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M&S online
marksandspencer.com

Plan A 2020
marksandspencer.com/plana
planareport.marksandspencer.com

M&S Reporting
Read our annual report at
annualreport.marksandspencer.com

M&S OVERVIEW

About M&S Marks & Spencer is a global, multi-channel retailer of mainly own brand high-quality, great value food, clothing and home products. There are 1,382 M&S stores worldwide and we employ 82,900 people. Our values are: Inspiration, Innovation, Integrity and In Touch.

Marks & Spencer is listed on the London Stock Exchange and our principal trade associations are Eurocommerce, Confederation of British Industry and the British Retail Consortium. We are also a member of the World Economic Forum and the Consumer Goods Forum.

GROUP REVENUE
£10.4bn +0.8%

UNDERLYING GROUP PROFIT BEFORE TAX
£684.1m +3.5%

GROUP PROFIT BEFORE TAX
£483.3m -19.5%

EMPLOYEES WORLDWIDE
82,900 78%
ENGAGEMENT SCORE

NUMBER OF SUPPLIERS GLOBALLY
2,200

CO ₂ EMISSIONS NET	GROSS	PER 1,000 SQ FT
0	566,000	29
TONNES	TONNES -4%	TONNES -3%

OUR SUSTAINABLE VALUE CREATION MODEL

PLAN A 2020

OUR RESOURCES & RELATIONSHIPS

£ FINANCIAL

Generating returns for our stakeholders through effective management of our financial resources

OUR PRODUCTS & CHANNELS

Maintaining our channels and supply chain infrastructure to meet customer demand

OUR INTELLECTUAL CAPITAL

Strengthening our brand through creation and protection of our intellectual properties

OUR RESOURCES & RELATIONSHIPS

OUR PEOPLE

Developing our employees and their knowledge

OUR STAKEHOLDERS

Building and nurturing relationships with our customers and suppliers, and in the communities in which we operate

NATURAL RESOURCES

Sourcing responsibly and using natural resources efficiently



THE M&S DIFFERENCE

+ See more about our Value Creation Model in our 2016 Annual Report

Front cover image

Spark Something Good community projects will each help 24 charities in 24 cities over 24 months.

CHIEF EXECUTIVE'S INTRODUCTION

PUTTING CUSTOMERS AT THE HEART OF PLAN A



Plan A will continue to underpin how we do business at M&S. Our challenge is to make it **more accessible** to our customers.

STEVE ROWE CHIEF EXECUTIVE OFFICER

I'm very proud to have become CEO at M&S. Since my first day at our Croydon store in 1983 I've been passionate about this business and its 32 million customers.

Every day, in hundreds of communities across Britain and overseas, we try to enhance the lives of those customers, through our attractive stores and website, our exceptional products and services, and our fantastic people. But there's more to M&S than that.

For 132 years, our customers have recognised that M&S is a business with a greater purpose, one that seeks to do things in a responsible way. This means they can be proud to shop with M&S, secure in the knowledge that every store they visit, every colleague they meet, every product they buy, makes a positive difference.

We're very proud of our heritage, but we're firmly focused on looking forward. We know that we have a responsibility to build a successful, sustainable future – not just for our business and shareholders, but for the communities we serve and the lives we touch. And since its launch in 2007, Plan A has been the catalyst for giving greater focus and drive to how we do this.

Under the leadership of my predecessors, Lord Rose and Marc Bolland, we've delivered over 175 Plan A commitments, won 230 awards, saved £500m, and made a positive difference to the retail sector as a whole through the Consumer Goods Forum (CGF), Business in the Community (BitC) and many other industry bodies. Most recently, we made the case for sustainability at the Paris Climate negotiations (COP21). Now I'm delighted that it's my turn to pick up the baton, to help us push Plan A even further forward and make even more of a difference to our customers' lives, to the communities they live in, and to the planet we all depend on.

We know our customers are concerned about the future and that they expect us to take a lead in helping them enjoy happier, healthier, more fulfilling lives. We know their concerns are growing and they want us to work with real pace to make a positive difference.

So, we'll integrate Plan A even further into M&S and the way it does business. We'll be clearer with our customers about what we do on their behalf and help them to make a difference too. We know Plan A is a 'win win' approach – a simpler, more efficient, less wasteful business is better for the planet and for our bottom line – so we'll chase that even harder.

Finally, we know that we can't be a sustainable business, one that is good for all, without teamwork – inside M&S and with other businesses and stakeholders – so we'll continue to prioritise partnerships in all we do.

We've achieved a lot in nine years of Plan A, but I'm determined that we achieve even more in the years to come, and that our customers and colleagues will be at the heart of this.

STEVE ROWE CHIEF EXECUTIVE OFFICER

WHAT'S IN THIS REPORT?

OVERVIEW

- 01 Chief Executive's introduction
- 02 Implementing Plan A 2020
- 04 Connected value
- 06 2016 highlights

PLAN A PERFORMANCE

- 10 Performance summary
- 12 Economic 15 Environmental
- 23 Social 29 Supply chain

GOVERNANCE

- 34 Governance
- 35 Plan A Committees
- 38 Assurance statement
- 40 Stakeholder relationships
- 41 Commentary from Jonathan Porritt
- 41 Sustainable Retail Advisory Board
- 42 GRI index
- 43 UN Global Compact
- 44 Independent recognition



➕ See my full strategic update in our 2016 Annual report

2016 OVERVIEW

IMPLEMENTING PLAN A 2020

We've never hesitated to update Plan A, because after all, change is the only constant of business life. The marketplace changes, leaders change, new issues emerge, new solutions are developed. **A business's commitment to the long haul of truly sustainable change is constantly being tested and questioned.**

MIKE BARRY SUSTAINABLE BUSINESS DIRECTOR

The last 12 months have seen more good progress on Plan A. We've successfully delivered a further 22 commitments. Nearly three quarters (73%) of all M&S products now have a strong Plan A story to tell (64% last year) and we've made notable progress on improving our energy efficiency (-39%), water efficiency (-31%), and reducing food waste (-9%). We've also created 2,002 work placements for young people who face barriers to employment.

We've had our challenges too. We haven't succeeded in opening five International sustainable learning stores, we've not yet managed to deliver our integrated marketing goal, and we've fallen behind on our targets to shwop clothing.

Our continued good progress overall is crucial because 2015 was an important year in the evolution of sustainable business. The Paris Climate negotiations (COP21) and the launch of the UN's 17 Sustainable Development Goals (SDGs) created a long-term direction of travel for business for the first time. This collective willingness to take action is welcome, because the social, environmental and economic challenges confronting businesses are growing and becoming more complex.

NEW LEADERSHIP

There's no greater test of a business's commitment to a sustainable future, than when it changes its CEO. M&S has stood this test well. In 2007, Lord Rose launched Plan A. In 2010, Marc Bolland stepped in and championed Plan A throughout his six-year tenure. And now Steve Rowe has assumed the top job, with an unequivocal commitment to drive Plan A even harder and make it even more relevant for our customers.

NEW TRENDS

New social and environmental issues are springing up all the time. Many of these are unique to a particular product, factory or commodity. But there are big changes too. Over the last 12 months we've noted the emergence of three in particular.

Firstly, human rights. It's clear that auditing social risks in supply chains isn't enough. A much more ambitious vision of human rights has emerged. M&S has become a signatory to the United Nations Global Compact and Human rights is now so important to us that we're issuing a separate Human Rights Report alongside this Plan A Report, to explain what we're doing now and what we intend to do in the future.

Similarly, our approach to reporting has had to evolve significantly. We know it's no longer enough to produce a once-a-year report about our performance. That's why we've undertaken a major upgrade of our website, explaining our policies, practices, learning and views in much more detail. We've also published our first interactive supply chain map for our Clothing business, showing the locations around the world that we source from.

Finally, we're seeing a growing demand for local solutions to the issues people face. They are particularly interested in how big global issues impact their immediate surroundings and lives. This year we've taken a real step forward in our ability to connect personally and intimately with our customers and their lives. Our Spark Something Good campaign has galvanised action in the communities we serve. In London, Dublin, Manchester, Swansea and Edinburgh our customers and colleagues have come together to make a difference locally. All our food stores are connected with local charities through the Neighbourly social network. All our stores are fundraising for a charity in their local community. Our customers are able to select a charity they wish to donate to every time they use their Sparks Card.

PROGRESS

57/104 commitments Achieved
5 commitments Not achieved
1 commitment Behind plan
New global collaborations

RESPONSE

Development of Human Rights policies and actions
Improved transparency
Launch of new local Plan A initiatives

VISION

Extending collaborations
Responding to an ever-changing market place
Reviewing and updating Plan A

SOME HIGHLIGHTS OF THE YEAR

57

PLAN A 2020
COMMITMENTS ACHIEVED
TO DATE

90%

OF M&S SPARKS CARD
CUSTOMERS HAVE NOMINATED
A BENEFITING CHARITY

5,800

WORK PLACEMENTS
FOR YOUNG UNEMPLOYED
PEOPLE SINCE 2014



MIKE BARRY
SUSTAINABLE BUSINESS DIRECTOR

Our Energy business saw 51,000 people vote for local community energy schemes that were seeking funding from us. Personalisation and localisation are key to engaging large numbers of people with the need for sustainable change.

NEW SOLUTIONS

Of course there are issues that do not change. Climate, waste and resource use were issues 10 years ago and will be issues in 10 years' time. What changes is how we address them. Today, more and more we're finding that to scale-up change at the pace that's required, we need to build business and stakeholder coalitions. Our role is to convene and lead these coalitions. We, along with many other good businesses, played an important role at COP21 – showing Government leaders that decisive climate action was good for economic growth, jobs and societal wellbeing. Similarly, at the Consumer Goods Forum (CGF) we've been privileged to play a central role in driving common action on forced labour, deforestation, low carbon refrigeration, food waste and the circular economy, together with many of the world's largest consumer goods companies.

Nine years since launch, Plan A continues to help us anticipate the rapid social, environmental and economic shifts in the global economy. It's a strong and constant reminder to our customers and other stakeholders that we are a business with a strong core purpose and integrity. It has proved fit for purpose despite leadership changes and the emergence of new issues and new solutions.

MAKING PLAN A LOCAL



Above: All M&S operated UK and ROI stores now have access to local surplus food redistribution charities through the Neighbourly social network.

Left: M&S Sparks loyalty card connects our customers to causes that are important to them.

OUR BUSINESS

CONNECTED VALUE

CORE OBJECTIVES

Group financial objectives

Grow Group revenue
Increase earnings and returns
Strong cash generation

+ See KPIs in our Annual Report on p18

Non-financial objectives

Engage, serve and retain customers
Foster a skilled, motivated and engaged team
Sourcing products with integrity
Efficient and responsible operations

+ See KPIs in our Annual Report on p19

Strategic objectives

Driving growth
Reaching customers
Improving profitability

+ See KPIs in our Annual Report on p20-21

INPUTS

Our resources and relationships
Across our business, we depend upon key resources and relationships to create financial, non-financial and strategic value.



FINANCIAL



OUR PRODUCTS & CHANNELS



OUR INTELLECTUAL CAPITAL



OUR PEOPLE



OUR STAKEHOLDERS



NATURAL RESOURCES

BUSINESS MODEL THE M&S DIFFERENCE

How our activities deliver financial value

1. Listen & Respond
Understanding our customers' changing needs informs every product we make and service we offer.

2. Strategy & Planning
Robust financial management ensures we are able to continue to invest in our business and deliver profitable growth for our shareholders.

3. Develop & Design
New ideas fuel future performance, which is why attracting and retaining the right talent is central to the future of our business.

4. Source & Buy
We capitalise on the **strong, long-term relationships** we have with our suppliers to deliver efficiencies, improve margins and drive profitability without compromising on the quality of our products.

5. Brand & Sell
Our brand is at the heart of the M&S difference and we **create unique products** that drive financial value.

6. Serve & Engage
We build and maintain **customer loyalty** by investing in customer service and linking it to our employee benefits.

How our activities deliver non-financial value

1. Listen & Respond
Our customers' **trust in the M&S brand** is a key point of difference. We retain this competitive advantage by doing things in the most responsible way – we do the work so our customers don't have to.

2. Strategy & Planning
We **improve efficiency and reduce waste** across the business through the effective use of our resource and sourcing systems.

3. Develop & Design
By **cultivating talent and encouraging entrepreneurialism**, we have an engaged and autonomous workforce empowered to develop innovative new products and ideas.

4. Source & Buy
We are leading the way on **sourcing products with integrity** to exceed customers' expectations on quality, safety and sustainable sourcing.

5. Brand & Sell
We have built our brand on **robust standards** of responsibly sourced products and services.

6. Serve & Engage
We bring our brand to life by **driving engagement and participation** in-store, online and through Spark Something Good.

How our activities deliver strategic value

1. Listen & Respond
By analysing **what our customers want**, we ensure our growth plans are right for the future of M&S.

2. Strategy & Planning
By carefully managing our property portfolio, we ensure we have the **right stores in the most convenient locations**, meaning we can **reach more customers** and deliver sustainable sales growth.

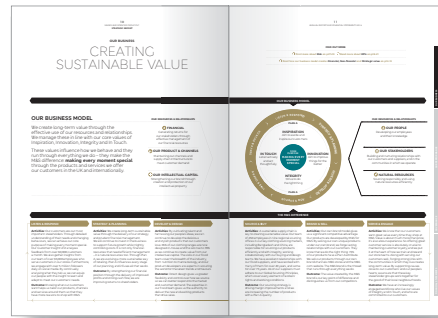
3. Develop & Design
By constantly **improving product quality and choice**, we drive growth by making M&S more relevant to our customers more often.

4. Source & Buy
Our progress towards a more **flexible and direct sourcing** operation is benefiting our Clothing & Home margins.

5. Brand & Sell
We sell our products through our **own branded channels**, empowering us with the ability to grow and develop them in the way that is right for our customers.

6. Serve & Engage
The rationale behind **every strategic decision starts with our customer** and we drive a high-performance culture built around giving them great products and service.





+ See our Business model on the inside cover (and in full: 2016 Annual report)

RELATED RISK FACTORS	ACCOUNTABILITY	OUTPUTS	OUTCOMES
<p>Financial performance risks</p> <p>There are a number of risks related to how we deliver financial value:</p> <ol style="list-style-type: none"> 1. Clothing & Home transformation 2. Changing consumer behaviours 4. Clothing & Home supply chain and logistics network 5. IT integration 10. International <p>+ See Risk in our Annual Report on p28-29</p>	<p>Financial accountability</p> <p>BOARD ↑ OPERATING COMMITTEE ↑ SENIOR LEADERSHIP GROUP</p> <p>+ See Governance in our Annual Report on p42-46 + See Remuneration in our Annual Report on p52-53</p>	<p>Key financial measures</p> <p>Group revenue Underlying Group PBT Underlying earnings per share Dividend per share Return on capital employed Free cash flow (pre dividend)</p> <p>+ See KPIs in our Annual Report on p18</p>	<p>Financial value created</p> <p>£ 👤 🧑‍🤝‍🧑</p> <p>Strong profits build strong cash position Returns to shareholders Taxes to government Increased investment opportunities Employee rewards</p>
<p>Non-financial performance risks</p> <p>There are a number of risks related to how we deliver non-financial value:</p> <ol style="list-style-type: none"> 1. Clothing & Home transformation 2. Changing consumer behaviours 3. Business transformation 7. Food safety and integrity 8. Clothing & Home ethical sourcing 9. Cyber/Information security <p>+ See Risk in our Annual Report on p28-29</p>	<p>Non-financial accountability</p> <p>BOARD ↑ OPERATING COMMITTEE ↑ SENIOR LEADERSHIP GROUP ADVISORY PLAN A COMMITTEE ↑ OPERATIONAL PLAN A COMMITTEE</p> <p>+ See p34-35 in this report</p>	<p>Key non-financial measures</p> <p>Total Food customers and average number of shops per customer Total Clothing & Home customers and average number of shops per customer Employee engagement score % of products with a Plan A quality Greenhouse gas emissions (tonnes) Greenhouse gas emissions (psf)</p> <p>+ See KPIs in our Annual Report on p19</p>	<p>Non-financial value created</p> <p>💡 👤 🧑‍🤝‍🧑 🌱</p> <p>Culture where innovation and agility thrive Better trained and fully committed employees Stronger relationships with suppliers and communities Maintained and improved reputation with consumers</p>
<p>Strategic performance risks</p> <p>There are a number of risks related to how we deliver strategic value:</p> <ol style="list-style-type: none"> 1. Clothing & Home transformation 2. Changing consumer behaviours 3. Business transformation 4. Clothing & Home supply chain and logistics network 6. Food competition 10. International 11. M&S.com business resilience <p>+ See Risk in our Annual Report on p28-29</p>	<p>Strategic accountability</p> <p>BOARD ↑ OPERATING COMMITTEE ↑ SENIOR LEADERSHIP GROUP</p> <p>+ See Governance in our Annual Report on p42-46 + See Remuneration in our Annual Report on p52-53</p>	<p>Key strategic measures</p> <p>Food UK revenue Food gross margin Food LFL sales growth UK space growth – Food Clothing & Home UK revenue Clothing & Home gross margin Clothing & Home UK LFL sales growth International sales International operating profit International space growth M&S.com sales M&S.com weekly site visits</p> <p>+ See KPIs in our Annual Report on p20-21</p>	<p>Strategic value created</p> <p>£ 🌱 👤 🧑‍🤝‍🧑</p> <p>Growth in sales, product range and presence Supply chain efficiency Increased customer base with broadening appeal A more dynamic, flexible and agile business, delivering stronger margins</p>

PLAN A

2016 HIGHLIGHTS

Together with our partners, employees, customers and suppliers **we've achieved a lot to be proud of** this year – including our work to build Plan A into all M&S products and engage more of our customers, Spark Something Good, and programmes that support thousands of people working in our supply chains.

PLAN A

ECONOMIC

BUILDING PLAN A INTO M&S PRODUCTS AND HOW WE SELL THEM.

73%

OF M&S PRODUCTS HAVE AT LEAST ONE PLAN A QUALITY

As of April 2016, based on the volume of items sold worldwide, 73% of M&S products have at least one special Plan A environmental or social quality (last year 64%).



Making Healthy High Streets: Working with Business in the Community we're helping to make a difference across 67 UK high streets.



90%

OF SPARKS CARD HOLDERS HAVE NOMINATED A BENEFITING CHARITY

In October 2015, we launched our Sparks customer reward card. In addition to discounts and other benefits, card holders can nominate a charity to receive 1p from every transaction they make with M&S. Sparks points are awarded for shopping clothes. 3.5 million customers (90% of all card holders) have nominated a charity to benefit from their M&S purchases.



Clothing & Home Sustainable Learning

Products: This year we launched a re-usable shopping bag made in the UK from up-cycled hotel linen. It was designed by Barbara Hulanicki and profits from all sales were donated to UNICEF to protect children in danger. We also launched men's Footglove Earth shoes, which are manufactured using a range of recycled and sustainably sourced materials, and the Limited London Collection of clothing, designed in the UK and made using a range of recycled and more sustainable fabrics. All these products were manufactured in factories that meet M&S Eco Factory standards. In October 2015, we also launched the Livia Firth eco-edit Collection comprised of products with Plan A qualities.

Zero

NET CARBON EMISSIONS FROM M&S OPERATIONS FOR FOUR CONSECUTIVE YEARS

39%

IMPROVEMENT IN UK AND ROI ENERGY EFFICIENCY PER SQ FT SINCE 2006/07 (AFTER WEATHER ADJUSTMENT)

9%

REDUCTION IN UK RETAIL FOOD WASTE PER SQ FT SINCE 2013/14

PLAN A

ENVIRONMENTAL

REDUCING THE IMPACT OF M&S OPERATIONS ON THE ENVIRONMENT.

100%

OF ELECTRICITY FOR OUR UK AND ROI STORES FROM RENEWABLE SOURCES

We've also signed contracts to increase our annual procurement of bio-methane up to 172,000 MWhs a year, from 2016/17.

100%

OF OPERATIONAL WASTE FROM M&S STORES, OFFICES AND WAREHOUSES WAS RECYCLED IN SOME FORM

For the fifth consecutive year we sent no waste to landfill. We also reduced our total amount of waste by 9% compared to last year.

2.7 million

USED GARMENTS DONATED BY M&S CUSTOMERS TO OUR CLOTHES RE-USE AND RECYCLING SCHEMES

In addition to our well established Shwopping programme with Oxfam in the UK, we've now launched similar clothes recycling and re-use schemes at our stores in the Czech Republic and Hong Kong. In total, we collected 2.7 million garments last year. We also continued to work on a two year research project with the University of Cambridge Institute for Manufacturing, funded in conjunction with Innovate UK, looking at different approaches to reduce the environmental impact of clothing by using circular economy thinking.



£400,000

M&S ENERGY COMMUNITY ENERGY FUND TO SUPPORT PROJECTS ACROSS GREAT BRITAIN

In July 2015, we launched the M&S Energy Community Energy Fund. We received 246 applications, from which we shortlisted 132 projects to compete for the public vote; attracting 51,000 votes. Between them, the 21 winners received two national prizes of £40,000 and £20,000 and funding for 19 regional projects of £12,500.

There were also five special Judges' Prizes chosen with help from our judges, Ed Davey, Giles Bristow, Hugh Fearnley-Whittingstall, Rob Love, Louise Innes and Jonathan Hazeldine of M&S, for the projects that were judged to go the extra mile for their community.

PLAN A
2016 HIGHLIGHTS
CONTINUED

PLAN A

SOCIAL

IMPROVING PERFORMANCE ACROSS A WIDE RANGE OF SOCIAL ISSUES IN M&S OPERATIONS.

5,800

WORK PLACEMENTS FOR YOUNG UNEMPLOYED PEOPLE

Over two years we've offered support to more than 5,800 young unemployed people, with 60% of those who completed their placement finding employment. This programme is continuing in 2016/17. In addition, 106 M&S suppliers have worked with us to provide an additional 1,393 work placements.

£5.25m

RAISED FOR HEALTH AND WELLBEING CHARITIES

This included £2.4m for Breast Cancer Now through a range of activities, including Breast Cancer Awareness Month, Fashion Targets Breast Cancer and Charity Christmas cards.

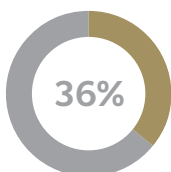
Once again, M&S Cafes hosted Macmillan Cancer Support's World's Biggest Coffee Morning, which together with other activities throughout the year, raised over £2.2m including more than £1m raised by M&S employees.

Diversity and succession: 36% of the M&S Board and 41% of senior management positions held by women. 71% of our appointments to our 150 most senior vacancies made internally.

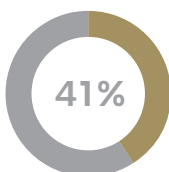


Over 24 months,
24 towns and cities

will benefit from Spark Something Good Community Projects that each aim to support 24 charities with the help of M&S employees and customers. So far, over 1,700 employees and customers have taken part at events in London, Manchester, Dublin, Swansea and Edinburgh.



Female Directors on the Board



Female senior managers

99%

OF WOOD USED IN M&S PRODUCTS AND OPERATIONS FROM FORESTY STEWARDSHIP COUNCIL RECYCLED OR FROM SOURCES THAT PROTECT FORESTS AND COMMUNITIES

91,000

PEOPLE WORLDWIDE HAVE BEEN HELPED BY OUR GLOBAL COMMUNITY PROGRAMME IN 2015/16

100%

OF THE PALM OIL USED IN M&S PRODUCTS WAS RSPO CERTIFIED

PLAN A

SUPPLY CHAIN

IMPROVING ENVIRONMENTAL AND SOCIAL PERFORMANCE IN SUPPLY CHAINS.

48%

OF M&S FOOD COMES FROM SUPPLIERS THAT MEET THE M&S SILVER SUSTAINABLE FACTORY STANDARD

48% of all M&S food products are now provided by Silver level suppliers (last year: 32%). To achieve this standard, a site must be at the Silver level or above across all three areas of human resources, environmental performance and resource efficiency.



762,000

WORKERS IN THE M&S CLOTHING & HOME SUPPLY CHAIN TRAINED BY M&S SINCE 2010

Supply chain transparency

We've published an interactive map online, showing nearly 700 suppliers worldwide that make M&S clothing, accessories and footwear.

+ See: interactivemap.marksandspencer.com



42%

OF THE COTTON USED TO MAKE M&S PRODUCTS FROM MORE SUSTAINABLE PRODUCTS

And we've removed all plastic microbeads that can cause marine pollution from M&S wash-off cosmetic personal care products, as of January 2016. In addition, 28% of the leather we used this year came from Leather Working Group certified tanneries.

