

















People behind the plan

Driving transformation

Management committee

				<p>1. Marc Bolland Chief Executive</p> <p>2. Patrick Bousquet-Chavanne Executive Director, Marketing & Business Development</p> <p>3. John Dixon Executive Director, General Merchandise</p> <p>4. Steve Rowe Executive Director, Food</p>
				<p>5. Alan Stewart Chief Finance Officer</p> <p>6. Laura Wade-Gery Executive Director, Multi-channel E-commerce</p> <p>7. Andy Adcock Trading Director, Food</p> <p>8. Sacha Berendji Retail Director</p>
				<p>9. Clem Constantine Director of Property</p> <p>10. Tanith Dodge Director of Human Resources</p> <p>11. Steve Finlan Director of International Operations</p> <p>12. Dominic Fry Director of Communications and Investor Relations</p>
				<p>13. Jan Heere Director of International</p> <p>14. Dirk Lembregts Director of Supply Chain</p> <p>15. Amanda Mellor Group Secretary and Head of Corporate Governance</p> <p>16. Darrell Stein Director of IT</p>

“The progress that M&S has made this year would not have been possible without the dedication of all our employees. I would like to thank every employee for their enthusiasm, hard work and passion over the last year.”

Having the right team in place is crucial to delivering our plan, and this year we continued to benefit from the wealth of experience on our Management Committee.

Our leadership team is composed of people with extensive and broad careers at M&S, as well as those brought in from outside with specialist expertise. The team has wide-reaching global experience, which is an essential asset as we become a more internationally-focused retailer. Together they have helped to build a significantly stronger M&S.

In March this year, we announced that Clem Constantine, Director of Property, and Darrell Stein, Director of IT, will be leaving the business in the summer. Both of their roles have significantly changed recently as we will be opening less GM space which changes our property focus, and our new e-commerce platform has now been delivered. Clem has brought his considerable expertise to growing our store network and Darrell has played an integral role in delivering M&S.com. I wish them both all the very best for the future.

The Management Committee is ably supported by a strong team from across the business. The progress that M&S has

made this year would not have been possible without the dedication of all our employees. Our customers constantly tell us that they recognise the high levels of commitment among our people. I would like to thank every employee for their enthusiasm, hard work and passion over the last year.



Marc Bolland
Chief Executive

Risk management

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. Each business area is responsible for identifying, assessing and managing the risks in their respective area.

Risks are identified and assessed by all business areas half-yearly and are measured against a defined set of criteria, considering likelihood of occurrence and potential impact to the Group. The Group Risk function facilitates a risk identification and assessment exercise with the Executive Board members. This information is combined with a consolidated view of the business area risks. The top risks (based on likelihood and impact) form our Group Risk Profile, which is reported to the Executive Board for review and challenge, ahead of it being submitted to Group Board for final review and approval.

To ensure our risk process drives continuous improvement across the business, the Executive Board monitors the ongoing status and progress of key action plans against each risk quarterly. Risk remains a key consideration in all strategic decision-making by the Board, incorporating debate on risk 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:

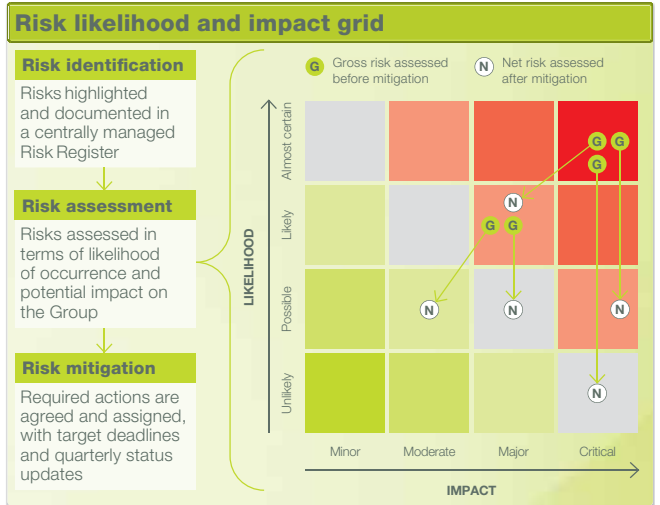
1. Evolving risks

Our Group Risk Profile has evolved over the course of the last year, responding to the dynamic environment within which we operate and our strategy to become a truly international, multi-channel retailer. Three new risks have been introduced (M&S.com business resilience, GM margin and Information security).

2. Risk appetite

Risk appetite is an expression of the types and amount of risk we are willing to take or accept to achieve our objectives and aims to support consistent, risk informed decision-making across the Group. Our vision for risk management is that all significant risks to the achievement of our strategic objectives are identified, assessed and managed to within acceptable levels.

Risk appetite continues to be a key consideration in strategic decision-making by the Board and we recognise the importance of including the concept in risk discussions across all levels of the organisation. It is especially relevant in determining the nature and extent of mitigating actions and their role in addressing risk likelihood or impact.



Our principal risks and uncertainties

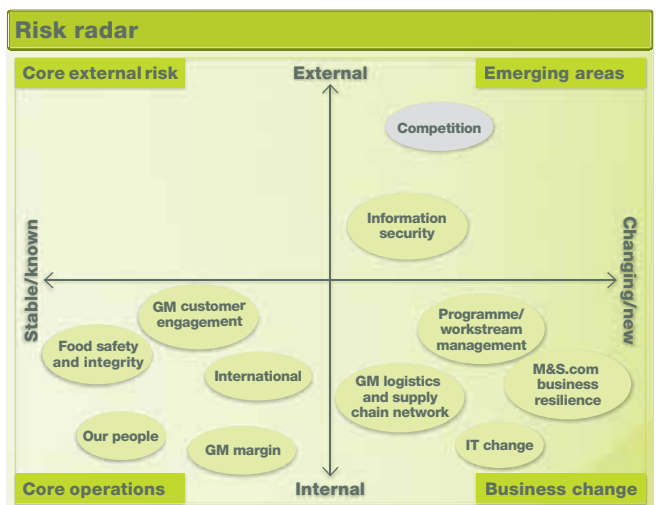
As with any business, we face risks and uncertainties on a daily basis. It is the effective management of these that places us in a better position to be able to achieve our strategic objectives and to embrace opportunities as they arise.

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 most concern to the business at this moment in time and those that have been the subject of debate at recent Board or Audit Committee meetings.

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-level discussions on risk.



Risk management continued

Description	Mitigating activities
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 customer engagement Continued loss of engagement with our customer As we seek to enhance the M&S brand, it is important that we understand and address our customers' needs in increasingly competitive UK and international markets and that we deliver a consistent M&S customer experience across all selling channels.</p>	<ul style="list-style-type: none"> – Prioritisation of core customer in both GM and Marketing objectives – Regular review of customer reaction to product and in-store and online experience through focus groups and in-house Customer Insight Unit presentations – Ongoing improvements to product style and quality and to store environment, addressing specific customer feedback – Targeted marketing and promotional activity using customer loyalty data – Increased focus on quality and style, including the introduction of a Clothing Quality Charter – Updated M&S.com website to enhance the online customer shopping experience
<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 To support our transformation to an international, multi-channel retailer, it is essential that our organisational set-up allows us to respond to market changes and competition with pace.</p>	<ul style="list-style-type: none"> – External hires recruited into a number of senior roles bringing an alternative perspective and new skills – Robust employee engagement process for effective communication – Alignment of development programmes with business strategy – Faster decision-making enabled through the removal of structural complexity
<p>Programme and workstream management Benefits from our major business programmes and workstreams are not realised We continue to undertake a number of major 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 Group 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>GM logistics and supply chain network We fail to evolve our supply chain and logistics network to maximise availability to customers and speed-up delivery times Now that we have successfully launched the new national e-commerce distribution centre, we must continue to focus on the implementation of our single-tier network, including the full ramp-up of the Castle Donington distribution centre ahead of Christmas peak trading.</p>	<ul style="list-style-type: none"> – Robust programme governance in place with clear identification of interdependencies with other Group initiatives – Phased approach to distribution centre transformation – Ongoing monitoring of progress against milestone plans and operating objectives – Ongoing review of contingency requirement during Castle Donington facility ramp-up

Description	Mitigating activities
Selling channels: We have ambitious plans for our UK, International and Multi-channel businesses as part of our transformation to be an international, multi-channel retailer	
<p>M&S.com business resilience A major failure of our M&S.com platform or at our Castle Donington distribution centre impacts our ability to trade online</p> <p>As our online flagship grows and our network infrastructure and operating model evolves, it will become increasingly important to ensure that the M&S.com business is resilient and key dependencies are identified and mitigated.</p>	<ul style="list-style-type: none"> – Dual site M&S.com command centre operates 24/7 to monitor website availability and performance – Social media monitored 24/7 to observe and respond to trends in customer experience online – Business continuity plans, incident reporting and management procedures are well established and tested with regular monitoring, including quarterly Business Continuity Committee meetings
<p>International Our plan to grow our International business is limited by performance in legacy markets, the start-up profitability of new markets and substandard infrastructure</p> <p>As we continue to increase our international presence and build our position in priority markets, it is crucial that we maximise performance in both legacy and new markets, supported by robust systems and supply chain capability.</p>	<ul style="list-style-type: none"> – Senior International team strengthened – Local knowledge provided by franchise and joint venture partnerships – Frequent monitoring of performance, including individual country reviews and a particular focus on like-for-like performance and poor performing stores – Property Board approval of new store openings and monitoring of returns on investment – Representation of International in key Group initiatives
Day-to-day operation: We are a customer-centric business and strive to deliver an efficient and effective operation	
<p>GM margin Failure to improve GM margin</p> <p>It is important that we deliver increased GM margin through improved design and sourcing capability, whilst continuing to drive improvements to product quality.</p>	<ul style="list-style-type: none"> – Margin targets defined and regularly monitored – Robust planning process for all promotional activity – Sourcing capability strengthened through hiring two overseas Sourcing Directors – End-to-end review of General Merchandise design, trading and sourcing underway – Clothing Quality Charter embedded
<p>Information security We experience a major breach in cyber, system or information security</p> <p>The business is subject to external threats from hackers or viruses, or sensitive data is accessed without authorisation.</p>	<ul style="list-style-type: none"> – Extensive security controls in place in accordance with International Standards (ISO 27002) – Established processes, policies and technologies in place designed to enhance security – Tight control of sensitive data through limited and monitored access and the roll-out of systems possessing enhanced security – Established team dedicated to managing security requirements for the new M&S.com platform
<p>IT change Unforeseen impact of IT changes to new and existing systems disrupts business operations</p> <p>As we undertake a number of significant change programmes, the rate and scale of IT change remains high, 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 will evolve as mitigating activities succeed in reducing the net risk over time, or as new risks emerge. As such, we have removed three risks from our Group Risk Profile since the prior year:</p> <ul style="list-style-type: none"> – Economic outlook: the economic environment in which we operate will always present an inherent risk to our business. Our ability to respond to market changes is key and this is reflected within the risk related to 'Our people' – Multi-channel: we have successfully launched the multi-channel platform on time and on budget – GM stock management: this no longer features in our principal risks, recognising our increased controls in this area <p>There are three new risks (Information security, GM margin and M&S.com business resilience). Two have been updated; GM customer engagement (2013: GM product), and GM logistics and supply chain network (2013: Distribution centre restructure). The remaining five risks are broadly consistent with the prior year.</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 112 to 115.