

LEADERSHIP AND EFFECTIVENESS

BOARD ACTIVITIES

TOPIC	ACTIVITIES/DISCUSSION	ACTIONS ARISING	PROGRESS
Strategy	Discussed strategic priorities across Food and Clothing & Home.	<ul style="list-style-type: none"> → Agree a new three-year plan focused on recovery and growth in Clothing & Home and growth in Food. → Focus on simplifying organisational structure and processes. → Deliver significantly greater focus on customers and drive improvements in our brand position. 	<ul style="list-style-type: none"> → Three-year strategic plan agreed. → Detailed implementation plans established and robust processes in place to manage and monitor their delivery. → Key risks and opportunities identified.
	Agreed the strategic plan for the UK store estate.	<ul style="list-style-type: none"> → Assess the optimisation of the Clothing & Home network, based on practical and deliverable actions. → Deliver improved sales and profitability through enhancing the quality of our UK estate. → Continue to drive Food store roll-out programme. 	<ul style="list-style-type: none"> → Agreed expedited plan for reconfiguration of Clothing & Home space to be achieved over the next five years. → Agreed necessary actions and costs associated with delivery of the proposed strategy. → Roll-out of c.250 new Simply Food stores by 2019/20.
	Reviewed the Company's International operations and set strategy for the future.	<ul style="list-style-type: none"> → Review performance and ownership structure of all International operations. → Retain our position as an international retailer and reaffirm our clear commitment to continued growth in international markets. → Develop strategy to deliver a sustainable International business built on a portfolio of profitable markets. 	<ul style="list-style-type: none"> → Decision taken to exit loss-making, wholly-owned retail businesses in specific regions, following completion of a thorough consultation process with colleagues in the affected markets. → Agreed the sale of three stores and head office in Romania to an existing franchise partner. → Agreed restructure of current franchise model to increase competitiveness in our chosen markets.
	Discussed the Group's capital structure and financial strategy, including capital investments, shareholder returns and the dividend policy.	<ul style="list-style-type: none"> → Assess the medium-term capital and funding structure in light of the three-year plan. → Review the Company's cash flow position, dividend cover and enhanced shareholder returns policy in the context of the wider market and our agreed capital allocation priorities. → Continue investing in the business for growth, underpinned by strong investment disciplines. 	<ul style="list-style-type: none"> → Discussed the balance sheet strategy, capital efficiency and leverage position of the Group. → Continued strong cash generation and diligent management of costs. → Maintained a strong balance sheet, investment grade credit rating and a progressive dividend policy broadly twice covered by earnings. → Full year ordinary dividend of 18.7p, plus an additional special dividend of 4.6p paid in July 2016. → Shareholder returns programme put on hold during the year.
	Reviewed our technological capabilities and debated future requirements and areas for development.	<ul style="list-style-type: none"> → Challenge and develop our current technological capabilities to enable further business growth. → Deliver solutions that build on the strategic investments in technology already made, with greater focus on user experience, simplification and use of more cost-effective technologies. 	<ul style="list-style-type: none"> → Conducted a full review of the skills, capabilities, systems and supplier landscapes needed to deliver the strategy over the next few years. → Substantial progress made through initiatives focusing on simplification, cost reduction and the future operating model. → Discussed potential risks and mitigating actions.
	Discussed the logistics strategy in Clothing & Home.	<ul style="list-style-type: none"> → Consider the broader future of, and anticipated long-term changes to, logistics and distribution and how these might fit with the M&S business model of the future. → Agree plan for the development of the logistics network and infrastructure over the next three years. → Identify opportunities to maximise the potential of the Company's distribution centres, improving service and productivity. 	<ul style="list-style-type: none"> → All major building projects now complete. → Proportion of product handled through single tier logistics network increased. → Discussed the key initiatives included in the three-year plan, including operating model, systems upgrades and asset utilisation. → Robust challenge and discussion around the logistics network review, including planning processes and the key risks and assumptions made.
Values	Discussed continued progress and evolution of Plan A.	<ul style="list-style-type: none"> → 107 total Plan A 2020 commitments. → Review progress made in 2016/17 and set priorities for 2017/18. 	<ul style="list-style-type: none"> → 64 achieved, 6 not achieved. → 25 on plan, 11 behind plan. → 1 commitment cancelled. → Strategic priorities for 2017/18 identified.
	Identified opportunities to improve our organisational culture and ways of working.	<ul style="list-style-type: none"> → Ensure the Company has the optimal organisational structure in place to support our business strategy and drive growth. 	<ul style="list-style-type: none"> → Undertook a review of processes, activities, structures and costs. → Progress made in implementation of Smarter Working workstream to optimise use of office space.
Shareholder engagement	Encouraged strong engagement with investors and other stakeholders.	<ul style="list-style-type: none"> → Actively support engagement opportunities. 	<ul style="list-style-type: none"> → Strengthened links between the business and its retail investors through the launch of our Shareholder Panel. → Largest shareholders invited to annual Governance Event hosted by the Chairman. → Reviewed independent report, from Makinson Cowell, covering major investors' views on our management and performance.
	Ensured shareholder feedback was reviewed and considered in advance of the AGM.	<ul style="list-style-type: none"> → Specific issues raised by shareholders to be addressed in the Chairman's AGM statement. 	<ul style="list-style-type: none"> → Key topics raised by shareholders to be communicated together with an update on the Company's progress in these areas.

+ See Board Effectiveness on p42

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Governance & risk	Discussed the evolving regulatory environment and the internal governance processes underpinning programmes and initiatives.	<ul style="list-style-type: none"> → Review the Company's internal policies, procedures and controls in respect of market abuse, market manipulation and insider dealing prior to implementation of the Market Abuse Regulation. → Assess controls over internal financial reporting processes to improve information flows. → Review key projects on completion and evaluate the end-to-end delivery process. 	<ul style="list-style-type: none"> → Internal systems and processes updated in line with new requirements. → Training on the new Market Abuse Regulation conducted at Board level and for employees across the relevant business units. → Identified and implemented enhancements to controls and processes relating to internal financial reporting. → Undertook comprehensive post-implementation reviews of key projects.
	Reviewed progress against the 2016/17 Board Action Plan.	<ul style="list-style-type: none"> → Conduct an externally facilitated Board evaluation. → Obtain and evaluate director feedback on the processes, effectiveness and working of the Board and its committees. 	<ul style="list-style-type: none"> → Discussed the outcome of the Board evaluation conducted by an external facilitator, Ffion Hague of Independent Board Evaluation. → Agreed 2017/18 Action Plan with clear process for ongoing monitoring over the course of the year.
	Half yearly review of Group Risk Profile, covering core internal and external risks, risks driven by business change and areas of emerging risk.	<ul style="list-style-type: none"> → Assess the effectiveness of the Group risk process. → Review completeness and ordering of the Group Risk Profile, including key risk movements, and consider appropriate mitigating activities. → Ongoing robust debate around risk tolerance and risk appetite. 	<ul style="list-style-type: none"> → Agreed a robust set of Group-level risks and mitigating activities, which are regularly monitored. → Debated key changes in risk severity and the relevant contributing factors, redefining as appropriate. → Discussed the potential business impact of Brexit and the possible actions to mitigate the associated risks.
	Reviewed the Company's progress on data governance and cyber security.	<ul style="list-style-type: none"> → Review and assess the strength of the Company's cyber security capabilities and potential risks in light of the perpetually changing nature of potential threats. 	<ul style="list-style-type: none"> → Undertook a comprehensive, externally facilitated assessment of the Company's cyber security risks. → Key areas of risk identified and future priorities agreed. → Updated programme for driving responsible use of data throughout the business.
Customer	Reviewed progress of Sparks programme and discussed future development.	<ul style="list-style-type: none"> → Review customer perceptions of Sparks against loyalty schemes offered by peers. → Assess overall performance of the scheme and the extent to which it drives customer behaviour. → Determine the overall vision for the future of the programme, including growth prospects and potential future applications. 	<ul style="list-style-type: none"> → Work under way to ensure the customer insights gathered through Sparks are used to inform future business decisions that generate growth. → Plans in place to further develop and improve the programme.
	Discussed brand and customer proposition.	<ul style="list-style-type: none"> → Evaluate insights from customer research and assess recommendations in respect of our brand positioning. → Continue to refine our customer understanding. 	<ul style="list-style-type: none"> → Key themes emerging from customer and employee research discussed. → Agreed actions to improve customer experience, with emphasis on our brand purpose of Making Every Moment Special.
Leadership & employees	Discussed succession, talent development and diversity across management.	<ul style="list-style-type: none"> → Review the Board's composition, diversity and succession plans. → Facilitate the smooth succession of the Chairman. → Deliver effective and sustainable management of talent pipelines to ensure the right talent is in the right place at the right time. → Continue to support and encourage the professional development of Board members and senior management to provide them with the skills they need both today and for the future. 	<ul style="list-style-type: none"> → Women comprised 30% of our Board as at close of the 2016/17 financial year. → Robust succession process for the Chairman completed. → Undertook a comprehensive review of talent and succession among senior management during the year, with clear development plans produced. → Progress made in adapting and simplifying processes for managing our talent pipelines. → Ongoing development initiatives include the Korn Ferry Leadership Development Review, and Development Centres for high potential talent.
	Discussed employee engagement.	<ul style="list-style-type: none"> → Promote stronger engagement between the Board and colleagues across the business. → Evaluate the results of the annual Your Say survey from colleagues across the business and identify areas for improvement. 	<ul style="list-style-type: none"> → Received a detailed update from the National Business Involvement Group (BIG), the Company's employee representative body, on its activities during the year and discussed its role in providing an independent colleague voice. → Discussed colleague sentiment across the business, including key areas of concern and the employee perspective of M&S's future opportunities and risks. → Regular engagement with our people across the business.
	Discussed employee reward and pensions.	<ul style="list-style-type: none"> → Implement the agreed arrangements for pay and pensions across the business following the full review initiated during the previous financial year and conclusion of the consultation period. 	<ul style="list-style-type: none"> → Decision taken to cease future accrual in the Company's defined benefit pension scheme, following a period of consultation with National BIG on behalf of employees. → Determined the Company's future approach to pay with emphasis on fairness, consistency and sustainability, following a period of consultation with National BIG.