

## REMUNERATION

# REMUNERATION OVERVIEW

We are committed to **fair and motivating remuneration**,  
and to creating value for our shareholders.



VINDI BANGA CHAIRMAN OF THE REMUNERATION COMMITTEE

On behalf of the Board, I am pleased to present our Remuneration Report for 2016. We have sought to improve our disclosures further this year. As a result, we have introduced a summary section highlighting the key elements of our remuneration framework. This 'Remuneration at a Glance' overview is intended to illustrate our Remuneration Policy in action, the alignment between our senior remuneration strategy and the Company's performance for the 2015/16 financial year.

This year, we have also summarised the Remuneration Policy approved by shareholders at the 2014 AGM rather than reproduce the Policy in full. This gives an overview on the directors' annual remuneration framework.

### BOARD CHANGES

As highlighted earlier, there were a number of changes to the Board during the year. Helen Weir joined us in April 2015, John Dixon left in July 2015 and Marc Bolland retired from the Board in April 2016. I believe that our Remuneration Policy provides the flexibility to manage our pay arrangements while providing certainty to our shareholders that any payments made in the implementation of our Policy are in the best interests of both the Company and our shareholders.

After a rigorous selection process, I am delighted that we appointed Steve Rowe to succeed Marc Bolland as Chief Executive Officer with effect from 2 April 2016. The remuneration arrangements relating to Steve in this report cover his roles during the year; as the Executive Director for Food and later for GM. Steve's remuneration as Chief Executive Officer began after the financial year-end. Full details for

Steve's appointment were disclosed at the time and are detailed later in this report on page 68 with a starting salary in this role of £810,000. In line with the provisions in the Policy, the Committee intends that Steve's salary will be reviewed annually reflecting performance and operational delivery. The first review will be in July 2017, 15 months after his appointment.

### PAY AND PERFORMANCE

The charts shown on pages 52 and 53 demonstrate the clear linkage between M&S business strategy and payments made to the executive directors.

The key business priorities are referenced on pages 18 to 21 of this report and the executive directors' bonus measures for the year were aligned with this focus. In addition, each executive director was set a number of strategic priorities which the Committee considered relevant to the delivery of the short- to medium-term goals in their areas of responsibility.

### Annual Bonus Scheme

As highlighted earlier, our performance during the year was mixed. Overall underlying profits were up 3.5% with strong cash flow delivery. We delivered positive Food growth in a tough market; improved customer experience of M&S.com, and progressed our end to end Clothing & Home supply chain infrastructure. In Clothing & Home, margins improved but sales performance was unsatisfactory. Our International business was impacted by a number of macro-economic factors and operational challenges.

Bonus payments to the executive directors were determined by the above performance, as well as an evaluation of

individual performance against a number of challenging targets and average around 35% of maximum (70% of salary).

Taking into account overall Company performance and balance of the team, the Committee determined that the bonus for the CEO be subject to a discretionary downward adjustment of 20% (from c.80% to c.64% of salary). Bonus payments awarded to the executive team are summarised on page 60. We are satisfied that the payments to the CEO, the executive directors and elsewhere in the business are fair and balanced in the context of overall Company performance.

### Performance Share Plan

The Performance Share Plan awards granted in 2013 were measured for the three year period up to 2 April 2016 against challenging EPS, ROCE and revenue targets. As a result, executive directors will receive only 4.8% of the original award when it vests in June 2016. Full details are provided on page 62.

### SALARY INCREASES

While the Committee was minded to award an annual increase of 2% of salary to Patrick Bousquet-Chavanne, Helen Weir and Laura Wade-Gery, all executive directors have declined their respective pay increases, in recognition of the new pay arrangements proposed across the rest of the UK business. All executive directors have similarly stated that they will decline their annual salary reviews in July 2017, should the Committee deem it appropriate to award any increases at that time. The Committee are fully supportive of their collective decision to support the business in ensuring pay arrangements are affordable and appropriate across M&S.

**IN THIS SECTION**  
**EXECUTIVE DIRECTORS' REMUNERATION AT A GLANCE p52-53**

**SUMMARY REMUNERATION POLICY p54**

- + Executive directors' remuneration policy p54
- + Recruitment policy p55
- + Termination policy p56
- + Non-executive directors' remuneration policy p57

**REMUNERATION REPORT p58**

- + Strategic alignment of pay p58
- + Total single figure remuneration p58
- + Salary and benefits p59
- + Annual Bonus Scheme p60-61
- + Performance Share Plan p62-63
- + Directors' share interests p64-66
- + Non-executive directors' remuneration p69
- + Remuneration Committee p70-71

**LOOKING AHEAD**

Looking ahead to 2016/17, remuneration arrangements will be broadly in line with 2015/16 and will be aligned with the new chapter and strategy being developed for M&S. Incentives will support Steve's strategic direction for the business, his clear focus on our customer, simplicity and teamwork while running the business profitability for our shareholders. Directors will again be eligible to participate in an Annual Bonus Scheme which for this year will be focused on building solid foundations of profit growth in the business (70% of awards will be measured against Underlying Group Profit Before Tax targets). Individual performance will continue to be relevant as we seek improvements in a number of key areas of priority which are necessary for the future growth of M&S. This structure is strongly aligned to the bonus scheme arrangements in place for the wider workforce, which was a consideration in the Committee's discussions.

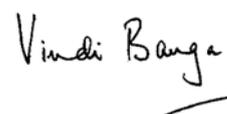
Further Committee debates for incentive schemes for 2016/17 were related to the appropriateness of performance measures and targets for long-term incentive arrangements under Steve Rowe's new leadership. Considerable work is currently underway to review and redefine our long-term goals and the Committee wishes to ensure that the Performance Share Plan is aligned to this strategic review. The Committee believes it is vital that the performance targets in the Performance Share Plan are not only aligned to these goals but are motivational for participants. As a result, the Committee decided that awards under the Performance Share Plan

will be granted in November 2016, shortly after the announcement of the Interim results. This will ensure that we can set stretching yet achievable targets which are within the approved Remuneration Policy and designed to deliver increased shareholder value.

This will be the final year under the current remuneration framework as we will be seeking your support and approval for a new Remuneration Policy at the 2017 AGM. We are committed to ensuring that the executive directors' pay arrangements support and drive the business strategy and are balanced between motivating and challenging our senior leaders to grow the business and deliver value to shareholders.

We will be supported by our Committee advisors in setting the new Remuneration Policy to ensure that it aligns with the

business drivers and goals to deliver strong performance and sustainable shareholder returns. We will seek to engage with our major shareholders as part of this process to reflect their views and to maintain our ongoing dialogue on director pay arrangements. Together with the rest of the Board, I look forward to hearing your views on our remuneration arrangements and will be available to answer any questions you may have at the AGM.



**Vindi Banga**  
Chairman of the Remuneration Committee

**REMUNERATION COMMITTEE**

The following independent non-executive directors were members of the Committee during 2015/16:

MEMBER	MEMBER SINCE	MAXIMUM POSSIBLE MEETINGS	NUMBER OF MEETINGS ATTENDED	% OF MEETINGS ATTENDED
<b>Vindi Banga</b> (Chairman)	1 September 2011	6	6	100
<b>Robert Swannell</b>	1 March 2015	6	6	100
<b>Miranda Curtis</b>	1 February 2012	6	6	100
<b>Richard Solomons</b>	21 July 2015	3	3	100

EXECUTIVE REMUNERATION 2015/16

# REMUNERATION AT A GLANCE

This overview summarises our Policy in action and shows the alignment between our remuneration framework, the Company's performance and payments to directors for 2015/16.

**STRATEGIC PAY ALIGNMENT 2015/16**

[+ See more on p58](#)

The table below shows the integration between M&S's financial key performance indicators as shown on page 18 and the senior remuneration framework for 2015/16.

This clearly demonstrates a strong linkage between performance metrics, payments to directors and business performance over the short- and long-term.

Further details of the alignment with non-financial and strategic measures are set out in the table on page 58.

KPI	Incentive scheme	Impact on incentive payment for 2015/16
<b>Group Revenue</b>	● Performance Share Plan	Multi-channel revenue was the only metric above threshold target for the year resulting in 4.8% vesting of PSP awards under this element.
<b>Underlying Group Profit Before Tax (PBT)</b>	● Annual Bonus Scheme	Underlying Group PBT for the year was £684.1m, and above the target set for bonus payments to begin. For executive directors, 5.9% of bonus was payable as a result of 2015/16 PBT results.
<b>Return on Capital Employed (ROCE)</b>	● Performance Share Plan	Average three-year ROCE performance of 14.7% (which included 15.0% achievement for 2015/16) was below the threshold required for this element of the PSP to vest.
<b>Underlying Earnings per Share (EPS)</b>	● Performance Share Plan	EPS growth was 2.9% over the three years ending in 2015/16 (based on an outturn of 34.8p for this year) and was below the 5% growth required for vesting under the PSP.
<b>Free cash flow<sup>1</sup></b>	● Annual Bonus Scheme	Free cash flow performance for the year was above the maximum target. The Committee felt it appropriate to adjust downwards the outturn for bonus purposes as a result of items such as project delays resulting in an achievement of 18.2% of bonus.

1. Pre shareholder returns and pre acquisition of subsidiary.

[+ See full Strategic alignment of pay on p58](#)

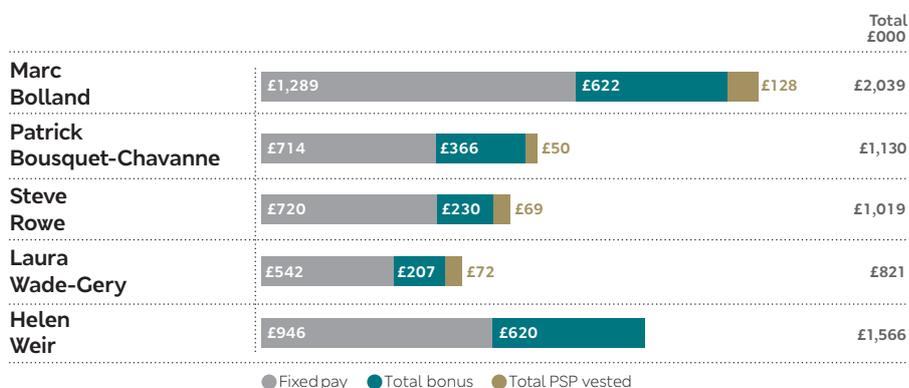
**SINGLE FIGURE REMUNERATION 2015/16**

[+ See more on p58](#)

The graph opposite summarises the total payments made to executive directors in respect of the 2015/16 financial year. These figures illustrate those detailed in the single figure table later in this report.

Fixed pay comprises salary, benefits and pension benefits. Further information on payments made under the Annual Bonus Scheme and Performance Share Plan as a result of one- and three-year performance respectively is illustrated on page 53, with full detail provided later in this report.

[+ See more on Single Figure Remuneration on p58](#)



[+ See Annual Bonus Scheme on p53 & p60-61](#)

[+ See PSP on p53 & p62-63](#)

KEY PERFORMANCE MEASURES



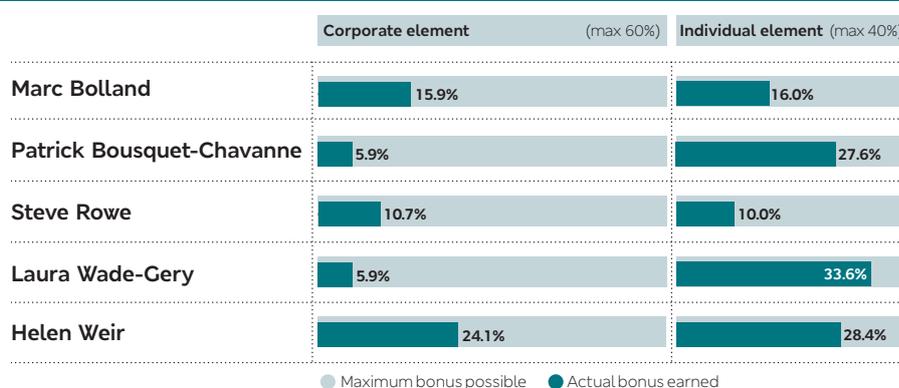
ANNUAL BONUS SCHEME 2015/16

[+ See more on p60-61](#)

Bonus payments made in respect of performance for the year were between 21% and 53% of maximum bonus opportunity. This resulted in payments ranging from £207,000 to £622,000 with half of all amounts being deferred into shares for three years, subject to malus provisions being met.

Further detail of the performance targets and the extent to which each were achieved are shown on page 60 of this report.

[+ See more on Annual Bonus Scheme on p60](#)



PERFORMANCE SHARE PLAN (PSP) 2015/16

[+ See more on p62-63](#)

The chart opposite illustrates the results of the three-year performance against the PSP targets which were set in 2013. Awards will vest in June 2016, with an estimated vesting value detailed in the single figure table.

EPS weighting/performance

Three-year EPS growth of 2.9% was below the 5% required for threshold vesting.

ROCE weighting/performance

Average ROCE over the last three years was 14.7%, below the 15.0% required for this element of the award to vest.

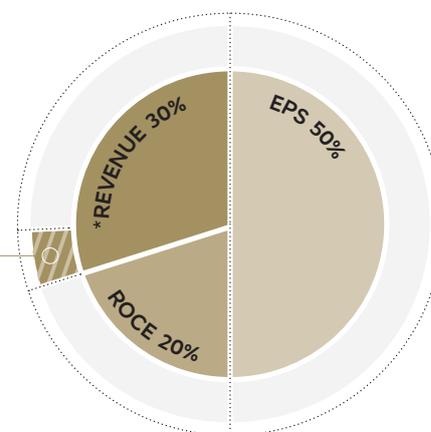
Revenue weighting/performance

As a result of 2015/16 Multi-Channel revenue performance, 4.8% of awards will vest. Other revenue measures were not met, meaning these elements of the award will lapse.

[+ See more on Performance Share Plan on p62](#)

PSP performance weighting

<b>EPS</b>		
 Maximum possible	50%	
 Actual performance	0%	
<b>ROCE</b>		
 Maximum possible	20%	
 Actual performance	0%	
<b>Revenue*</b>		
 Maximum possible	30%	
 Actual performance	4.8%	
<b>*Weighting (by revenue source)</b>		
UK	10%	
International	10%	
Multi-channel	10%	



## REMUNERATION

# SUMMARY REMUNERATION POLICY

This report sets out a summary of M&S's policy on remuneration for executive and non-executive directors. The Policy in full was approved by shareholders at the AGM on 8 July 2014

and can be found on our website at [marksandspencer.com/thecompany](http://marksandspencer.com/thecompany). The Policy took effect from this date and may operate for up to three years.

The Policy remains to attract, retain and motivate our leaders and ensure they are focused on delivering business priorities within a framework designed to promote the long-term success of M&S, aligned with our shareholders' interests.

### SUMMARY EXECUTIVE DIRECTORS' REMUNERATION POLICY (AS APPROVED ON 8 JULY 2014)

FIGURE 1: SUMMARY EXECUTIVE DIRECTORS' REMUNERATION POLICY TABLE

ELEMENT	OPERATION	OPPORTUNITY
Base salary	<p>Salaries are reviewed annually by the Committee, considering a number of factors, including:</p> <ul style="list-style-type: none"> <li>→ Salary increases in the wider M&amp;S workforce.</li> <li>→ The experience, responsibility and contribution of the individual.</li> <li>→ Salaries for comparable roles in appropriate comparator groups (such as major retailers and our peer group of FTSE 25-75 companies).</li> </ul>	<p>Annual increases are normally in line with those in the wider workforce, although no maximum is set.</p> <p>Individual adjustments may be made in appropriate circumstances (e.g. where the role scope has changed or as part of salary progression for newly-appointed directors).</p>
Benefits	<p>In line with our policies, executive directors are eligible to receive benefits which may include:</p> <ul style="list-style-type: none"> <li>→ A car or cash allowance and a driver.</li> <li>→ Life assurance.</li> <li>→ Relocation and tax equalisation allowances in line with our mobility policies.</li> </ul> <p>As with all employees, directors are also offered other benefits including:</p> <ul style="list-style-type: none"> <li>→ Employee discount.</li> <li>→ Salary sacrifice schemes.</li> <li>→ Participation in our all-employee share schemes.</li> </ul>	<p>There is no set maximum, however any provision will be commensurate with local markets and for all-employee shares schemes, the local statutory limits.</p>
Pension benefits	<p>Executive directors may choose to:</p> <ul style="list-style-type: none"> <li>→ Participate in our defined contribution pension scheme; or</li> <li>→ Receive cash payments in lieu of pension contributions.</li> </ul> <p>The defined benefit pension scheme is closed to new members. Directors who are members of this scheme will continue to accrue benefits.</p>	<p>A maximum of 25% of salary for executive directors (30% for the CEO).</p>
Annual Bonus Scheme including Deferred Share Bonus Plan (DSBP)	<p>All directors are eligible to participate in the Annual Bonus Scheme, which is a discretionary, non-contractual scheme. Performance is measured against quantifiable one-year financial and individual performance targets linked with the sustainable delivery of our business plan. Targets are set at the start of the year and approved by the Remuneration Committee. At least half of awards are measured against financial measures which typically includes Underlying Group Profit Before Tax (PBT).</p> <p>Corporate and individual elements may be earned independently, but no part of the individual objectives may be earned unless a 'threshold' level of PBT has been achieved. For threshold performance, up to 40% of maximum may be payable for the achievement of individual objectives.</p> <p>At least half of any bonus earned is paid in shares which are deferred for three years. The value of any dividends during the deferral period will be payable.</p> <p>The Committee can, in circumstances it believes appropriate, reduce to zero unvested deferred share awards. In certain circumstances, the Committee can also reclaim all or part of the cash bonus for up to three years after the payment date, for payments made after July 2015.</p>	<p>Total maximum annual bonus opportunity is capped at 200% of salary for each executive director.</p>
Performance Share Plan (PSP)	<p>To encourage long-term shareholding, to retain directors and to provide greater alignment with shareholders' interests, all directors are eligible to participate in the Performance Share Plan. This is a non-contractual, discretionary scheme and is M&amp;S's main long-term incentive scheme. Performance is measured against a balanced scorecard of three-year financial measures set prior to grant. Measures currently include Earnings per Share (EPS) and Return on Capital Employed (ROCE).</p> <p>The value of any dividends during the vesting period will be payable.</p> <p>The Committee can, in circumstances it believes appropriate, reduce to zero unvested PSP awards. In addition, the Committee can, for awards made after June 2015, reclaim all or part of vested awards for up to two years after the vesting date in certain specified circumstances.</p>	<p>The maximum annual value of shares at grant is capped at 300% of salary for each executive director.</p>

## FIND OUT MORE

+ See Remuneration Report p58 + See our Strategy p06-08 + See our KPIs p18-21

+ Read our full Remuneration Policy at [www.marksandspencer.com/thecompany](http://www.marksandspencer.com/thecompany)

## EXECUTIVE DIRECTORS' REMUNERATION POLICY CONTINUED

## FIGURE 2: RECRUITMENT POLICY &amp; SERVICE CONTRACTS

The table below summarises the Company's policy on the recruitment of new executive directors. Similar considerations may also apply where a director is promoted within the Board.

ELEMENT	APPROACH
Service contract	→ All executive directors have rolling contracts for service which may be terminated by M&S giving 12 months' notice and the individual giving six months' notice.
Base salary	→ Salaries are set by the Committee, taking into consideration a number of factors including the current pay for other executive directors, the experience, skill and current pay level of the individual and external market forces. → The Committee may choose to set the salary below that of the market or the other directors with the intention of applying staged increases.
Benefits	→ The Committee will offer a benefits package in line with our benefits policy for executive directors. The benefits provided will appropriately reflect the individual's circumstances.
Pension benefits	→ Maximum contribution in line with our Policy.
Annual Bonus Scheme	→ Maximum bonus potential will be capped at 200% of salary in line with our Policy.
PSP	→ Maximum award of up to 300% of salary in line with our Policy.
Buy-out awards	→ The Committee may offer compensatory payments or buy-out awards where an individual forfeits outstanding variable pay opportunities or contractual rights as a result of their appointment with M&S. → The specifics of any buy-out awards would be dependent on the individual circumstances of recruitment and would be determined on a case-by-case basis. On assessing such awards, the Committee will seek to make awards on a like-for-like basis to ensure that the value awarded would be no greater than the value forfeited by the individual. The Committee may choose to apply performance conditions to these awards.

In addition, the Committee in exceptional circumstances has discretion to include any other remuneration component or award which it feels is appropriate, taking into account the specific circumstances of the

individual, subject to the limit on variable remuneration set out above. The rationale for any such component would be appropriately disclosed. For example, for internal promotional appointments

to the Board, the Committee would honour any pre-existing contractual remuneration arrangements which may be outside of the standard policy summarised on page 54.

## REMUNERATION POLICY CONTINUED

### EXECUTIVE DIRECTORS' REMUNERATION POLICY CONTINUED

#### TERMINATION POLICY

The Company may choose to terminate the contract of any executive director in line with the terms of their service agreement either by means of a payment in lieu of notice or through a series of phased payments. Service agreements may be terminated without notice and without payments in certain circumstances, such as gross misconduct.

The Company's policy toward exit payments allows for a variety of

circumstances whereby a director may leave the business. In all circumstances, the Committee does not intend to 'reward failure' and will make decisions based on the individual circumstances ensuring they are in the best interests of the Company and shareholders at that time, and reflect the director's contractual and other legal rights.

The table below summarises our termination policy for executive directors under their service agreement and the incentive plan rules.

The full Policy sets out further detail on the treatment of the executive directors' pay arrangements, including the treatment of share schemes in the event of a change of control or winding-up of the Company and some legacy long-term incentive plans which the Company operates. No current executive director holds unexercised awards under these legacy plans.

#### FIGURE 3: TERMINATION POLICY

ELEMENT	APPROACH
Base salary, benefits and pension benefits	→ Payment made up to the termination date.
Annual Bonus Scheme	→ There is no contractual entitlement to a bonus payment. If the director is under notice or not in active service at either the end of the bonus year or on the payment date, awards (and any unvested deferred bonus shares) may lapse. The Committee may, however, use its discretion to make a bonus award, typically pro-rated for time and based on the performance assessed at the end of the bonus year.
Long-term incentive awards	→ The treatment of outstanding share awards is determined in the accordance with the respective plan rules. → Where a director leaves in certain circumstances, for performance share awards held for at least 12 months, awards typically vest at the end of the relevant performance period (to the extent to which any performance conditions are met) and are pro-rated for time. The plan rules allow for the Committee to permit these awards to vest at the time the director leaves and to not apply time pro-rating.
Repatriation	→ M&S may pay for repatriation where a director has been recruited from overseas.
Legal expenses & outplacement	→ Where a director leaves by mutual consent, M&S may reimburse for reasonable legal fees and pay for professional outplacement services.

#### CONSIDERATION OF WIDER WORKFORCE PAY & SHAREHOLDER VIEWS

The Committee monitors and reviews the effectiveness of the senior remuneration policy and has regard to its impact and compatibility with remuneration policies in the wider workforce. Throughout the year the Committee is provided with information and context on pay in the wider workforce to enable its decision-making. This includes the approach for UK pay review, the total annual bonus cost budget and PSP awards to be made to directors below the Board.

The Committee receives updates on a variety of employee engagement initiatives including our annual 'Your Say' employee survey which asks employees about the fairness and reasonableness of employee pay and benefits. Employee representatives in our Business Involvement Groups are annually provided with an explanation of the executive directors' pay arrangements during the year, and are able to ask questions on the arrangements and their fit with the other reward policies at this time.

The Committee is committed to an open and transparent dialogue with its shareholders. The Committee annually engages in a process of investor consultation, which is typically in written format. Where appropriate, the Committee will actively engage with shareholders and shareholder representative bodies, seeking views which may be taken into account when making any decisions about changes to the directors' Remuneration Policy.

The Committee Chairman is available to answer questions at the Annual General Meeting (AGM) and the answers to specific questions are posted on our website.

### SUMMARY NON-EXECUTIVE DIRECTORS' REMUNERATION POLICY (AS APPROVED ON 8 JULY 2014)

The table below summarises our Policy for the operation of non-executive director fees and benefits at the Company.

**FIGURE 4: SUMMARY NON-EXECUTIVE DIRECTORS' REMUNERATION POLICY TABLE**

ELEMENT	OPERATION AND OPPORTUNITY
<b>Service agreements</b>	<ul style="list-style-type: none"> <li>→ All non-executive directors have an agreement for an initial three-year term. The Chairman's agreement requires six months' notice by either party. The non-executive directors' agreements may be terminated by either party giving three months' notice.</li> </ul>
<b>Chairman's fees</b>	<ul style="list-style-type: none"> <li>→ Fees are reviewed annually by the Committee taking into consideration:               <ul style="list-style-type: none"> <li>- Time commitment, demands and responsibility of the role.</li> <li>- External market practice.</li> </ul> </li> <li>→ The maximum aggregate fees for the Chairman and non-executive directors is £750,000 p.a. as set out in our Articles of Association.</li> </ul>
<b>Non-executive director basic fee</b>	<ul style="list-style-type: none"> <li>→ Fees are reviewed annually by the executive directors taking into consideration:               <ul style="list-style-type: none"> <li>- Time commitment, scope and responsibility of the role.</li> <li>- External market practice.</li> </ul> </li> <li>→ The maximum aggregate fees for the non-executive directors, including the Chairman's fee, is £750,000 p.a. as set out in our Articles of Association.</li> </ul>
<b>Additional fees</b>	<ul style="list-style-type: none"> <li>→ Additional fees are paid for undertaking the extra responsibilities of:               <ul style="list-style-type: none"> <li>- Board Chairman.</li> <li>- Senior Independent Director.</li> <li>- Committee Chairman.</li> </ul> </li> </ul>
<b>Benefits</b>	<ul style="list-style-type: none"> <li>→ In line with our other employees, the Chairman and non-executive directors are entitled to receive employee discount.</li> <li>→ The Chairman is also entitled to the use of a car and driver.</li> <li>→ No further benefits are provided to the Chairman or non-executive directors.</li> </ul>
<b>Recruitment</b>	<ul style="list-style-type: none"> <li>→ The Committee takes into account a number of factors when determining an appropriate fee level for the Chairman. The CEO and executive directors determine appropriate fee levels for the non-executive directors and take into account the time commitment, role responsibility and market practice in our comparator groups when doing so.</li> <li>→ M&amp;S may offer benefits to the Chairman in line with our Policy.</li> </ul>

## GOVERNANCE

# REMUNERATION REPORT

### EXECUTIVE DIRECTORS' REMUNERATION

The Remuneration Committee annually reviews the senior remuneration framework and considers whether the existing incentive arrangements remain appropriately challenging in the context of the business strategy, current external guidelines and a range of internal factors

including the Remuneration Policy and pay arrangements throughout the rest of the organisation. The table below shows the performance measures used in current incentive schemes and how these align with the key performance indicators detailed on pages 18 to 21. As shown, there is a strong

linkage between the key performance indicators which are integrated in to the directors' incentive schemes. This ensures that directors are clearly aligned and motivated to deliver the strategy.

FIGURE 8: STRATEGIC ALIGNMENT OF PAY

See KPIs on p18-21

FINANCIAL OBJECTIVES	KPI	INCENTIVE SCHEME
Grow Group revenue	Group Revenue	PSP
Increase earnings and returns	Underlying Group Profit Before Tax (PBT) Return on Capital Employed (ROCE) Underlying Earnings per Share (EPS)	Annual Bonus Scheme PSP PSP
Strong cash generation	Free cash flow	Annual Bonus Scheme & PSP
NON-FINANCIAL OBJECTIVES	KPI	INCENTIVE SCHEME
Foster a skilled, motivated and engaged team	M&S Values	Annual Bonus Scheme
Source products with integrity	Plan A	Annual Bonus Scheme
Efficient and responsible operations	Plan A	Annual Bonus Scheme
LONG TERM STRATEGIC OBJECTIVES	KPI	INCENTIVE SCHEME
Driving growth	Sales revenue	Annual Bonus Scheme & PSP
Reaching customers	Sales growth and online visits	Annual Bonus Scheme
Improving profitability	Gross margin/operating profit	Annual Bonus Scheme & PSP

FIGURE 9: TOTAL SINGLE FIGURE REMUNERATION (audited)

Director	Year	Salary £000	Benefits <sup>3</sup> £000	Total Bonus <sup>4</sup> £000	Total PSP vested <sup>5</sup> £000	Pension benefits <sup>6</sup> £000	Total £000
Marc Bolland	2015/16	975	21	622	128	293	2,039
	2014/15	975	19	596	212	293	2,095
Patrick Bousquet-Chavanne	2015/16	541	38	366	50	135	1,130
	2014/15	525	36	222	60	131	974
John Dixon <sup>1</sup>	2015/16	177	7	0	0	44	228
	2014/15	600	25	217	122	150	1,114
Steve Rowe	2015/16	549	34	230	69	137	1,019
	2014/15	525	42	653	66	131	1,417
Laura Wade-Gery <sup>2</sup>	2015/16	383	18	207	72	141	821
	2014/15	552	21	219	118	138	1,048
Helen Weir	2015/16	590	208	620	0	148	1,566
	2014/15	-	-	-	-	-	-

- The amounts shown for 2015/16 reflect that John Dixon resigned from the Board on 16 July 2015.
- The amounts shown for 2015/16 for Laura Wade-Gery take into account the period of maternity leave taken from 22 August 2015, calculated in line with the Company's relevant policies.
- Benefits include the value of car allowance and intrinsic value of SAYE in addition to the taxable value of car, driver and life assurance, as applicable to each director and as described on page 59. As disclosed in last year's report, for Helen Weir, benefits also include £188,500, the differential value in contractual pension she forfeited to join M&S. This was paid in 12 equal instalments.
- Half of any award will be deferred into Company shares for a period of three years. Further details of the 2015/16 Annual Bonus Scheme are shown on page 60.
- The value of awards vesting in 2014/15 has been restated to reflect the actual value of dividend equivalents and share price at the time of vesting. The value of awards vesting in 2015/16 has been estimated based on the three-month average share price from 4 January 2016 – 1 April 2016 as these awards do not vest until after the end of the financial year. This value also includes the anticipated value of dividend equivalents which will be payable in July 2016. These estimated figures will be restated in next year's report.
- Pension benefits comprise the value of cash provided in lieu of participation in an M&S pension scheme.

## EXECUTIVE DIRECTORS' REMUNERATION CONTINUED

The following sections detail additional disclosure regarding each of the components set out in the previous 'single figure' table. Targets and the resultant outturn under the Annual Bonus Scheme and Performance Share Plan are measured on a 52 week basis.

## SALARY (audited)

When reviewing salary levels, the Committee takes into account a number of internal and external factors, including Company performance during the year, external market data and the salary review principles applied to the rest of the organisation to ensure a consistent approach.

As reported last year, salary increases, where awarded, were between 2% and 6% in recognition of the change in pay review date, and the individual performance of each executive director. These pay increases took effect from 1 July 2015.

The average pay increase for the executive directors was 3.0%, in line with the average increase awarded to the wider UK workforce over the same 18-month period.

During the year, the Committee discussed the executive directors' annual salary review for all executive directors eligible for review. Steve Rowe was not eligible for a pay

review in July 2016. The Committee was minded to award an annual increase of 2% of salary to Patrick Bousquet-Chavanne, Laura Wade-Gery and Helen Weir. This increase is in line with the average pay increase for the rest of the organisation, effective July 2016.

All executive directors have declined their respective pay increases in recognition and support of the proposed new pay

arrangements being made elsewhere in the UK organisation. Further, they have also indicated an intention to similarly decline their increases in July 2017, should the Committee deem it appropriate to award any such increase.

The table below details the executive directors' salaries as at 2 April 2016 and salaries which will take effect from 1 July 2016.

FIGURE 10: SALARIES

	Annual salary as of 2nd April 2016 £000	Annual salary as of 1st July 2016 £000	Change in salary % increase
<b>Steve Rowe<sup>1</sup></b>	557	810	45.4
<b>Patrick Bousquet-Chavanne</b>	546	546	0
<b>Laura Wade-Gery</b>	569	569	0
<b>Helen Weir</b>	590	590	0

1. The figure for Steve Rowe for 1 July 2016 reflects his appointment to CEO in April 2016.

## BENEFITS (audited)

Each executive director receives a car or cash allowance and is offered the benefit of a driver. The Company also provides each director with life assurance. Executive directors receive employee product discount and are eligible to participate in salary sacrifice schemes such as Cycle2Work in line with all other employees.

## PENSION BENEFITS (audited)

Executive directors currently all receive a 25% salary supplement in lieu of participation in an M&S pension scheme. Marc Bolland received a supplement of 30% of salary.

Steve Rowe and John Dixon are deferred members of the Marks & Spencer UK Pension Scheme. Details of the pension accrued during the year ended 2 April 2016 are shown below.

FIGURE 11: PENSION BENEFITS

	Normal retirement age	Accrued pension entitlement as at year end <sup>1</sup> £000	Additional value on early retirement £000	Increase in accrued value £000	Increase in accrued value (net of inflation) £000	Transfer value of total accrued pension £000
<b>John Dixon</b>	60	138	0	0	0	3,515
<b>Steve Rowe</b>	60	147	0	0	0	3,759

1. The accrued pension entitlement is the deferred pension amount that the director would receive at age 60 if they left the Company on 2 April 2016. All transfer values have been calculated on the basis of actuarial advice in accordance with the current Transfer Value Regulations. The transfer values of the accrued entitlement represent the value of the assets that the pension scheme would transfer to another pension provider on transferring the scheme's liability in respect of the director's pension benefits. They do not represent sums payable to the director and therefore cannot be added meaningfully to annual remuneration.

## REMUNERATION REPORT CONTINUED

### EXECUTIVE DIRECTORS' REMUNERATION CONTINUED

#### ANNUAL BONUS SCHEME

##### ANNUAL BONUS SCHEME 2015/16 (audited)

Annual performance for 2015/16 was measured against Underlying PBT (30% of awards) and either business unit operating profit for trading directors or free cash flow for the CEO and CFO (30% of awards).

Individual performance accounted for 40% of bonus opportunity, with objectives aligned to the relevant key strategic business priorities. Figure 12 provides an overview of the key achievements against objectives.

Steve Rowe's measures were amended to reflect his change in accountabilities in July 2015 from Food to Clothing & Home. His pro-rated performance for each business area is reflected in his final bonus payment.

Underlying PBT outturn was £684m which was above the £680m target set to trigger payments under both the corporate and individual elements of the Scheme.

The Committee reviewed all of the bonus outcomes in the context of the Company's overall performance and quality of earnings. With regard to free cash flow, the Committee judged it appropriate to adjust downwards the actual bonus outturn figure to reflect certain items such as project delays which the Committee felt should not be reflected in the bonus payment. As a result, payments under this element were 18.2% of bonus as shown in Figure 13.

The Committee also reviewed achievement to ensure that total payments were appropriate in the context of M&S's overall performance and outturn of individual objectives. Taking into account overall Company performance and balance of the team, the Committee determined that the bonus for the CEO be subject to a discretionary downward adjustment of 20% (from c. 80% to c. 64% of salary). Bonus payments awarded to the executive team are shown below. We are satisfied that the payments to the CEO, the executive directors and elsewhere in the business are fair and balanced in the context of overall Company performance.

Success towards Plan A targets and M&S Values underpinned the entire Scheme. The Committee was satisfied that each

director continued to ensure that Plan A and leadership in embedding M&S's cultural values remained a major focus of the ways of working and that the performance supported this.

➕ See Plan A Report for more detail.

The Committee ensures that targets set are the relevant drivers of required annual performance. Some of the 2015/16 targets are too commercially sensitive to disclose as they are not disclosed elsewhere in this report. M&S remains committed to transparent reporting within the context of operating in a highly-competitive market. The Committee will continue to assess the commercial sensitivity of targets with the aim to disclose wherever possible, while ensuring that any measures set are those most appropriate to grow the business.

FIGURE 12: KEY ACHIEVEMENTS OF INDIVIDUAL OBJECTIVES 2015/16

<b>Marc Bolland</b>	Continued improvement in UK Food sales and embedding 'Fit To Lead The Future' through talent development and recognition
<b>Patrick Bousquet-Chavanne</b>	Successful launch of 'Sparks' and inspirational marketing campaigns to drive store and online footfall
<b>Steve Rowe</b>	Continued improvement in UK Food sales and driving change in Clothing & Home
<b>Laura Wade-Gery</b>	Significant improvements in the stability and performance of Donington and increased customer satisfaction in stores and online
<b>Helen Weir</b>	Robust control of business costs and successful delivery of Clothing & Home supply change transformation project

FIGURE 13: ANNUAL BONUS SCHEME 2015/16

Director	CORPORATE TARGETS										INDIVIDUAL OBJECTIVES		TOTAL PAYMENT	
	UNDERLYING GROUP PBT				FREE CASH FLOW <sup>2</sup>				BUSINESS UNIT PROFIT		Performance	Achievement	%	£000
	Target	Max	Actual	% max bonus	Target	Max	Actual	% max bonus	Performance	% max bonus				
<b>Marc Bolland</b>	680	735	<b>684</b>	5.9	489	589	<b>546</b>	18.2	–	–	⊖	16.0	63.8	<b>622</b>
<b>Patrick Bousquet-Chavanne</b>	680	735	<b>684</b>	5.9	–	–	–	–	×	0.0	✓	27.6	67.0	<b>366</b>
<b>Steve Rowe</b>	680	735	<b>684</b>	5.9	–	–	–	–	⊖	4.8	⊖	10.0	41.4	<b>230</b>
<b>Laura Wade-Gery<sup>1</sup></b>	680	735	<b>684</b>	5.9	–	–	–	–	×	0.0	✓	33.6	79.0	<b>207</b>
<b>Helen Weir</b>	680	735	<b>684</b>	5.9	489	589	<b>546</b>	18.2	–	–	✓	28.4	105.0	<b>620</b>

1. Laura Wade-Gery's bonus payment reflects her period of maternity leave which began on 22 August 2015.  
2. Targets and achievement exclude shareholder returns and pre acquisition of the subsidiary.

Performance assessment key

⊗ Below Threshold   ⊖ Threshold > Target   ✓ Target > Stretch   ⊕ Above stretch

## EXECUTIVE DIRECTORS' REMUNERATION CONTINUED

**DEFERRED SHARE BONUS PLAN (audited)**

Currently 50% of any bonus award is compulsorily deferred into nil-cost options/conditional shares. These awards vest after three years subject to continued employment as well as malus provisions. The table opposite provides details of share awards made during the year in respect of bonus payments made in 2014/15. The face value of each award reflects half of the value shown for 2014/15 bonus payments in the single figure table.

**FIGURE 14: DSBP AWARDS MADE IN 2015/16**

	Basis of award	Face value of award <sup>2</sup> £000	End of deferral period
<b>Marc Bolland</b>	50% of bonus	298	19/06/2018
<b>Patrick Bousquet-Chavanne</b>	50% of bonus	111	19/06/2018
<b>Steve Rowe</b>	50% of bonus	327	19/06/2018
<b>Laura Wade-Gery</b>	50% of bonus	109	19/06/2018
<b>Helen Weir</b>	–	–	–

1. Helen Weir joined M&S during the 2015/16 financial year.
2. The face value of awards is calculated as the number of nil-cost options/conditional shares awarded multiplied by the average mid-market share price on the five dealing days prior to the date of grant. For this year, the share price was calculated as being £5.483, being the average share price between 12 June 2015 and 18 June 2015. Further details of these awards are shown in the table on pages 65-66.

**ANNUAL BONUS SCHEME FOR 2016/17**

During the year, the Committee discussed the 2016/17 Scheme, considering the strategic way forward for M&S under its new leadership. As a result, some minor changes to the structure of the Scheme which are in line with the Remuneration Policy were approved. These amendments are aimed at driving the profitable growth necessary for the success of M&S, more closely aligning the bonus to arrangements in the wider workforce.

Performance will be measured against collective corporate performance as well as performance in the individual's specific business area. Individual performance will continue to be measured independently of any financial targets. However, no individual element can be earned unless a 'threshold' level of PBT has been achieved. This maintains the important principle that

below a defined level of financial performance, no bonus will be earned.

As shown below, 70% of awards will be measured against Underlying Group PBT under the corporate element. The remainder of the bonus will be measured against individual objectives. These will be structured so that 10% will be assessed against the financial performance in local business areas, 10% against a customer focused measure and 10% against the success of implementing the relevant business change central to success in 2016/17. Local measures will be those quantifiable deliverables most relevant to the renewed strategy and will focus on improving Clothing & Home sales and controlling our costs, providing value for money and optimum rates of return on expenditure for our shareholders.

Laura Wade-Gery's bonus objectives will be agreed with her upon her return from maternity leave but will be structured similarly, following the same principles.

The targets under these measures are deemed by the Board to be too commercially sensitive to disclose at this time, but where possible, will be disclosed in next year's report.

The Committee will continue to judge overall performance against our ecological, ethical and behavioural achievements to ensure consistency with M&S's values and behaviours. Success towards Plan A targets and the M&S values which all employees, including executive directors, are required to uphold will underpin the entire Scheme. The Committee, in its absolute discretion, may use its judgement to adjust overall final payments accordingly.

**FIGURE 15: ANNUAL BONUS SCHEME TARGETS 2016/17**

Director	CORPORATE TARGETS			INDIVIDUAL OBJECTIVES	
	GROUP PBT	LOCAL FINANCIAL	CUSTOMER	INDIVIDUAL	Measure
	% bonus	% bonus	% bonus	% bonus	
<b>Steve Rowe</b>	70%	10%	10%	10%	Clothing & Home UK LFL sales Organisational development
<b>Patrick Bousquet-Chavanne</b>	70%	10%	10%	10%	Business Unit performance Organisational development
<b>Laura Wade-Gery</b>	70%	10%	10%	10%	Organisational development
<b>Helen Weir</b>	70%	10%	10%	10%	Operating costs Organisational development

## REMUNERATION REPORT CONTINUED

### EXECUTIVE DIRECTORS' REMUNERATION CONTINUED

#### PERFORMANCE SHARE PLAN (PSP)

The Committee believes that long-term share awards reward executives for the delivery of long-term business goals and make annual awards under the Performance Share Plan (PSP) to incentivise executive directors and senior managers.

At the 2015 AGM, shareholders were asked to approve the introduction of a replacement PSP as the previously approved plan had expired. The terms of this Plan were broadly the same as those of the previous 2005 Plan. With nearly 98% of shareholders approving the 2015 Plan, awards of 250% of salary were awarded to each executive director in July 2015.

#### PSP AWARDS MADE IN 2015/16 (audited)

As we disclosed last year, minor amendments to the performance conditions were made for 2015/16 awards. Awards will vest subject to the achievement of stretching targets in those measures determined to appropriately reflect the key drivers of shareholder value and our strategic business priorities. Targets were set to reward the delivery of consistent, ambitious long-term performance. The Committee regularly reviews estimated performance throughout the vesting period.

As shown in Figure 18, performance for these awards is measured against EPS, ROCE, sales growth (in M&S.com and International), cumulative free cash flow and UK Clothing & Home gross margin. Each performance condition is measured independently over the three-year period to the end of the 2017/18 financial year. Awards will vest on 24 July 2018 to the extent that the performance conditions are met.

#### FIGURE 16: PSP AWARDS MADE IN 2015/16

	Basis of award	Face value of award <sup>1</sup> £000	End of performance period <sup>2</sup>
<b>Marc Bolland</b>	250% of salary	2,438	31/03/2018
<b>Patrick Bousquet-Chavanne</b>	250% of salary	1,365	31/03/2018
<b>Steve Rowe</b>	250% of salary	1,391	31/03/2018
<b>Laura Wade-Gery</b>	250% of salary	1,421	31/03/2018
<b>Helen Weir</b>	250% of salary	1,475	31/03/2018

- The face value of awards is calculated as the number of nil-cost options/conditional shares awarded multiplied by the average mid-market share price on the five dealing days prior to the date of grant. For this year, the share price was calculated as being £5.334, being the average share price between 17 July 2015 and 23 July 2015. Further details of these awards are shown in the table on pages 65-66.
- For threshold performance, 20% of the shares awarded will vest.

#### FIGURE 17: PSP AWARDS VESTING IN 2015/16 (audited)

For directors in receipt of PSP awards granted in 2013, the awards will vest on 24 June 2016 based on three-year performance over the period to

2 April 2016. Performance has been assessed and it has been determined that 4.8% of the award will vest.

Details of performance against the specific targets set are set out in the table below.

	Performance target					Total vesting <sup>6</sup>
	EPS Growth <sup>2</sup>	ROCE (%)	Revenue (£ 2015/16)			
			UK <sup>3</sup>	Multi-channel <sup>4</sup>	International <sup>5</sup>	
	50% of award	20% of award	10% of award	10% of award	10% of award	
<b>Threshold performance targets<sup>1</sup></b>	5.0%	15.0%	£8,900m	£900m	£1,400m	
<b>Maximum performance targets<sup>1</sup></b>	12.0%	18.5%	£9,600m	£1,100m	£1,800m	
<b>Actual performance achieved</b>	2.9%	14.7%	£8,386m	£971m	£1,034m	
<b>Percentage of maximum achieved</b>	0.0%	0.0%	0.0%	4.8%	0.0%	<b>4.8%</b>

- 20% of an award vests for threshold performance with full vesting for achieving or exceeding maximum performance. Vesting is a straight line between these two points.
- Based on base EPS in 2012/13 of 31.9p (restated as a result of IAS19) and final EPS of 34.8p in 2015/16.
- Excluding Multi-channel.
- Net of VAT/gross of returns.
- Excluding Multi-channel/including Republic of Ireland.
- Details of the number of shares awarded to each director in 2013 are shown in the table on pages 65-66. The estimated value of these awards, including the dividend equivalents, are set out in the single figure table on page 58.

## EXECUTIVE DIRECTORS' REMUNERATION CONTINUED

**PSP AWARDS TO BE MADE IN 2016/17**

The Committee believes in the importance of strategically-aligned incentives so that executive directors are motivated to deliver the commercial success of M&S. The Committee's aim is to ensure realistic and sustainable targets to support the delivery of such success. The Committee therefore intends to make awards under the PSP in November 2016 shortly after the announcement of the Interim results,

having allowed Steve Rowe and his leadership team sufficient time to develop M&S's long-term business plan. This will ensure that PSP targets are rigorously reviewed in the context of this new leadership, rewarding stretching yet achievable performance designed to deliver increased shareholder value. Such awards will vest three years after the date of grant.

M&S remains committed to clear and transparent communication and intends to report back to shareholders by November 2016 with more detail on these awards. Awards will remain in line with the current Remuneration Policy, first approved by shareholders in 2014.

**FIGURE 18: PERFORMANCE CONDITIONS FOR OUTSTANDING PSP AWARDS (audited)**

The details of outstanding PSP awards are set out in the table on pages 65 and 66. These awards vest subject to the extent that the following three-year performance conditions are met.

	Annualised EPS growth (%)	ROCE (%)	Revenue (£) <sup>5</sup>		
			UK <sup>2</sup>	Multi-channel <sup>3</sup>	International <sup>4</sup>
2014/15 Award	50% of award	20% of award	10% of award	10% of award	10% of award
<b>Threshold performance<sup>1</sup></b>	5.0%	15.0%	£8,900m	£1,100m	£1,400m
<b>Maximum performance<sup>1</sup></b>	12.0%	16.5%	£9,600m	£1,300m	£1,800m

1. Vesting is a straight line between 'threshold' at which 20% vests and 'maximum' performance at which 100% vests.

2. Excluding Multi-channel.

3. Net of VAT/gross of returns.

4. Excluding Multi-channel/including Republic of Ireland.

5. Measured at the end of 2016/17.

	Annualised EPS growth (%)	ROCE (%)	Financial strategic scorecard			
			International sales growth <sup>2</sup> (%)	M&S.com sales growth <sup>3</sup> (%)	UK Clothing & Home gross margin <sup>4</sup>	Cumulative free cash flow <sup>5</sup>
2015/16 Award	50% of award	20% of award	7.5% of award	7.5% of award	7.5% of award	7.5% of award
<b>Threshold performance<sup>1</sup></b>	5.0%	15.0%	5.0%	11.0%	-	£1,350m
<b>Maximum performance<sup>1</sup></b>	12.0%	16.5%	15.0%	18.0%	-	£1,650m

1. Vesting is a straight line between 'threshold' at which 20% vests and 'maximum' performance at which 100% vests.

2. Excluding M&S.com/including Republic of Ireland.

3. Net of VAT and post store returns.

4. Targets relating to UK Clothing & Home gross margin are deemed by the Board to be too commercially sensitive to disclose, but will be retrospectively disclosed in the report relating to the end of the relevant three-year performance period.

5. Pre dividends and returns

**ALL-EMPLOYEE SHARE SCHEMES (audited)**

Executive directors may participate in both ShareSave, the Company's Save As You Earn scheme, and ShareBuy, the Company's Share Incentive Plan on the same basis as all other eligible employees. Further details of the Schemes are set out in note 13 to the financial statements on pages 106 and 107.

## REMUNERATION REPORT CONTINUED

### EXECUTIVE DIRECTORS' REMUNERATION CONTINUED

#### FIGURE 19: DIRECTORS' SHAREHOLDINGS (audited)

The table below sets out the total number of shares held at 2 April 2016 or date of retirement by each executive director serving on the Board during the year.

There have been no changes in the current directors' interests in shares or options granted by the Company and its subsidiaries between the end of the

financial year and 24 May 2016. No director had an interest in any of the Company's subsidiaries at the statutory end of the year.

	Unvested				Vested but unexercised <sup>3</sup>
	Shares owned outright <sup>2</sup>	With performance conditions Performance Share Plan	Deferred Share Bonus Plan	Without performance conditions Restricted Share Plan	
<b>Marc Bolland</b>	683,929	1,572,534	149,153	0	0
<b>Patrick Bousquet-Chavanne</b>	99,070	772,669	46,448	0	0
<b>John Dixon<sup>1</sup></b>	361,076	686,498	82,277	0	0
<b>Steve Rowe</b>	188,535	861,512	110,013	0	0
<b>Laura Wade-Gery</b>	172,955	898,029	73,622	0	56,995
<b>Helen Weir</b>	4,500	276,527	0	0	0

1. Shareholding at 16 July 2015, the date John Dixon resigned from the Board. Please refer to footnote 3 on page 65 for further information on John Dixon's shareholdings.
2. Includes shares held by connected persons.
3. Comprises all unexercised awards under these plans.

#### FIGURE 20: SHAREHOLDING REQUIREMENTS (audited)

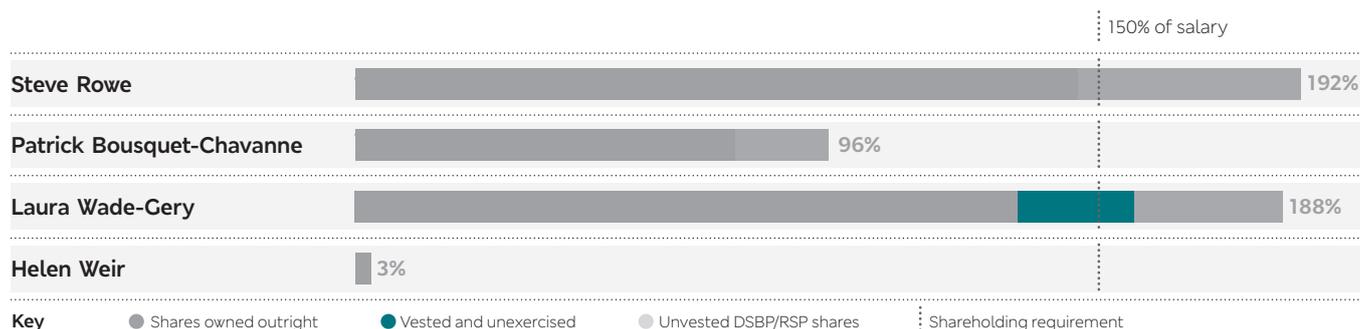
All executive directors are required to hold shares equivalent in value to a minimum percentage of their salary within a five-year period from their appointment date. For the CEO this requirement is 250% of salary and for other Board directors the requirement is 150% of salary. Similar guidelines of 100% of salary also apply to directors below Board level.

The chart below shows the extent to which each director has met their target shareholding as at 2 April 2016.

For the purposes of the requirements, the net number of unvested share awards not subject to performance conditions is included and is reflected in the chart below. The Committee is satisfied that the current level of shareholding requirement provides

an appropriate level of investment in M&S for each director. The Committee will continue to keep this issue under review and will amend accordingly if necessary.

Following Steve Rowe's appointment to CEO on 2 April 2016, his shareholding requirement has been increased to 250% of his new salary which will be reported in next year's report.



### SHARE CAPITAL & DILUTION

#### Dilution of share capital by employee share plans

Awards granted under the Company's Save As You Earn scheme and the Executive Share Option scheme are met by the issue of new shares when the options are exercised.

All other share plans are met by market purchase shares. The Company monitors the number of shares issued under these schemes and their impact on dilution limits.

The Company's usage of shares compared to the dilution limits set by The Investment Association in respect of all share plans (10% in any rolling ten-year period) and executive share plans (5% in any rolling ten-year period) as at 2 April 2016 was as follows:

#### FIGURE 21: ALL SHARE PLANS



#### FIGURE 22: EXECUTIVE SHARE PLANS



## EXECUTIVE DIRECTORS' REMUNERATION CONTINUED

FIGURE 23: EXECUTIVE DIRECTORS' INTERESTS IN THE COMPANY'S SHARE SCHEMES (audited)

	Date of grant	Maximum receivable at 29 March 2015 (or date of appointment)	Awarded during the year	Exercised during the year	Lapsed during the year	Maximum receivable at 2 April 2016 (or date of retirement)	Option price (p)	Share price on date of grant (p)	Share price on date of exercise (p)	Exercise period/ vesting date
<b>Marc Bolland</b>										
Performance Share Plan <sup>1</sup>	18/06/12	749,769	–	35,239	714,530	–	0.0	325.1	543.5	–
	24/06/13	557,780	–	–	–	557,780	0.0	437.0	–	24/06/16 – 23/06/23
	23/06/14	557,780	–	–	–	557,780	0.0	437.0	–	23/06/17 – 22/06/24
	24/07/15	–	456,974	–	–	456,974	0.0	533.4	–	24/07/18 – 23/07/25
Deferred Share Bonus Plan	18/06/12	101,968	–	101,968	–	–	0.0	325.1	543.5	–
	24/06/13	94,822	–	–	–	94,822	0.0	437.0	–	24/06/16 – 23/06/23
	19/06/15	–	54,331	–	–	54,331	0.0	548.3	–	19/06/18 – 18/06/25
SAYE	21/11/13	2,222	–	–	–	2,222	405.0	505.6	–	01/01/17 – 30/06/17
<b>Total</b>		<b>2,064,341</b>	<b>511,305</b>	<b>137,207</b>	<b>714,530</b>	<b>1,723,909</b>				
<b>Patrick Bousquet-Chavanne<sup>2</sup></b>										
Performance Share Plan <sup>1</sup>	05/12/12	230,735	–	10,844	219,891	–	–	389.4	503.0	–
	24/06/13	216,421	–	–	–	216,421	–	437.0	–	24/06/16
	23/06/14	300,343	–	–	–	300,343	–	437.0	–	24/06/17
	24/07/15	–	255,905	–	–	255,905	–	533.4	–	24/07/18
Deferred Share Bonus Plan	24/06/13	26,195	–	–	–	26,195	–	437.0	–	24/06/16
	19/06/15	–	20,253	–	–	20,253	–	548.3	–	19/06/18
Restricted Share Plan	13/09/12	174,258	–	174,258	–	–	–	368.0	505.0	–
SAYE	21/11/13	2,222	–	–	–	2,222	405.0	505.6	–	01/01/17 – 30/06/17
<b>Total</b>		<b>950,174</b>	<b>276,158</b>	<b>185,102</b>	<b>219,891</b>	<b>821,339</b>				
<b>John Dixon<sup>3</sup></b>										
Performance Share Plan <sup>1</sup>	18/06/12	432,174	–	20,312	411,862	–	0.0	325.1	536.0	–
	24/06/13	343,249	–	–	343,249	–	0.0	437.0	–	–
	23/06/14	343,249	–	–	343,249	–	0.0	437.0	–	–
Deferred Share Bonus Plan	18/06/12	62,233	–	62,233	–	–	0.0	325.1	543.5	–
	24/06/13	62,471	–	–	62,471	–	0.0	437.0	–	–
	19/06/15	–	19,806	–	19,806	–	0.0	548.3	–	–
SAYE	21/11/13	2,222	–	–	2,222	–	405.0	505.6	–	–
<b>Total</b>		<b>1,245,598</b>	<b>19,806</b>	<b>82,545</b>	<b>1,182,859</b>	<b>–</b>				

1. The number of options/conditional shares shown under the Performance Share Plan is the maximum (100%) number that could be receivable by the executive director if the performance conditions are fully met. The 2012 award vested in June 2015 at 4.7% (December 2015 for Patrick Bousquet-Chavanne). 4.8% of the 2013 award will vest in June 2016, as set out on page 62.

2. Patrick Bousquet-Chavanne's awards are structured as conditional shares. His RSP award was made prior to his appointment to executive director.

3. John Dixon resigned from the Board on 16 July 2015 and left the Company on 16 January 2016. Details of his leaving arrangements are set out on page 68. All awards made in 2013, 2014 and 2015 and his SAYE award lapsed on leaving the Company. For transparency, these are shown in the 'lapsed during the year' column.

REMUNERATION REPORT  
CONTINUED

EXECUTIVE DIRECTORS' REMUNERATION CONTINUED

FIGURE 23: EXECUTIVE DIRECTORS' INTERESTS IN THE COMPANY'S SHARE SCHEMES (audited) (continued)

	Date of grant	Maximum receivable at 29 March 2015 (or date of appointment)	Awarded during the year	Exercised during the year	Lapsed during the year	Maximum receivable at 2 April 2016 (or date of retirement)	Option price (p)	Share price on date of grant (p)	Share price on date of exercise (p)	Exercise period/ vesting date
<b>Steve Rowe</b>										
Performance Share Plan <sup>1</sup>	18/06/12	232,912	–	10,946	221,966	–	0.0	325.1	543.5	–
	24/06/13	300,343	–	–	–	300,343	0.0	437.0	–	24/06/16 – 23/06/23
	23/06/14	300,343	–	–	–	300,343	0.0	437.0	–	23/06/17 – 22/06/24
	24/07/15	–	260,826	–	–	260,826	0.0	533.4	–	24/07/18 – 23/07/25
Deferred Share Bonus Plan	18/06/12	32,753	–	32,753	–	–	0.0	325.1	543.5	–
	24/06/13	50,457	–	–	–	50,457	0.0	437.0	–	24/06/16 – 23/06/23
	19/06/15	–	59,556	–	–	59,556	0.0	548.3	–	19/06/18 – 18/06/25
SAYE	21/11/13	2,222	–	–	–	2,222	405.0	505.6	–	01/01/17 – 30/06/17
<b>Total</b>		<b>919,030</b>	<b>320,382</b>	<b>43,699</b>	<b>221,966</b>	<b>973,747</b>				
<b>Laura Wade-Gery</b>										
Performance Share Plan <sup>1</sup>	18/06/12	416,025	–	–	396,472	19,553	0.0	325.1	–	18/06/15 – 17/06/22
	24/06/13	315,789	–	–	–	315,789	0.0	437.0	–	24/06/16 – 23/06/23
	23/06/14	315,789	–	–	–	315,789	0.0	437.0	–	23/06/17 – 22/06/24
	24/07/15	–	266,451	–	–	266,451	0.0	533.4	–	24/07/18 – 23/07/25
Deferred Share Bonus Plan	18/06/12	37,442	–	–	–	37,442	0.0	325.1	–	18/06/15 – 17/06/22
	24/06/13	53,684	–	–	–	53,684	0.0	437.0	–	24/06/16 – 23/06/23
	19/06/15	–	19,938	–	–	19,938	0.0	548.3	–	19/06/18 – 18/06/25
<b>Total</b>		<b>1,138,729</b>	<b>286,389</b>	<b>–</b>	<b>396,472</b>	<b>1,028,646</b>				
<b>Helen Weir</b>										
Performance Share Plan <sup>1</sup>	24/07/15	–	276,527	–	–	276,527	0.0	533.4	–	24/07/18 – 23/07/25
SAYE	19/11/15	–	2,083	–	–	2,083	432.0	539.2	–	01/01/19 – 30/06/19
<b>Total</b>		<b>–</b>	<b>278,610</b>	<b>–</b>	<b>–</b>	<b>278,610</b>				

1. The number of options/conditional shares shown under the Performance Share Plan is the maximum (100%) number that could be receivable by the executive director if the performance conditions are fully met. The 2012 award vested in June 2015 at 4.7% (December 2015 for Patrick Bousquet-Chavanne). 4.8% of the 2013 award will vest in June 2016, as set out on page 62.

2. Patrick Bousquet-Chavanne's awards are structured as conditional shares. His RSP award was made prior to his appointment to executive director.

3. John Dixon resigned from the Board on 16 July 2015 and left the Company on 16 January 2016. Details of his leaving arrangements are set out on page 68. All awards made in 2013, 2014 and 2015 and his SAYE award lapsed on leaving the Company. For transparency, these are shown in the 'lapsed during the year' column.

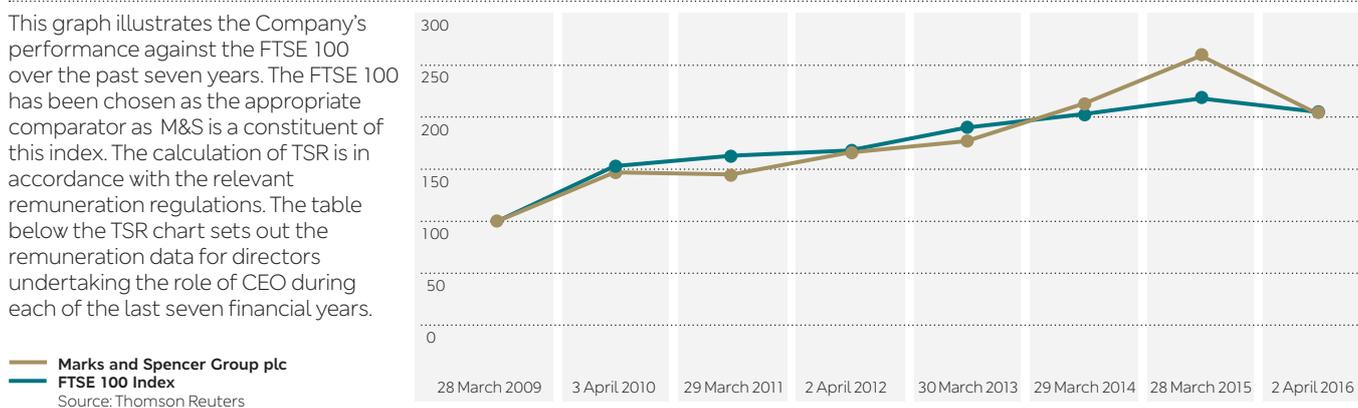
The aggregate gains of directors arising in the year from the exercise of options granted under the PSP, DSBP, RSP and SAYE totalled £2,364,978.

The market price of the shares at the end of the financial year was 407.3p; the highest and lowest share price during the financial year were 596.5p and 392.5p respectively.

## EXECUTIVE DIRECTORS' REMUNERATION CONTINUED

FIGURE 24: PERFORMANCE AND CEO REMUNERATION COMPARISON

This graph illustrates the Company's performance against the FTSE 100 over the past seven years. The FTSE 100 has been chosen as the appropriate comparator as M&S is a constituent of this index. The calculation of TSR is in accordance with the relevant remuneration regulations. The table below the TSR chart sets out the remuneration data for directors undertaking the role of CEO during each of the last seven financial years.



— Marks and Spencer Group plc  
— FTSE 100 Index  
Source: Thomson Reuters

	CEO <sup>1</sup>	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
CEO single figure of remuneration (£000)	Marc Bolland	–	5,998	3,324	2,142	1,568	2,095	2,039
	Stuart Rose	4,294	269	–	–	–	–	–
Annual bonus payment (% of maximum)	Marc Bolland	–	45.80%	34.00%	42.50%	0.00%	30.55%	31.90%
	Stuart Rose	97.00%	57.40%	–	–	–	–	–
PSP vesting (% of maximum)	Marc Bolland	–	–	31.96%	0.00%	7.60%	4.70%	4.80%
	Stuart Rose	0.00%	0.00%	–	–	–	–	–

1. Marc Bolland was appointed CEO on 1 May 2010. His single figure for 2010/11 includes recruitment awards made to him at that time to compensate him for incentive awards forfeited on cessation from his previous employer. Stuart Rose undertook the role of CEO from 31 May 2004 to 30 April 2010.

FIGURE 25: PERCENTAGE CHANGE IN CEO'S REMUNERATION

The table opposite sets out the change in the CEO's remuneration (i.e. salary, taxable benefits and annual bonus) compared with the change in our UK-based employees. This group has been chosen as the majority of our workforce is UK-based. As can be seen, average FTE salaries for UK employees increased by 3.9%, in excess of that provided to the CEO.

	% change 2014/15 – 2015/16		
	Base salary	Benefits	Annual bonus
CEO	0.0%	0.0%	4.4%
UK employees (average per FTE)	3.9%	0.6%	37.3%

FIGURE 26: RELATIVE IMPORTANCE OF SPEND ON PAY

The table opposite illustrates the Company's expenditure on pay in comparison to profits before tax and distributions to shareholders by way of dividend payments and share buyback.

Total employee pay is the total pay for all Group employees. Underlying Group Profit Before Tax has been used as a comparison as this is the key financial metric which the Board consider when assessing Company performance.

	2014/15 £m	2015/16 £m	% change
Total employee pay	1,406.2	1486.7	5.7
Total returns to shareholders <sup>1</sup>	280.7	451.7	60.9
Underlying Group Profit Before Tax	661.2	684.1	3.5

1. Total returns to shareholders for 2015/16 includes distribution to shareholders via share buyback.

## REMUNERATION REPORT CONTINUED

### EXECUTIVE DIRECTORS' REMUNERATION CONTINUED

#### FIGURE 27: SERVICE AGREEMENTS

In line with our Policy, directors have rolling contracts which may be terminated by the Company giving 12 months' notice or the director giving six months' notice.

Steve Rowe's service agreement was updated on his appointment to CEO on 2 April 2016.

	Date of appointment	Notice period/unexpired term
<b>Steve Rowe</b>	01/10/2012	12 months/6 months
<b>Patrick Bousquet-Chavanne</b>	10/07/2013	12 months/6 months
<b>Laura Wade-Gery</b>	04/07/2011	12 months/6 months
<b>Helen Weir</b>	01/04/2015	12 months/6 months

#### EXECUTIVE CHANGES TO THE BOARD DURING 2015/16

##### Directors appointed to the Board

**Helen Weir** joined the Board on 1 April 2015 as Chief Finance Officer as reported last year. Full details of her pay arrangements on joining were disclosed in our 2014/15 report.

##### Payments for the loss of office (audited)

**John Dixon** Executive Director, General Merchandise resigned from the Board on 16 July 2015 and left the Company after a period of garden leave on 16 January 2016. In line with his contractual arrangements, John received a payment of £49,431 in respect of accrued but untaken holiday as per the Company's standard holiday policy for leavers. Any share awards which had not vested prior to the date he left the business lapsed at this time.

##### Payments to past directors (audited)

**Steven Sharp** retired from the Board on 9 July 2013 and had two outstanding awards under the Performance Share Plan. In accordance with the rules of the Performance Share Plan, 4.7% of his 2012 award (24,396 shares) vested in May 2015, equating to £153,302, including dividend equivalents. Steven has no further outstanding awards.

##### Changes to the Board in 2016/17

**Marc Bolland**, CEO retired from the Board on 2 April 2016. In line with his contractual arrangements, Marc will receive salary, benefits and pension benefits until the end of his notice period on 7 January 2017. Marc will not be eligible to participate in either the Annual Bonus Scheme or Performance Share Plan for 2016/17. Per the approved Remuneration Policy,

any unvested nil-cost options awarded to Marc Bolland under the Deferred Share Bonus Plan will vest in full on leaving and may be exercised in accordance with the Plan rules. As per the Policy, any unvested nil-cost options awarded under the Performance Share Plan will be time pro-rated and will vest on the normal vesting date, to the extent that performance conditions are met. They may then be exercised in accordance with the Plan rules.

##### Directors changing roles within the Board

**Steve Rowe** became Chief Executive Officer on 2 April 2016, upon Marc Bolland's retirement from the Board. From this date, Steve's salary increased to £810,000 with all other terms of his existing service agreement remaining unchanged.

#### FIGURE 28: EXTERNAL APPOINTMENTS

The Company recognises that executive directors may be invited to become non-executive directors of other companies and that these appointments can broaden their knowledge and experience to the benefit of the Company. The policy is for the individual director to retain any fee.

The table opposite sets out the details for these fees earned for the period 29 March 2015 to 2 April 2016.

Director	Company	Fee 000
<b>Marc Bolland</b>	The Coca-Cola Company	\$250
<b>Patrick Bousquet-Chavanne</b>	Brown-Forman	\$267
<b>Laura Wade-Gery</b>	British Land Company	£44
<b>Helen Weir</b>	SABMiller	£117
	Rugby Football Union	£25

## NON-EXECUTIVE DIRECTORS' REMUNERATION

**FIGURE 29: NON-EXECUTIVE DIRECTORS' TOTAL SINGLE FIGURE REMUNERATION (audited)**

Non-executive directors receive fees reflective of the time commitment, demands and responsibilities of the role. The table opposite details the fees paid to the non-executive directors for 2015/16 and 2014/15.

In recognition and support of the proposed new pay arrangements being made in the UK organisation, the Chairman and the non-executive directors declined to accept any increase in their fees.

Director	Year	Basic fees £000	Additional fees £000	Benefits £000	Total £000
<b>Robert Swannell</b>	2015/16	70	380	20	<b>470</b>
	2014/15	70	380	18	468
<b>Vindi Banga</b>	2015/16	70	30	0	<b>100</b>
	2014/15	70	12	0	82
<b>Alison Brittain</b>	2015/16	70	0	0	<b>70</b>
	2014/15	70	0	0	70
<b>Miranda Curtis</b>	2015/16	70	0	0	<b>70</b>
	2014/15	70	0	0	70
<b>Andrew Fisher<sup>1</sup></b>	2015/16	23	0	0	<b>23</b>
	2014/15	–	–	–	–
<b>Martha Lane Fox</b>	2015/16	70	0	0	<b>70</b>
	2014/15	70	0	0	70
<b>Andy Halford</b>	2015/16	70	15	0	<b>85</b>
	2014/15	70	15	0	85
<b>Richard Solomons<sup>2</sup></b>	2015/16	68	0	0	<b>68</b>
	2014/15	–	–	–	–

1. The amounts shown for 2015/16 reflect that Andrew Fisher joined the Board on 1 December 2015.  
2. The amounts shown for 2015/16 reflect that Richard Solomons joined the Board on 13 April 2015.

**FIGURE 30: NON-EXECUTIVE DIRECTORS' SHAREHOLDINGS (audited)**

The non-executive directors are not permitted to participate in any of the Company's incentive arrangements. The non-executive directors are required to build and maintain a shareholding of at least 2,000 shares in the Company within two months of their appointment to the Board.

The table opposite details the shareholding of the non-executive directors who served on the Board during the year as at 2 April 2016 (or upon their date of retiring from the Board).

There have been no changes in the current non-executive directors' interests in shares in the Company and its subsidiaries between the end of the financial year and 24 May 2016.

Director	Number of shares held <sup>1</sup>
<b>Robert Swannell</b>	143,000
<b>Vindi Banga</b>	93,700
<b>Alison Brittain</b>	5,096
<b>Miranda Curtis</b>	5,500
<b>Andrew Fisher</b>	3,536
<b>Martha Lane Fox</b>	20,100
<b>Andy Halford</b>	21,000
<b>Richard Solomons</b>	5,000

1. Includes shares held by connected persons.

**FIGURE 31: NON-EXECUTIVE DIRECTORS' AGREEMENTS FOR SERVICE**

Non-executive directors have an agreement for service for an initial three-year term which can be terminated by either party giving three months' notice (six months' for the Chairman).

The table opposite sets out these terms for all current members of the Board.

Director	Date of appointment	Notice period/unexpired term
<b>Robert Swannell</b>	23/08/2010	6 months/6 months
<b>Vindi Banga</b>	01/09/2011	3 months/3 months
<b>Alison Brittain</b>	01/01/2014	3 months/3 months
<b>Miranda Curtis</b>	01/02/2012	3 months/3 months
<b>Andrew Fisher</b>	01/12/2015	3 months/3 months
<b>Andy Halford</b>	01/01/2013	3 months/3 months
<b>Richard Solomons</b>	13/04/2015	3 months/3 months

## REMUNERATION REPORT CONTINUED

### NON-EXECUTIVE DIRECTORS' REMUNERATION CONTINUED

#### NON-EXECUTIVE DIRECTORS' CHANGES TO THE BOARD DURING 2014/15

##### Directors appointed to the Board

**Andrew Fisher** joined the Board on 1 December 2015 as a non-executive director. Andrew is a member of the Nomination Committee and the Audit Committee. In accordance with the Policy, Andrew receives an annual fee of £70,000.

**Richard Solomons** joined the Board on 13 April 2015 as a non-executive director. Richard is a member of the Nomination Committee and the Remuneration Committee. In accordance with the Policy, Richard receives an annual fee of £70,000.

##### Directors retiring from the Board

**Martha Lane Fox** retired from the Board on 2 April 2016. There were no payments for loss of office payable to Martha.

### REMUNERATION COMMITTEE

#### REMUNERATION COMMITTEE REMIT

The role of the Remuneration Committee is to make recommendations regarding the senior remuneration strategy and framework to the Board to ensure the executive directors and senior management are appropriately rewarded for their contribution to the Company's performance, taking into account the financial and commercial position of the Company.

#### KEY RESPONSIBILITIES

- Setting a strategy that ensures the most talented leaders are recruited, retained and motivated to deliver results.
- Reviewing the effectiveness of the senior remuneration framework with regard to its impact.
- Considering the appropriateness of the senior remuneration framework when reviewed against arrangements throughout the rest of the organisation.
- Determining the terms of employment and remuneration for executive directors and senior managers including recruitment and termination arrangements.
- Approving the design, targets and payments for all annual incentive schemes that include executive directors and senior managers.
- Agreeing the design, targets and annual awards made for all share incentive plans requiring shareholder approval.
- Assessing the appropriateness and subsequent achievement of performance targets relating to any share incentive plan.

In line with its remit, the Committee considered a number of key matters during the year.

#### REMUNERATION COMMITTEE AGENDA FOR 2015/16

##### Regular items

- Approval of the Directors' Remuneration Report for 2014/15 and review of the AGM voting outcome for the Report.
- Annual review of all executive directors' and senior managers' base salaries and benefits in line with Company policies and approval of any salary increase.
- Review of achievement of Annual Bonus Scheme profit against target.
- Review of achievement of executive directors' individual objectives for 2015/16.
- Review of the structural design, measures and approach to targets for the 2015/16 Annual Bonus Scheme.
- Review and approval of all awards made under the PSP taking into account the total value of all awards made under this plan.
- Half year and year end review of all share plan performance against targets.
- Approval of the vesting level of the 2013/14 PSP awards.
- Consideration of the approach to be taken for the 2016/17 PSP awards.
- Clear articulation of the Committee's reasoning and consideration for vesting and payment levels to executive directors.
- Significant consideration of institutional investors' current guidelines on executive compensation.
- Consideration of remuneration arrangements for the wider workforce.
- Review of, and agreement to, remuneration packages for new senior managers.

→ Assessment of the external environment surrounding the Company's current remuneration arrangements.

→ Consideration of external market developments and best practice in remuneration.

→ Review of Committee performance in 2015/16.

→ Review of Committee Terms of Reference.

**Note: The full Terms of Reference for the Committee can be found on the Company's website at [marksandspencer.com/thecompany](http://marksandspencer.com/thecompany)**

#### REMUNERATION COMMITTEE ACTION PLAN 2015/16

- Review the executive remuneration framework to ensure strategic alignment with the revised financial and strategic plan.
- Review and update the Remuneration Policy prior to seeking formal shareholder approval in July 2017.
- Review senior management remuneration regularly to provide greater support to Board discussions on talent and development.
- Ensure formal annual review of wider workforce reward framework.
- Review the effectiveness and transparency of remuneration reporting.

#### COMMITTEE ADVISORS

In carrying out its responsibilities, the Committee is independently advised by external advisors. The Committee was advised by PwC during the year. PwC is a founding member of the Remuneration Consultants Group and voluntarily operates under the code of conduct in relation to executive remuneration consulting in the UK. The code of conduct can be found at [remunerationconsultantsgroup.com](http://remunerationconsultantsgroup.com).

**REMUNERATION COMMITTEE CONTINUED**

The Committee has not explicitly considered the independence of the advice it receives, although it regularly reflects on the quality and objectivity of this advice. The Committee is satisfied that any conflicts are appropriately managed.

PwC were appointed by the Committee as its independent advisors in 2014 following a rigorous and competitive tender process. PwC provides independent commentary on matters under consideration by the Committee and updates on legislative requirements, best practice and market practice. PwC's fees are typically charged on an hourly basis with costs for work agreed in advance. During the year, PwC charged £94,366 for Remuneration Committee matters. PwC has provided tax, consultancy and risk consulting services to the Group in the financial year.

The Committee also seeks internal support from the CEO, Group Secretary, Director of Human Resources and Head of Reward & Global Mobility as necessary. All may attend the Committee meetings by invitation but are not present for any discussions that relate directly to their own remuneration.

The Committee also reviews external survey and bespoke benchmarking data including that published by New Bridge Street (the trading name of Aon Hewitt Limited), KPMG, PwC and Willis Towers Watson.

**REMUNERATION COMMITTEE STAKEHOLDER ENGAGEMENT**

The Committee is committed to ensuring that executive pay remains competitive, appropriate and fair in the context of the external market, Company performance and the pay arrangements of the wider workforce. In collaboration with the Head of Reward & Global Mobility, the Committee gives employees, through employee representatives, the opportunity to raise questions or concerns regarding the remuneration of the executive directors. During the year, employee representatives were given the opportunity to discuss in detail the directors' pay arrangements. Details of the directors' pay arrangements were discussed in the context of the reward framework for the rest of the organisation and external factors; no concerns were raised.

**SHAREHOLDER CONSULTATION**

The Committee is committed to a continuous, open and transparent dialogue with shareholders on the issue of executive remuneration. The Committee was represented at the Company's annual Governance Event, held in June 2015, at which major institutional investors and representative bodies were provided with the opportunity to review and debate remuneration with the Committee Chairman Vindi Banga.

**SHAREHOLDER SUPPORT FOR THE 2014/15 DIRECTORS' REMUNERATION REPORT**

At the Annual General Meeting on 7 July 2015, 99.07% of shareholders voted in favour of approving the Directors' Remuneration Report for 2014/15. The Committee believes this illustrates the strong level of shareholder support for the senior remuneration framework.

The table below shows full details of the voting outcomes for the 2014/15 Directors' Remuneration Report and Remuneration Policy.

**FIGURE 32: VOTING OUTCOMES FOR 2014/15 REMUNERATION REPORT**

	Votes for	% Votes for	Votes against	% Votes against	Votes withheld
<b>Remuneration Report</b>	999,791,106	99.07	9,400,794	0.93	14,741,053
<b>Replacement PSP</b>	993,189,266	97.97	20,572,593	2.03	10,042,615
<b>Replacement ESOS</b>	978,771,734	95.94	41,398,007	4.06	3,810,085

**FIGURE 33: VOTING OUTCOMES FOR REMUNERATION POLICY (2013/14)**

	Votes for	% Votes for	Votes against	% Votes against	Votes withheld
<b>Remuneration Policy</b>	1,012,469,256	98.27	17,840,854	1.73	9,040,797

**APPROVED BY THE BOARD**

**Vindi Banga** Chairman of the Remuneration Committee  
London, 24 May 2016

*This remuneration policy and these remuneration reports have been prepared in accordance with the relevant provision of the Companies Act 2006 and on the basis prescribed in the large and medium-sized Companies and Groups (Accounts and Reports) (Amendments) Regulations 2013 ('the Regulations'). Where required, data has been audited by Deloitte and this is indicated appropriately.*