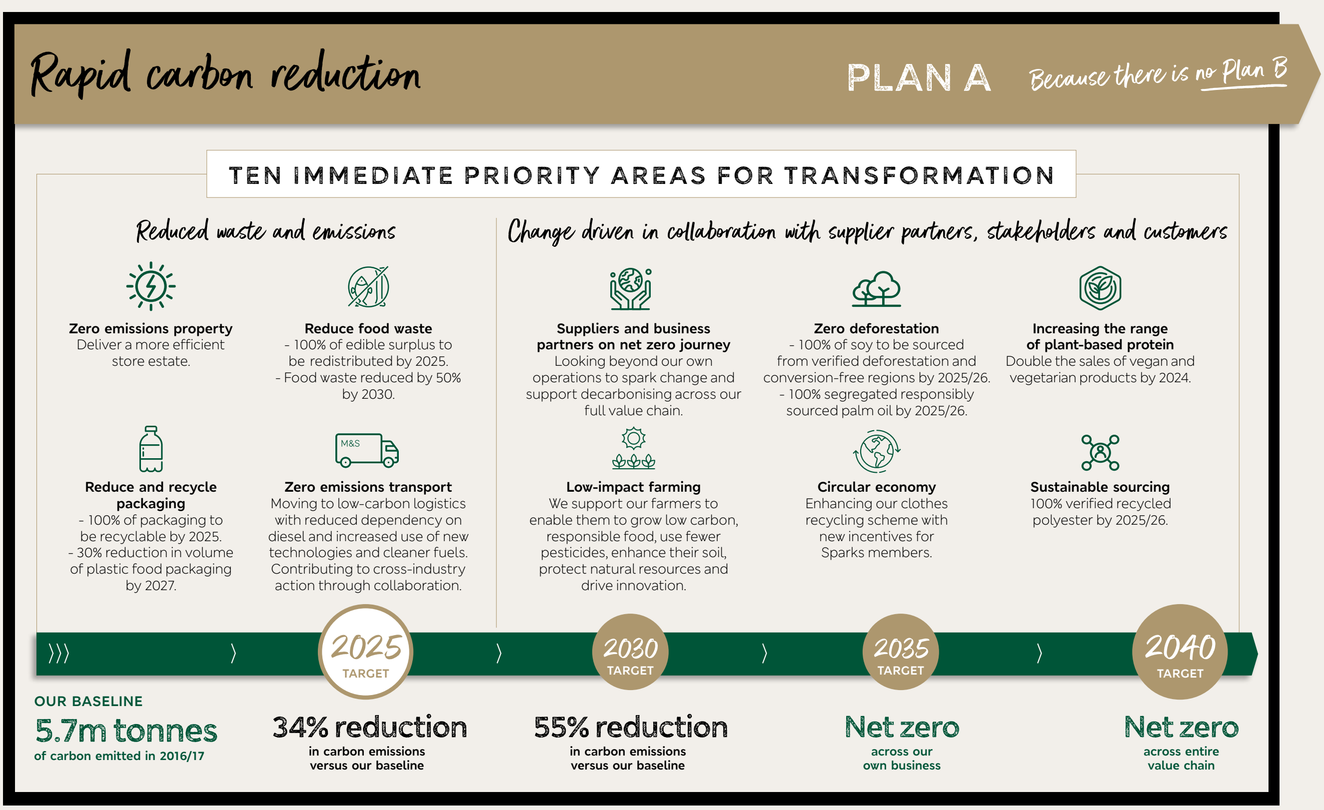
Risk key S Short term M Medium term L Long term

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

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

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

OUR ROADMAP TOWARDS NET ZERO



ESG COMMITTEE REPORT CONTINUED

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES REPORT CONTINUED

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

To support our net zero ambition, we are resetting our investment approach to ensure Plan A sits at the very centre of investment decisions. We have begun to integrate the climate-related risks and opportunities into our three-year financial planning process by, for example, including the capital expenditure required to manage the impact of our climate-related risks in our operations and the profit impact from climate-linked products and services. As part of our broader financial strategy, we have also launched our first sustainability-linked loan facility.

£850m Sustainability-linked loan facility

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

Quantitative scenario analysis

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

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

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

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

What does a 1.5°C scenario look like?

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

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

What does a 4°C scenario look like?

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

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

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

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

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

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

Impact in 2030

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

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

METRICS AND TARGETS

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

- 2025 target – 34% reduction in carbon emissions versus our baseline[1].
- 2030 target – 55% reduction in carbon emissions versus our baseline.
- 2035 target – Net zero across our own business.
- 2040 target – Net zero across our entire value supply chain.

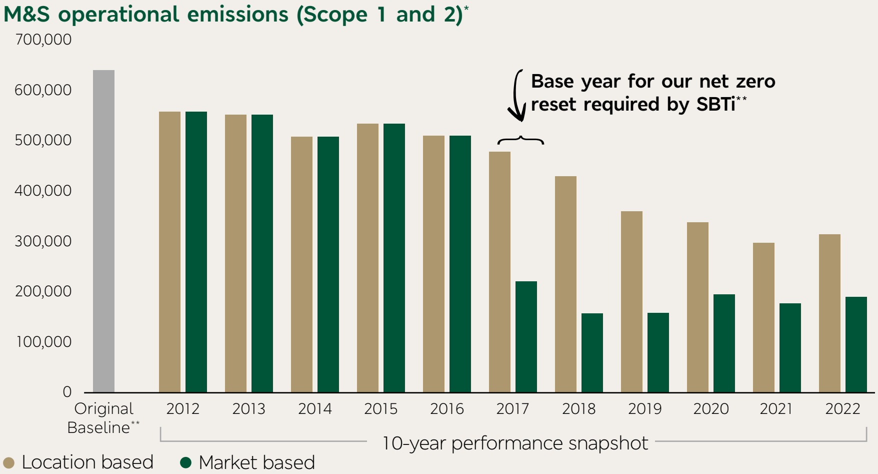
To achieve these targets, our roadmap includes 10 key workstreams outlining the immediate priorities we will focus on as we make on our journey towards net zero. These workstreams are at differing levels of maturity. Those more mature workstreams have targets (see roadmap on page 73) with associated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

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

Greenhouse gas emissions

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

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



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

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

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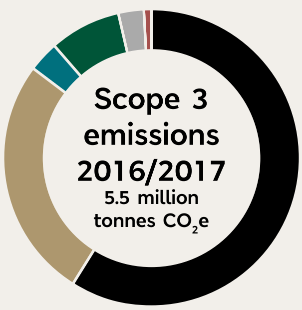
TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES REPORT CONTINUED

METRICS AND TARGETS CONTINUED



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

Integrating sustainability metrics in remuneration

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

Streamlined energy and carbon reporting

Energy and transport fuel consumed

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

^ Energy consumption (GWh) for 2020/21 has been re-stated to account for a historical reporting error that has been identified, concerning reported energy from diesel fuel. Consumption of diesel fuel has been reported accurately in litres, with fuel cards being used to collect data. A conversion factor used to calculate energy (GWh) from fuel consumption (litres) has previously been applied incorrectly, and as such, the energy reported last year has been re-stated. The conversion factor used to calculate greenhouse gas emissions (tCO_2e) from diesel fuel consumption (litres) was applied correctly and reported as such.

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

Greenhouse gas ("GHG") emissions

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

^^ GHG emissions (000 tCO_2e) for 2020/21 have been restated to account for the Motherwell warehouse coming into M&S' boundary of operational control in 2021/22, since operations began at the site during 2020.

GOVERNANCE

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

Executive accountability for overseeing the structure of the Group's overall risk management framework sits with the CFO, supported by the Group Risk team. At a management level, the leadership teams of the business areas (Food, Clothing & Home, International, Retail & Property and Bank & Services) are responsible for their business' risk register, and for managing and resourcing mitigating activities.

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

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

Following confirmation of our Group goal, we set up a Plan A (Net Zero) Steering Group to mobilise action across the business in line with the roadmap towards net zero.

This Steering Group is formed of business representatives across the leadership team and sponsored by the CFO and Nick Folland, our General Counsel & Company Secretary, who are responsible for Plan A. The Group meets bi-monthly to drive progress along our roadmap and workstreams, ensuring that targets are delivered to mitigate our climate risks, including those identified in our scenario analysis. The Steering Group also ensures suitable considerations are included within the financial planning cycle. The Steering Group updates the ESG Committee, a sub-committee of the Board, on a quarterly basis on progress against our net zero targets.

Board – Ultimate responsibility for both Risk Management and ESG matters, including those risks and opportunities related to climate change.

Audit Committee

- Responsible for ensuring the effectiveness of the risk management process, and confirming that the principal risks and uncertainties of the business are appropriately addressed.
- Reviews the principal risks twice a year, of which climate change and environmental responsibility is one.

ESG Committee

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

Executive Committee

- The CEO is accountable for the delivery of the Company's ESG programme including climate change.
- The Executive Committee members are individually responsible for reviewing and confirming risks in their own areas, including climate risks.

Group Risk Management

- Responsible for implementing the Group risk management process, through which the business manages climate-related risks.
- See risk management process and governance overview on page 45.

Plan A (Net Zero) Steering Group

- Responsible for driving progress along our Net Zero Workstreams, which mitigate our climate risks.
- Updates the ESG Committee on a quarterly basis on progress against targets.
- Ensures net zero strategy considerations are included within financial planning cycles.

Business and Functional Leadership Teams

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

ACTIONS WE WILL TAKE IN 2022/23

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

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