

OUR BUSINESS

# CONNECTED VALUE

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

CORE OBJECTIVES

## Group financial objectives

- Grow Group revenue
- Increase earnings and returns
- Strong cash generation

+ See KPIs p18

## Non-financial objectives

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

+ See KPIs p19

## Strategic objectives

- Drive growth
- Reach customers
- Improve profitability

+ See KPIs p20-21

BUSINESS MODEL THE M&S DIFFERENCE

How our activities deliver financial value

**Listen & Respond**

We use **comprehensive data** to understand what customers want to buy and how they want to shop.

**Strategy & Planning**

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

**Develop & Design**

**New ideas fuel future performance**, which is why attracting and developing talent is central to the future of our business.

**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.

**Brand & Sell**

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

**Serve & Engage**

We build and maintain **customer loyalty** by prioritising customer service and linking it to our employee benefits.

How our activities deliver non-financial value

**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.

**Strategy & Planning**

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

**Develop & Design**

By **cultivating talent and encouraging diversity** we have an engaged and autonomous workforce empowered to put our customers first.

**Source & Buy**

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

**Brand & Sell**

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

**Serve & Engage**

We bring our brand to life by **driving engagement and participation** in store, online and through community support and volunteering.

How our activities deliver strategic value

**Listen & Respond**

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

**Strategy & Planning**

Our UK store estate programme will drive sales growth by ensuring that we have an **estate that reflects how our customers want to shop**.

**Develop & Design**

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

**Source & Buy**

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

**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.

**Serve & Engage**

The rationale behind **every strategic decision starts with our customer** – we want a winning culture built around giving them great products and service.

We are committed to delivering sustainable value for stakeholders. Here, we summarise how our business model drives value creation, how the process is managed, and how we measure the value created.

**RELATED RISK FACTORS**

**ACCOUNTABILITY**

**OUTPUTS**

**KEY OUTCOMES**

**Financial performance risks**

There are a number of risks related to how we deliver financial value:

- 1. Clothing & Home recovery
- 8. Margin
- 11. Profitable growth
- 12. Third party management

+ See Risk p32-33

**Financial accountability**

BOARD



OPERATING COMMITTEE

+ See Governance p34-84

+ See Remuneration p66-78

**Key financial measures**

- Group revenue
- Group profit before tax and adjusted items
- Adjusted earnings per share
- Dividend per share
- Return on capital employed
- Free cash flow (pre-shareholder returns)

+ See KPIs p18

**Financial value created**



- Strong profits build strong cash position
- Returns to shareholders
- Taxes to government
- Increased investment opportunities
- Employee rewards

**Non-financial performance risks**

There are a number of risks related to how we deliver non-financial value:

- 1. Clothing & Home recovery
- 2. Food safety and integrity
- 3. Corporate responsibility
- 4. Information security (including cyber)
- 6. Customer proposition & experience
- 7. Talent & succession
- 9. Brand

+ See Risk p32-33

**Non-financial accountability**

BOARD



OPERATING COMMITTEE

ADVISORY PLAN A COMMITTEE



OPERATIONAL PLAN A COMMITTEE

+ See Plan A Report

**Key non-financial measures**

- Total Food customers and average number of shops per customer
- Total Clothing & Home customers and average number of shops per customer
- Employee engagement score
- Percentage of products with a Plan A quality A
- Greenhouse gas emissions (tonnes)
- Greenhouse gas emissions (per sq ft)

+ See KPIs p19

**Non-financial value created**



- Maintained and improved reputation with consumers
- Better trained and fully committed employees
- Stronger relationships with suppliers and communities
- Culture where innovation and agility thrive

**Strategic performance risks**

There are a number of risks related to how we deliver strategic value:

- 1. Clothing & Home recovery
- 5. Technology
- 8. Margin
- 10. UK store estate
- 11. Profitable growth

+ See Risk p32-33

**Strategic accountability**

BOARD



OPERATING COMMITTEE

+ See Governance on p34-84

+ See Remuneration p66-78

**Key strategic measures**

- Food UK revenue
- Food gross margin
- Food like-for-like revenue growth
- UK space growth – Food
- Clothing & Home UK revenue
- Clothing & Home gross margin
- Clothing & Home UK like-for-like revenue growth
- International revenue
- International operating profit
- International space growth
- M&S.com sales
- M&S.com weekly site visits

+ See KPIs p20-21

**Strategic value created**



- Growth in sales, product range and presence
- Supply chain efficiency
- Increased customer base with broadening appeal
- A more dynamic, flexible and agile business