

Leadership



“The Board devoted considerable attention to the key strands of the strategy, including visits to Cheshire Oaks, Castle Donington and Istanbul.”

Robert Swannell
Chairman

The role of the Board

The Board's primary responsibility is to promote the long term success of the Company by creating and delivering sustainable shareholder value. The Board seeks to achieve this through setting out its strategy, monitoring its strategic objectives and providing oversight of its implementation by the management team. In establishing and monitoring its strategy, the Board considers the impact of its decisions on wider stakeholders including employees, suppliers and the environment.

A number of key decisions and matters are reserved for the Board's approval and are not delegated to management. These include matters relating to the Group's strategy, approval of major acquisitions, disposals, capital expenditure, financial results and overseeing the Group's systems of internal control, governance and risk management. The Board delegates certain responsibilities to its committees, to assist it in carrying out its functions of ensuring independent oversight. These committees are made up of independent non-executive directors and play a key role in supporting the Board. The Chairmen of the Audit, Nomination and Remuneration Committees provide updates on their activities during the year later in this report.

A full schedule of matters reserved for the Board's decision along with the terms of reference of the Board's key committees and the individual roles of the Board members can be found in the Group's formal Governance Framework available to view online at marksandspencer.com/thecompany

The Board meets regularly throughout the year. There were 11 scheduled meetings this year including two strategy meetings, where the non-executive directors contributed their expertise and independent oversight into the development of the strategy. Sufficient time is given at the end of each Board meeting for the Chairman to meet privately with the Senior Independent Director and the non-executive directors to discuss any matters. Details of individual Board directors' attendance at meetings in 2012/13 are set out in the table to the right.

Progress against strategy

The Board spent a great deal of its time together in 2012/13 focused on monitoring its key strategic objectives around International, Supply Chain and Multi-channel, reviewing progress against the three-year plan, challenging key strategic investments and initiatives and reviewing the Company's capital structure. The Board held two strategy awaydays during the year, to ensure it continued to challenge, test and develop its strategy of becoming an international multi-channel retailer. The first of the meetings was held in October 2012 and gave the Board the opportunity to visit the Company's new distribution centre in Castle Donington, a key component of our

The Board in action

The Board took the opportunity as part of its strategy days in 2012/13 to visit some key operations and projects around the business.



← Strategy meeting at Castle Donington

The board discussed progress of the new end-to-end supply chain and strategic IT programmes, toured the new distribution centre and reviewed the new Marks & Start Logistics initiative.

multi-channel ambitions. This was combined with a visit to our new Plan A sustainable store at Cheshire Oaks, where key elements of our new store design were in place. In February 2013 the Board met in Istanbul, Turkey to review and debate progress of the International strategy, which included meeting the Company's franchise partner in the region to understand more about their ambition and vision. The Board also visited a number of local stores around Istanbul and toured the regional sourcing hub to gain a more detailed understanding of the GM supply chain.

Name of Director	Board meetings		Percentage attended
	A	B	
Chairman			
Robert Swannell	11	11	100%
Chief Executive			
Marc Bolland	11	11	100%
Executive directors			
Kate Bostock (resigned 30 September 2012)	4	4	100%
John Dixon	11	11	100%
Steve Rowe (appointed 1 October 2012) ¹	8	8	100%
Steven Sharp ²	11	10	90%
Alan Stewart	11	11	100%
Laura Wade-Gery ³	11	10	90%
Non-executive directors			
Vindi Banga	11	11	100%
Miranda Curtis ⁴	11	10	90%
Jeremy Darroch (Retires 19 June 2013)	11	11	100%
Martha Lane Fox ⁵	11	10	90%
Andy Halford (appointed 1 January 2013)	3	3	100%
Steven Holliday	11	11	100%
Jan du Plessis	11	11	100%

A = Maximum number of meetings the director could have attended.

B = Number of meetings the director actually attended.

- 1) Steve Rowe attended the Board meeting on 5 September 2012 as part of his induction ahead of his appointment to the Board on 1 October 2012.
- 2) Steven Sharp was unable to attend the Board meeting on 13 March 2013 due to illness.
- 3) Laura Wade-Gery was unable to attend the Board meeting on 20 June 2012 due to personal commitments.
- 4) Miranda Curtis was unable to attend the Board meeting on 2 May 2012 due to prior business commitments with Liberty Global.
- 5) Martha Lane Fox attended all scheduled board meetings, however was unable to attend an additional Board Conference Call on 23 November due to illness.

Monitoring risk

The Board has continued to debate and develop its understanding of risk, risk appetite and tolerance, testing how we can best maximise the opportunities for us to grow the business.

Protecting the business from operational and reputational risk is an essential part of the Board's role. In line with our action plan, and supported by the Audit Committee, we have continued to drive a better understanding of the risks we face, further developed and tested our tolerance and appetite for risk and ensured our Group Risk Profile continues to robustly reflect the business' strategic objectives and opportunities. We have carried out a full review of internal controls, with a particular focus on processes and controls around confidential information following the leak of elements of the Q3 Interim Management Statement.



← **Visit to Cheshire Oaks Store**

The second part of the October strategy day. The Board discussed the development of Plan A, the store modernisation programme and held a session on the future of retail. The Board met with engineers and toured the store, one of our first Plan A sustainable learning stores, to understand some of the specific environmental initiatives undertaken in the build.



← **Strategy meeting in Istanbul**

The Board met in Istanbul in February to review and discuss the International strategy. The directors met with our franchise partners in the region, the regional sourcing team and visited a number of stores in Istanbul. The Board received presentations on the regional sourcing strategy and key growth plans.

Oversight of succession

Securing succession and developing leadership of future talent have once again been key considerations for the Board. A number of significant changes were made to the Board and senior management during the year to bring further strength and expertise to the executive team and ensure continued independent oversight. Both new appointments to the Board were made against objective criteria and in line with the Board's diversity policy which we introduced last year. We have reported our progress against the policy on page 54. Tailored induction programmes were provided to both executive and non-executive directors, details of which can be found on our corporate website, marksandspencer.com/thecompany.

The development of the senior leadership team across the business has continued, with all of the Top 100 employees having now completed our flagship leadership development programme, Lead to Succeed. We have introduced a

Leadership Development Service, a personalised coaching service, which recognises the specific needs of individuals and addresses them through a tailored set of initiatives. One such initiative is the facilitating of non-executive roles outside M&S for key individuals who we believe would benefit from gaining valuable Board experience.

Our MBA Leadership Programme, which aims to recruit and develop talented MBA graduates from a range of international business schools, towards senior management and leadership roles in ambitious timescales, is proving an effective way of developing talented international leaders with experience across a range different industries. A balance of developing our internal talent while accessing key external talent where necessary is enabling us to build a stronger and more dynamic pool of leaders across the business.

Board activity 2012/13

The Board's key priority this year was providing oversight of and challenge to the progress of its strategy to be an international multi-channel, retailer. Key activities for the Board during the year included

Leadership and employees

- Discussed changes in the composition of the Board and its Committees;
- Considered succession planning and approved the appointment of a new executive director and one new non-executive director.
- Reviewed employee engagement across the business – Annual 'Your Say' survey and quarterly pulse surveys; received updates on initiatives taking place across the Company including the BIG Idea, director presentations, roundtable director discussions and Women in Business forums.
- Discussed and reviewed high potential talent across the business, held non-executive director lunches with successional and high performing senior management.

Customers

- Debated and challenged performance in Womenswear. Received and considered updates on the new GM strategy and initiatives across Womenswear.
- Received regular updates from the Customer Insight Unit on the economic environment, the retail sector, competition and customers.
- Considered and approved the launch of M&S Bank current accounts and an in-store branch network.

Strategy

- Two strategic awaydays:
 - i) October 2012: Reviewed investments in the new supply chain programme, considered the future of multi-channel and shopping channels, reviewed the store modernisation programme and the impact and future development of Plan A. Included visits to Castle Donington distribution centre and Cheshire Oaks store.
 - ii) February 2013: Held in Istanbul, it provided an opportunity for the Board to meet our franchise partner and review, discuss and develop the International strategy.
- Reviewed the new strategy in GM and the structural changes made across Womenswear.
- Considered, scrutinised and approved the Group's three year strategic and operating plan.
- Discussed the ongoing store modernisation programme.
- Debated the property strategy and the impact of multi-channel.
- Reviewed the long term funding strategy for the DB pension scheme.

Governance

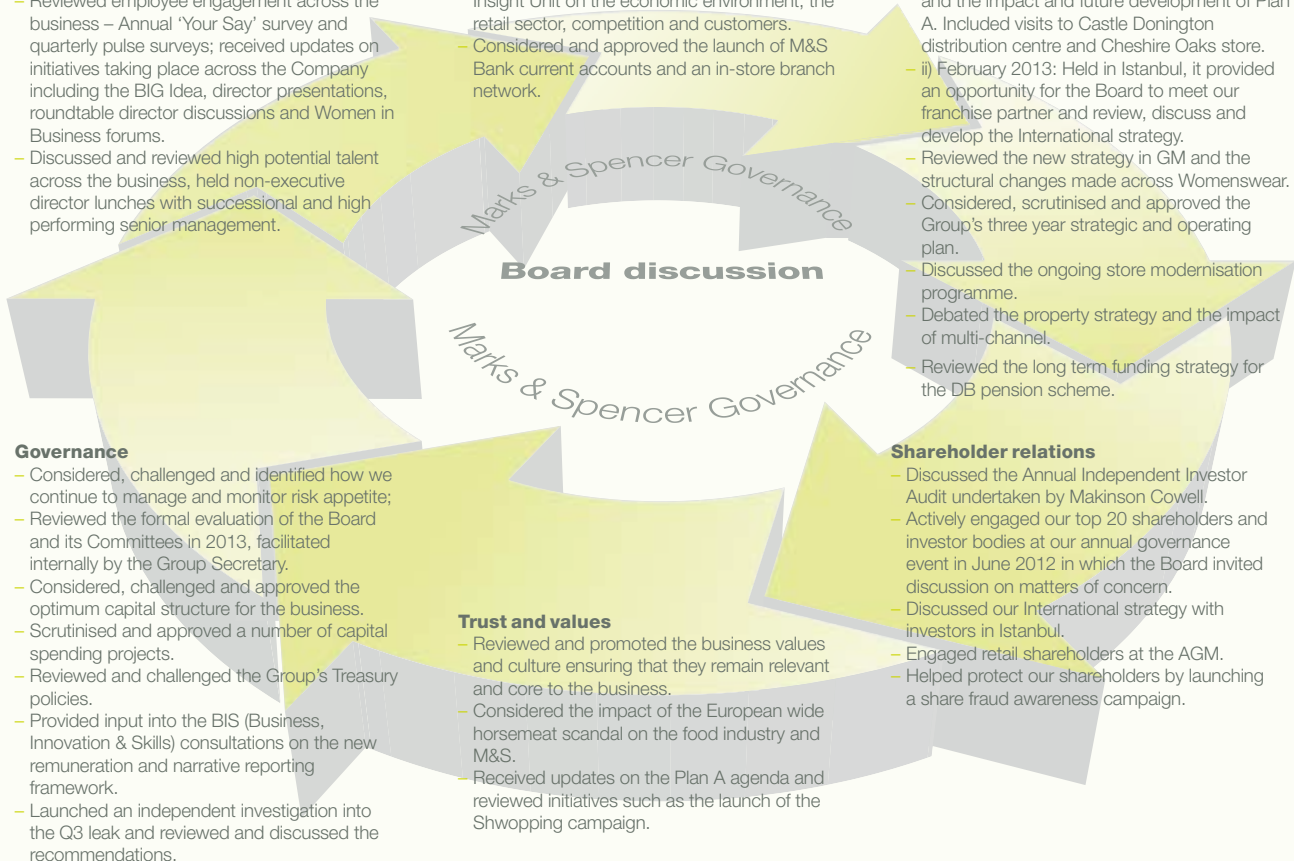
- Considered, challenged and identified how we continue to manage and monitor risk appetite;
- Reviewed the formal evaluation of the Board and its Committees in 2013, facilitated internally by the Group Secretary.
- Considered, challenged and approved the optimum capital structure for the business.
- Scrutinised and approved a number of capital spending projects.
- Reviewed and challenged the Group's Treasury policies.
- Provided input into the BIS (Business, Innovation & Skills) consultations on the new remuneration and narrative reporting framework.
- Launched an independent investigation into the Q3 leak and reviewed and discussed the recommendations.

Trust and values

- Reviewed and promoted the business values and culture ensuring that they remain relevant and core to the business.
- Considered the impact of the European wide horsemeat scandal on the food industry and M&S.
- Received updates on the Plan A agenda and reviewed initiatives such as the launch of the Shwopping campaign.

Shareholder relations

- Discussed the Annual Independent Investor Audit undertaken by Makinson Cowell.
- Actively engaged our top 20 shareholders and investor bodies at our annual governance event in June 2012 in which the Board invited discussion on matters of concern.
- Discussed our International strategy with investors in Istanbul.
- Engaged retail shareholders at the AGM.
- Helped protect our shareholders by launching a share fraud awareness campaign.



Effectiveness

The annual Board effectiveness review provides a useful opportunity for the Board to take a step back and reflect on their collective and individual effectiveness, consider where improvements can be made and chart progress. This year the Board evaluation was facilitated internally between January and March 2013, by our Group Secretary and Head of Corporate Governance, who has significant insight into both the day-to-day and strategic workings of the Board. This year's internal evaluation follows two years in which an independent externally facilitated Board review has taken place.

Independence of directors

The Board reviews the independence of its non-executive directors as part of the annual Board effectiveness review. The non-executive directors bring a strong independent oversight to the Board and following this year's review the Board considers that all of the non-executive directors continue to demonstrate their independence. Biographical details of each director can be found on pages 40 to 41.

The Chairman is committed to ensuring the Board is made up of a majority of independent non-executive directors who objectively challenge management, balanced against the need to ensure continuity on the Board. In December 2012 we announced that Jeremy Darroch will step down in June 2013 having served seven years on the Board. Andy Halford was appointed to the Board on 1 January as a non-executive director and Chairman designate of the Audit Committee. The Board strongly believes that it is essential to ensure continuity of corporate knowledge and experience to complement and support the new skills and experience brought to the Board by those directors appointed over the last two years. The Board agreed that Steven Holliday, who will have served on the Board for nine years in July 2013, stands for re-election for an additional year at the 2013 AGM. Steve's independence has been subject to particular scrutiny; his detailed knowledge and association with the Group assists him in effectively challenging management and his length of service, when taken in the context of the Group as a whole, enhances his effectiveness as a non-executive director. As a result, the Board believes that Steve remains independent in character and judgement.

How did we approach the Board and Committee Review?

In line with previous years, we took the view that a detailed and focused one-to-one discussion, conducted in person with each director was the most effective way to facilitate a constructive and meaningful conversation. The directors were asked their views on a range of subjects including:

- Board composition and the role of the Board
- Board leadership and culture
- Monitoring of Company performance
- Corporate governance
- The facilitation of the meetings particularly around scope of agendas, quality of papers, degree of challenge and debate.

The Senior Independent Director meets with the non-executive directors at least once a year to review the Chairman's performance. The Senior Independent Director then provides feedback to the Chairman as appropriate.

How are we progressing?

It was clear from the Board review that good progress has been made against the actions the Board set itself last year:

- Continued to strengthen succession at both Board and senior management level. Ensured the Board is comprised of a diverse range of skills and experience, well positioned to challenge and develop the strategy. The appointment of Andy Halford to the Board as a non-executive director and the changes made to the executive team, including the appointment of Steve Rowe to the Board, have been key appointments;
- Engaged with senior management and high potential individuals throughout the year, facilitated through a series of lunches, strategy and investor days;
- Engaged institutional shareholders throughout the year. Our annual governance event held in June 2012 was well attended by both major shareholders and investor bodies. An investor event, addressing our international strategy, was held in Istanbul in February 2013 and was also well attended;
- Ensured director inductions continued to be full and thorough and offer the opportunity to dive into key parts of the business;
- Continued to drive an understanding of the Board's risk tolerance and appetite;
- Made significant progress on planning the long-term framework for Board discussion, allowing more time for fuller, more challenging and strategic debate.

Action Plan 2013/14

The insights gathered from the Board review have highlighted some opportunities which have resulted in a clear action plan for the year ahead. The actions address the key areas of succession, Board oversight and reflection, risk management and information management.

During the year the Board is committed to:

- Continue our work on succession planning with greater focus on high potential individuals and their development in the business, especially below director level;
- Review how we can continue to benefit from the extensive and diverse experience of our non-executive directors;
- Allow for greater review and reflection on the quality of past decisions;
- Given our changing risk profile as we become a leading, international multi-channel retailer, ensure appropriate challenge and debate around risk and approach to risk;
- Board papers: continue to review our information management, content and balance of papers;
- Meetings: consider the balance and content of our agendas to allow greater time for open debate.

Director induction

On joining the M&S Board a full, formal and tailored induction programme is arranged for directors including access to all parts of the business and an opportunity to meet major shareholders.

During the year we appointed Steve Rowe and Andy Halford to the Board. Steve was appointed Executive Director, Food having worked across a significant part of the business over a 23 year career at M&S. Steve's induction was focused specifically on the Board process, including his duties, responsibilities and obligations as a director. Andy Halford's appointment as a non-executive director and Chairman designate of the Audit Committee was tailored specifically around learning the business, its operations, its key markets and risks.

Accountability

We believe that effective risk management is critical to the achievement of our strategic objectives and the long-term sustainable growth of our business.

What is our approach to risk management?

The Board has overall accountability for ensuring that risk is effectively managed across the Group and, on behalf of the Board, the Audit Committee reviews the effectiveness of the Group Risk Process.

Risks are reviewed by all business areas on a half-yearly basis and measured against a defined set of likelihood and impact criteria. This is captured in consistent reporting formats, enabling Group Risk to consolidate the risk information and summarise the key risks in the form of the Group Risk Profile. Our Executive Board discusses the Group Risk Profile ahead of it being submitted to the Group Board for final approval.

To ensure our risk process drives improvement across the business, the Executive Board monitors the ongoing status and progress of action plans against key risks on a quarterly basis. Risk remains an important consideration in all strategic decision-making at Board level, including debate on risk tolerance and appetite.

Key areas of focus

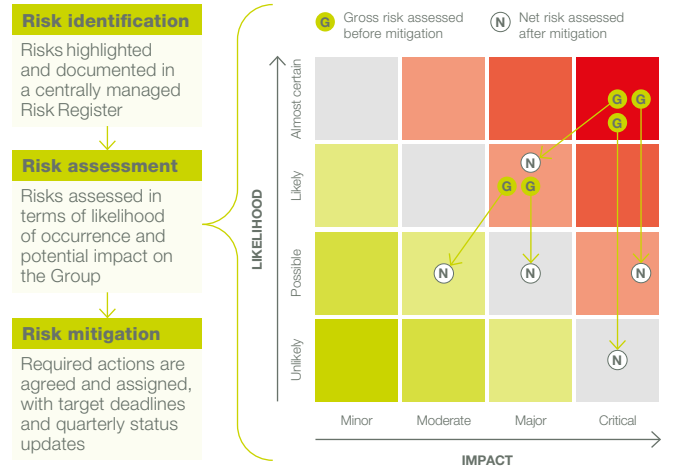
We continue to drive improvements to our risk management process and the quality of risk information generated, whilst at the same time maintaining a simple and practical approach.

During the year we have focused on a number of key areas:

1. Evolving risk descriptions
As time progresses, the nature of some Group risks is evolving. To ensure we continue to address the most important risks facing the Group at this point in time we have updated a number of risk titles and descriptions. New titles are assigned to **GM product** (2012: Our customers) and **Food safety and integrity** (2012: Food safety). New descriptions are in place for **International** and **Our people**.

2. Action plans for key risks
We continue to assess whether sufficient additional mitigating activities are underway to reduce the net risk position of the Group's key risks. By considering net risk on both a one year and three year horizon, we are able to identify when mitigating activities will result in a tangible risk reduction. We also continue to review the ongoing appropriateness of actions to ensure they are as relevant, timely and measurable as possible.

3. Influence of risk tolerance
Risk tolerance and appetite are important considerations in strategic decision-making at Board level. We also recognise the value in applying the concept of risk tolerance in discussions across all levels of the organisation. It is especially beneficial when determining the nature of mitigating activities and their role in addressing risk likelihood or impact.



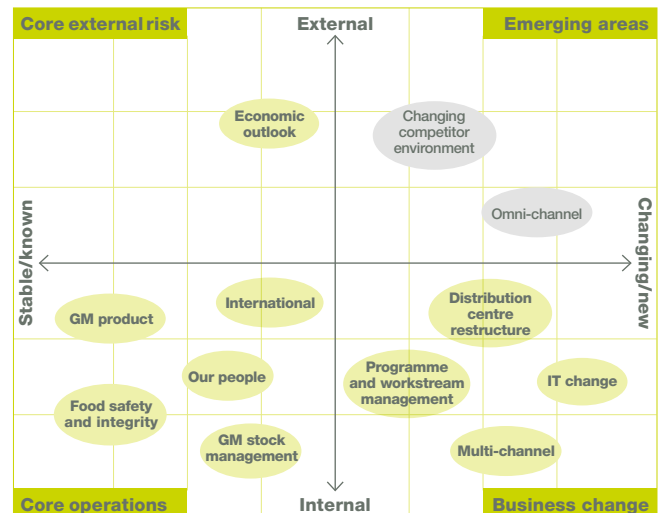
Our principal risks and uncertainties

As with any business, we face risks and uncertainties on a daily basis. It is the effective management of these that places us in a better position to be able to achieve our strategic objectives and to embrace opportunities as they arise.

To achieve a holistic view of the risks facing our business, both now and in the future, we consider those that are:

- external to our business;
- core to our day-to-day operation;
- related to business change activity; and
- those that could emerge in the future.

The 'risk radar' below maps our principal risks against these categories. This tool is also used to facilitate wider Executive and Board discussions on risk, including potential emerging risks as discussed on page 48.



Overleaf are details of our principal risks and the mitigating activities in place to address them. It is recognised that the Group is exposed to a number of risks, wider than those listed. However, a conscious effort has been made to disclose those of greatest importance to the business at this moment in time and those that have been the subject of debate at recent Board or Audit Committee meetings.

Accountability continued

Description	Mitigating activities
Finance: We continue to focus on maintaining a strong financial position that supports improvements to our business	
<p>Economic outlook Economic conditions worsen or do not improve, impacting our ability to deliver the plan As consumers' disposable incomes come under pressure from price inflation and government austerity measures, trading conditions continue to remain a challenge for our business.</p>	<ul style="list-style-type: none"> – Proactive management of costs – Regular review of customer feedback and marketplace positioning – Continued focus on value proposition in the context of a balanced product offer, including market leading innovation – Ongoing monitoring of pricing and promotional strategies – Regular commercial review of product performance
Brand and reputation: Our founding principles of Quality, Value, Service, Innovation and Trust continue to influence how we do business and our reputation for being one of the UK's most trusted brands	
<p>GM product Continued loss of engagement with our core customer As we seek to enhance the M&S brand, it is important that we address our core customers' specific needs in an increasingly competitive market where economic uncertainty continues to be an influencing factor.</p>	<ul style="list-style-type: none"> – New senior management team appointed with clear focus on quality and style – Prioritisation of core customer in both General Merchandise and Marketing objectives – Regular review of customer reaction to product and in store experience through focus groups and in-house Customer Insight Unit presentations – Ongoing product and store improvements addressing specific customer feedback – Targeted marketing and promotional activity using customer loyalty data
<p>Food safety and integrity A food safety or integrity related incident occurs or is not effectively managed As a leading retailer of fine quality fresh food, it is of paramount importance that we manage the safety and integrity of our products and supply chain, especially in light of the business' greater operational complexity and the heightened risk of fraudulent behaviour in the supply chain.</p>	<ul style="list-style-type: none"> – Dedicated team responsible for ensuring that all products are safe for consumption through rigorous controls and processes – Continuous focus on quality – Proactive horizon scanning including focus on fraud and adulteration – Established supplier and depot auditing programme
People and change: Our people are fundamental to the long term success and growth of this business	
<p>Our people Our organisational culture and structure limit our ability to adapt to market changes with pace As the business strives to become a leading international, multi-channel retailer, it is essential that our organisational set-up allows us to respond to market changes with pace.</p>	<ul style="list-style-type: none"> – External hires recruited into a number of senior roles bringing an alternative perspective – Robust employee engagement process for effective communication – Alignment of development programmes with business strategy
<p>Programme and workstream management Benefits from our major business programmes and workstreams are not realised We continue to undertake a number of major strategic programmes to underpin the achievement of our plan; the delivery of forecasted benefits is critical to this.</p>	<ul style="list-style-type: none"> – Strategic Programme Office centrally governs the Group's initiatives providing regular status and benefits realisation updates to the Executive Board – Proactive management of programme portfolio and associated benefits in the context of current market conditions and the Group's three year plan – Programme governance structures in place for all major programmes, supported by robust project management discipline – Proactive identification and management of major cross programme interdependencies
<p>Distribution centre restructure We fail to effectively deliver our new national e-commerce distribution centre Our new national distribution centre will also service all customer orders placed through Shop Your Way. The implementation of this distribution centre relies on the opening of a new facility and new business processes and systems.</p>	<ul style="list-style-type: none"> – Robust programme governance in place with clear identification of interdependencies with other Group initiatives – Phased approach to implementation – Ongoing review of trajectory for achievement of agreed operational and financial objectives – Ongoing review of contingency requirement during facility transition – Engagement with external experts (as appropriate) to ensure successful delivery of the in-house operation

Description	Mitigating activities
<p>Selling channels: We have ambitious plans for our UK, International and Multi-channel businesses as part of our commitment to becoming an international, multi-channel retailer</p>	
<p>Multi-channel A new multi-channel platform with flexibility to support future growth is not delivered by the time our contract with Amazon expires To achieve our target to become a leading multi-channel retailer and to make our brand more accessible, we are investing in a new online platform that will provide both an enhanced shopping experience and help to accelerate growth.</p>	<ul style="list-style-type: none"> – Robust programme governance in place with clear identification of interdependencies with other Group initiatives – Phased approach to implementation – Agreed quality assurance plan for programme delivery – Close working with Amazon to ensure the quality of the existing online offer is maintained during new platform delivery
<p>International Our plan to grow our international business is limited by performance in legacy markets, the start up profitability of new markets or substandard infrastructure To increase our international presence and build a leadership position in priority markets it is crucial that we maximise our performance in both legacy and new markets, supported by robust systems and supply chain capability.</p>	<ul style="list-style-type: none"> – Frequent monitoring of performance, including individual country reviews – Particular focus on like for like performance and poor performing stores – Property Board approval of new store openings and monitoring of returns on investment, plus creation of key roles to facilitate delivery of property pipeline – Representation of International in key Group initiatives
<p>Day-to-day operation: We are a customer-centric business and strive to deliver an efficient and effective operation</p>	
<p>GM stock management Ineffective stock management control impacts either gross margin delivery or product availability Effective stock management is integral to ensuring that we provide good availability to our customers, whilst minimising the impact of markdowns on profitability.</p>	<ul style="list-style-type: none"> – Stock, Sales & Intake tool used consistently across GM to plan and manage stock levels – Regular commercial reviews to monitor stock levels and improve overall stock control – Tight control of promotional activity – UK stock ledger now live and the implementation of supporting Business Insight reporting underway – Established inventory control team to ensure stock data integrity
<p>IT change Unforeseen impact of IT changes to new and existing systems disrupts business operations As we undertake a number of significant change programmes, the rate and scale of IT change is increasing, with potential to significantly impact our complex and interdependent systems.</p>	<ul style="list-style-type: none"> – Established Change Approval Board process – Clear decision making process for system changes, including the adoption of change freezes during critical trading periods – Proactive management of cross programme dependencies including ‘release management’ to group system changes together – Robust Disaster Recovery plans in place for critical business applications
<p>The Group Risk Profile reflects the most important risks facing the business at this point in time; these risks receive specific attention by the Board to ensure that sufficient mitigating activity is in place to reduce net risk to an acceptable level. The Group Risk Profile will evolve as these mitigating activities succeed in reducing the residual risk over time, or new risks emerge. As such, we have removed a number of risks from our Group Risk Profile since the prior year:</p> <ul style="list-style-type: none"> – Last year we included Business continuity on the Group Risk Profile in response to the heightened level of risk driven by the UK’s summer 2012 events. With the risk now returning to a normal level it has been removed, recognising the strength of our controls in this area – Financial position, Corporate reputation, New store format, Key supplier failure and IT security have also been removed in recognition of the actions taken to reduce the net risk position <p>The above risks remain important and they continue to be monitored as part of ‘business as usual’ activities; however, we consider that they do not represent key risks to our business at this time and they have therefore been removed from the Group Risk Profile.</p>	

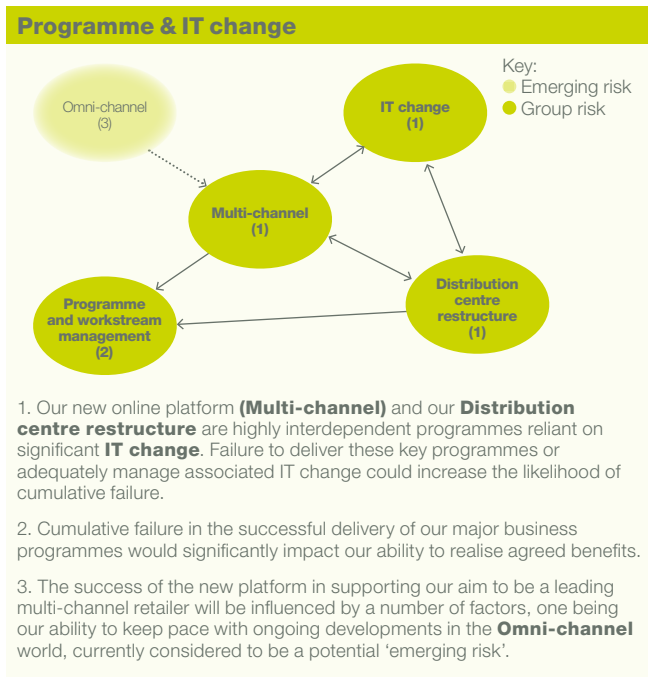
The risks listed do not comprise all those associated with Marks & Spencer and are not set out in any order of priority. Additional risks and uncertainties not presently known to management, or currently deemed to be less material, may also have an adverse effect on the business.

Further information on the financial risks we face and how they are managed is provided on pages 101 to 106.

Accountability continued

Risk interconnectivity

We continue to recognise the significant interdependency between our key risks, which is in part a product of our heavily interconnected business environment (both in terms of systems and processes). The following diagrams are based on our current Group Risk Profile. Both are designed to highlight how changes to one risk could impact on those connected to it, and therefore on the profile as a whole. We have incorporated a number of potential emerging risks which do not feature on our Group Risk Profile at this point in time, but could influence our business in the longer term, illustrating how emerging risk is considered by the Board.



Risk and the role of Internal Audit

Internal Audit & Risk comprises both the Group Risk function and Internal Audit. Whilst Group Risk facilitates and manages the risk process that is ultimately owned by the Group Board, Internal Audit are accountable to the Audit Committee. Audit projects are often closely aligned to the Group Risk Profile due to the risk-based approach used to prioritise audit work. The following examples illustrate how Internal Audit work supports Group Risk whilst driving improvements to our control environment and adding value in core business areas.

Risk: International

Internal Audit have carried out a number of International operational reviews including China and the Balkans. Both audits were designed to assess the adequacy and effectiveness of internal controls, but varying risk profiles meant work focused on different functional areas. China was included on the plan due to its strategic importance and significant growth plans whilst the Balkans was selected following a change in the ownership model. In China there were opportunities to improve operational reporting and automate controls to improve supply chain efficiencies. In the geographically dispersed Balkan stores there were opportunities to improve compliance with certain operating standards.

Risk: Multi-channel

We reviewed the design of the payment process for the new online platform to assess the adequacy of the planned control environment. We also evaluated whether proposed programme testing would maximise operational effectiveness. The selection of Payment Control Design as the area of focus recognises that payment processes carry a high level of inherent risk. The audit identified the need to ensure that operational processes retain flexibility as future business requirements develop, and to ensure that the end to end customer journey meets expectations.

Risk: Distribution centre restructure

Internal Audit scheduled a review to assess the adequacy and effectiveness of controls over supplier compliance with product packaging and labelling requirements; a high risk area of the Distribution Centre Restructure programme. The level of risk is conferred by our large and geographically disparate supply base, with suppliers required to achieve compliance for distribution centre go live. The audit identified opportunities to improve reporting processes and procedures relating to supplier compliance rates to focus attention on the measures that are most critical for go live.

Management actions

Management actions from our audits are tracked to completion and the status of these actions is reported to the Audit Committee to ensure that the risks identified are appropriately addressed. This will, in turn, further mitigate the risks included in our Group Risk Profile.