

Catherine Woods
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13 December 2013

Dear Ms Woods

Thank you for inviting us to respond to your consultation on changes to the UK Corporate Governance Code, in particular relating to:

- i) Clawback arrangements;
- ii) Whether non-executive directors who are also executive directors in other companies should sit on the remuneration committee; and
- iii) Actions companies might take if they fail to obtain a substantial majority in support of a resolution on remuneration.

I am writing on behalf of Marks and Spencer Group plc in my capacity as Group Secretary and Secretary to the Remuneration Committee.

We welcome that the FRC is engaging companies and investors in a spirit of openness and are keen to ensure that potential changes to the Code are backed by strong supporting evidence. In responding to this consultation we have taken account of the practicalities of operating within the existing governance framework as well as the new Remuneration Regulations and the accompanying GC 100 guidance.

Extended Clawback Provisions

We believe that the current requirement under the Code is sufficient and that a 'comply or explain' approach to clawback/malus provisions is not necessary. However, given that there is a lack of clarity as to the definition of 'clawback', and whether it refers to the 'recovery of sums paid' or the 'withholding of sums paid', we believe that it would be helpful if the Code adopted the relevant terms as set out in the Remuneration Regulations.

Furthermore, rather than explicitly specifying those circumstances under which clawback payments could be recovered and/or withheld within the Code itself, we would recommend instead that Schedule A to the Code set out a suggested minimum standard (e.g. withholding payments for gross misconduct) and leave it to companies to determine the most appropriate course of action. Schedule A could also clarify the circumstances under which recovery or withholding may be appropriate in order to encourage proper consideration of the practicalities of operating such provisions.

Remuneration Committee Membership

While we note that the appointment of executive directors of other FTSE 350 companies as members of a Remuneration Committee is perceived by some to be a conflict of interest, we do not recognise this to be the case at M&S. We therefore do not support a change to the Code in relation to committee membership in this respect.



Our Remuneration Committee Chairman, Steven Holliday, is CEO of National Grid and his appointment as Chairman of the committee has proved to be hugely beneficial in developing our remuneration strategy. He has also been recognised externally by investors and representative bodies for his knowledge and active role in the area of engagement, stewardship and remuneration reform.

In our experience, 'Executive' Non-Executive Directors bring an important understanding of, and perspective on, remuneration and how it relates to a business and its employees. We believe that distinguishing between directors on the committee is therefore unnecessary, especially given that the Code already contains a range of provisions to ensure that directors discharge their respective duties and responsibilities effectively. We feel that a Board should be free to determine the appropriate balance of skills, knowledge, experience and diversity for the Company and for its Board Committee membership.

Votes against the Remuneration Report

We do not support an amendment to the Code requiring companies to report to the market following failure to obtain at least a substantial majority of votes in favour of the Directors' Remuneration Report.

Under the new Remuneration Regulations, companies that receive a significant percentage of votes against resolutions relating to remuneration are required to provide within their Directors' Remuneration Report a summary of the reasons for those votes, as well as any actions taken by the directors in response to those concerns. We feel this disclosure is sufficient to ensure an appropriate and timely response to shareholders.

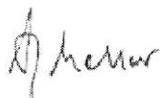
Furthermore, as the criteria for determining a 'significant percentage' will vary from company to company, we believe that companies should be left to determine what constitutes a 'significant' vote against.

In circumstances where the Board considers there to be a significant vote against the Remuneration Report, defining a specific time period for the response presents a further challenge as the issue in question will vary in complexity from company to company and may require further engagement before an announcement is made. We expect best practice to develop around the GC 100 guidance relating to a 'substantial majority' and how companies react and respond to shareholder concerns.

At M&S, we have always taken any significant minority vote against our Remuneration Report very seriously and operate an ongoing engagement programme with our key investors throughout the year. This ensures that directors are fully aware of investor concerns in relation to any remuneration issue. We therefore feel that investors have a key part to play in relation to remuneration by engaging companies through the principles of the Stewardship Code.

In conclusion, we support the FRCs work to ensure that the Code continues to evolve and react to the changing legislative landscape. However, in relation to the specific changes outlined (with the exception of the clawback definitions), we feel that the new Remuneration Regulations, in conjunction with the GC 100 guidance and the existing provisions set out in the Code, are sufficient to support continued robust governance in this area.

Yours sincerely



Amanda Mellor
Group Secretary and Head of Corporate Governance,
Marks and Spencer Group plc