

DIVERSITY, INCLUSIVITY & GENDER PAY



Our customers come from a wide range of backgrounds, and in order for us to understand them, our workforce needs to reflect them. Ensuring we are inclusive and having a diverse workforce is vital to our success.

Consistent research shows that diverse businesses perform better – through innovation, better decision making, and attracting and keeping great people, meaning they're likely to be more financially successful; increase market share; and capture new markets.

All UK organisations with over 250 employees are now required to share details of their Gender Pay and Bonus Caps; the percentage of men and women receiving a bonus; and the proportions of men and women in each pay quartile of our workforce.

We are making these public today. While it's positive that our gender pay gap is lower than the UK average, the issues at play are complicated, and we believe it's much more important to focus on taking meaningful action to drive equality and inclusivity rather than simply the numbers themselves.

That's why, as part of Plan A 2025, we had already set out ambitions to extend our UK Pay Gap monitoring and reporting to include ethnicity, disability and age (where held) and where possible, take action to close any gaps. We also lead the way in a number of other initiatives which go far beyond our obligations and show our commitment to making M&S a more inclusive place to work.

That said, we know there is more we can do. We will continue to annually publish our Gender Pay figures and report against our goals. Most importantly, we actively encourage our colleagues' ideas and contribution on how we can foster diversity and inclusivity in every aspect of the business.



S. Haywood

SIMMONNE HAYWOOD
HEAD OF TALENT

WHAT IS THE GENDER PAY GAP?

It's important to know that the Gender Pay Gap is not the same as Equal Pay.

EQUAL PAY

This means that men and women performing equal work should generally receive equal pay.

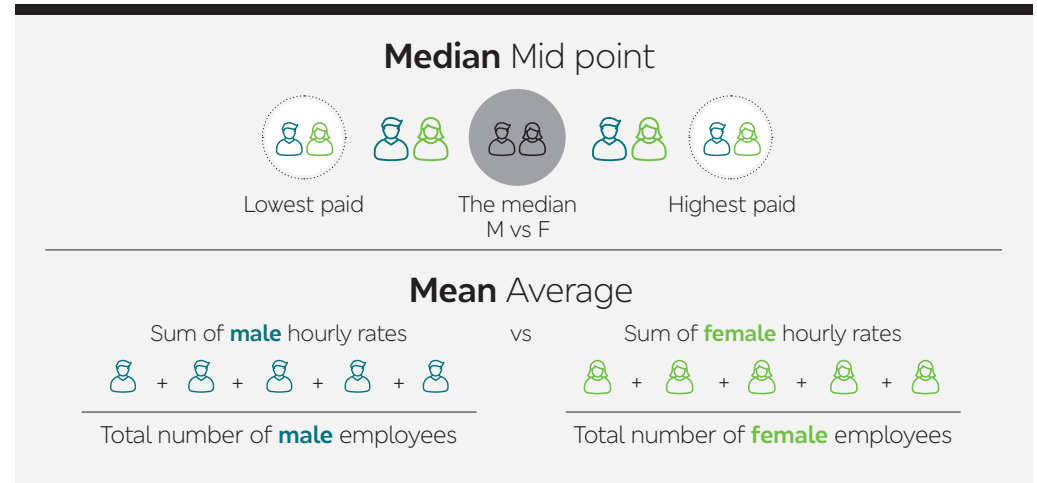
GENDER PAY GAP

This is the difference between men's and women's average hourly pay across an organisation, expressed as a percentage.

- It is reported as a mean average and median average (mid-point) figure.
- A Gender Pay Gap exists in most organisations – the current national average is 18.4%*.

*From Office for National Statistics ASHE survey 2017

MEDIAN AND MEAN PAY EXPLAINED













WHAT ARE SOME OF THE REPORTED REASONS FOR A GENDER PAY GAP?

- Women are often under-represented in senior roles where remuneration is higher
- Women are more likely to take time out of their careers to start a family or have carer responsibilities; the gap typically widens when women reach the age of 40
- Some sectors have a higher proportion of part-time roles e.g. health, retail and social care, commonly resulting in a higher proportion of women in entry level roles
- Educational choices where fewer women work in STEM sectors – science, technology, engineering and mathematics, leading to fewer women in higher-paid specialist roles such as Finance, IT, logistics

NON DEMOGRAPHIC PAY GAP

A Non Demographic Pay Gap is a way of measuring differences between gender pay which takes out the effect of an organisation's shape – in our case the fact that we have a high volume of female employees at entry level roles where pay ranges are lower. There is no obligation to report this, but many companies use this as another way of measuring themselves and driving action.

GENDER PAY – OUR 2017 REPORTED FIGURES

	M&S	RETAIL SECTOR*	UK*	
Median Pay Gap	3.3%	9.3%	18.4%	<p>PAY QUANTILES – PROPORTION OF MALE AND FEMALES IN EACH PAY QUANTILE</p> <p>1st quartile</p> <p> 25.3% 74.7% </p> <p>2nd quartile</p> <p> 24.6% 75.4% </p> <p>3rd quartile</p> <p> 28.1% 71.9% </p> <p>4th quartile</p> <p> 33.7% 66.3% </p> <p>PROPORTION OF MEN AND WOMEN, EMPLOYED ON 5 APRIL 2017, WHO RECEIVED A BONUS</p> <p> 66.3% 75.7% </p> <p>THE DIFFERENCE IN BONUS ACROSS MALE AND FEMALE EMPLOYEES (OUR BONUS GAP)</p> <p>15.9% 53.4%</p> <p>Median Mean</p>
Mean Pay Gap	12.3%	16.4%	17.4%	

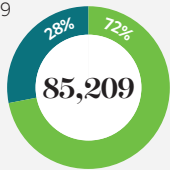
* Based on estimates from the National Office of Statistics' Annual Survey of Hours and Earnings 2017

UNDERSTANDING THE GAP

EMPLOYEE DIVERSITY AS AT 1 APRIL 2017

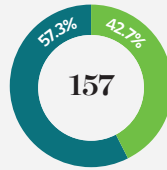
Total employees*

● Female 61,340
● Male 23,869



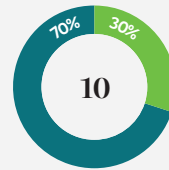
Total senior managers

● Female 67
● Male 90



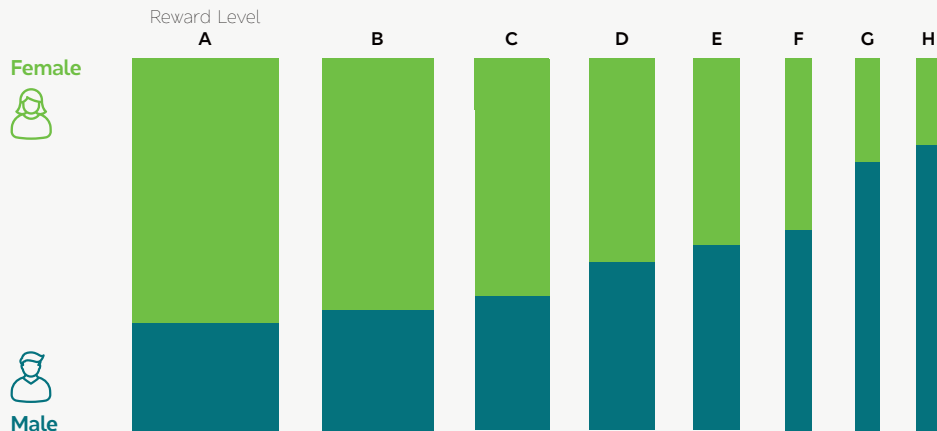
Total Board

● Female 3
● Male 7



*Globally

THE SHAPE OF M&S - THE PROPORTION OF COLLEAGUES AT EACH PAY LEVEL



UNDERSTANDING THE GENDER PAY GAP

Our overall workforce across stores, distribution and offices – including full time and part time employees - is almost three quarters female (left). The diagram (bottom left) represents a simplified view of our organisational “shape” – showing proportions of men and women at each reward level.

This shape is a key factor in our Gender Pay Gap, as we have a high proportion of females in entry level roles – where flexible working is more prevalent and we see more women than men wishing to work part-time. We also have a higher proportion of men in senior positions.

Both these factors significantly influence the mean and median Gender Pay Gap, and are two key areas we are addressing.

Using a recognised formula to strip out the effect of having a high volume of women in lower reward levels results in a figure called the “non-demographic pay gap”.

OUR NON-DEMOGRAPHIC PAY GAP

Using this formula, and adjusting by grade, our mean pay gap reduces from 12.3% to 1.5%. Our ambition is to reduce this by 10% by 2020 and 25% by 2025.

Male icon vs Female icon = **1.5%**

UNDERSTANDING THE GENDER BONUS GAP

A number of factors influence the Gender Bonus Pay Gap figure, including:

- a) **Bonus is measured on actual bonus awarded, not like for like** – 77% of our female employees work part time. As part-time employees receive a pro-rata bonus, but there is no adjustment for this in the reported figures, this amplifies our Bonus Pay Gap.
- b) **Personal choice** – the bonus figure includes cash bonus and shares exercised. If an employee receives shares but doesn't exercise them, this won't be counted.

% OF MALE AND FEMALE COLLEAGUES THAT WORK FULL TIME (FT) AND PART TIME (PT)

	FT	PT		FT	PT
Male icon	46%	54%		23%	77%
			Female icon		

OUR PROGRESS SO FAR



OUR APPROACH

We lead the way in many existing Diversity & Inclusion initiatives and have been recognised in the Times Top 50 Employers for Women for the last seven years.

We have strong flexible working policies and an active and growing Gender Equality Network. This year we held our 2nd annual Diversity and Inclusion festival, engaging thousands of colleagues at all levels in discussions about diversity.

We introduced our Board Diversity policy in 2012, and updated it in 2015. Central to this is a commitment for the Board to maintain at least 30% female representation, whilst ensuring that diversity in its broadest sense remains the underpinning feature.

We hold a programme of 'Inspiring Women' activity, which includes both internal and external representation.

YOUR SAY SURVEY

We recently introduced voluntary disclosure of ethnicity, sexual orientation and disability to our Colleague Survey to build up a better picture of our workforce and drive action to greater inclusivity.

We have also made stretching commitments beyond Gender Pay reporting to help us develop a truly inclusive business and supply chain:

- By 2020, we'll extend our UK pay gap monitoring and reporting to include ethnicity, disability and age (where known) and take action to close gaps where possible
- We'll aim to reduce the non-demographic gender pay gap within M&S in the UK by at least 10% by 2020 and by 25% by 2025 compared to 2017
- By 2025, we want M&S workforces to reflect the diversity of each region in which we operate. We'll report on progress from 2019
- By 2022, we aim to have 50% female and at least 15% BAME (black, Asian, and minority ethnic) representation on the M&S senior management team

Plan
A
2025

MORE WE CAN DO

WHAT NEW ACTIONS ARE WE TAKING?

- Increasing diversity and inclusion content in training materials for all new starters
- Weaving unconscious bias and inclusive leadership through our learning and development at all levels
- Focusing on departments where gender balance is more challenging, such as IT and logistics
- Extending support for people taking family leave through mentoring (do this through the Gender Equality Network or Parents Net)

AREAS FOR US TO ADDRESS

Although we're proud of our work on diversity, we know there is more we can do. The Gender Pay Gap figures highlight two key areas – namely addressing female representation at the most senior levels of the business; and ensuring that flexible working is as accessible and relevant to our male employees as to our female colleagues.

Here are some of the actions we're taking:

1) Addressing the pipeline of women ready to move into senior roles:

We continue to be a part of the 30% Club Cross Business Mentoring Programme – providing mentoring support for mid-senior women to help them progress their careers.

We provide leadership development and 1:1 coaching for mid-career women to prepare them for senior roles, and we're also delivering inclusive leadership workshops for the line managers of women at this level.

We are providing mentoring for women at all levels through our Gender Equality Network, and review our talent and progression data at board level to make sure we are taking action to address our pipeline of talent.

2) Encouraging an environment where everyone has the opportunity to work flexibly (not just women)

Our job adverts will encourage people to ask us about flexible working – we want to make sure everyone has the opportunity to ask about this and to show it is an important part of our culture.

We will also run an internal campaign to ensure that existing employees know about flexible working and have the opportunity to participate – sharing case studies of male job shares, men working part-time and men taking shared parental leave.

I confirm that the information contained within this report is accurate.



STEVE ROWE CEO