HOW WE ARE GOVERNED

Industrial democracy

Our governance structure is set out in our Constitution. On the following pages we explain the roles and responsibilities of our governing bodies and how they support and maintain our Founder's vision of an industrial democracy where employees share profit, knowledge and power.

DIRECTORS' REPORT

The Directors' report is a document produced by the Board of Directors under the requirements of UK company law. It details the state of the company and its compliance with a set of financial, accounting and corporate social responsibility regulations.

The Directors' report for the year ended 27 January 2018 comprises pages 46 to 82 of this Annual Report and Accounts, together with the sections of the Annual Report and Accounts incorporated by reference. Please see page 78 for further details.

THE PARTNERSHIP IS DIFFERENT

IT OPERATES ON DEMOCRATIC PRINCIPLES SET OUT IN OUR CONSTITUTION AND THE TWO TRUST SETTLEMENTS.

Our governance structure is designed to protect the fundamental principle of our co-ownership model:

> Principle 1
>
> **Principle 1:** The Partnership's ultimate purpose is the happiness of all its members, through their worthwhile and satisfying employment in a successful business. Because the Partnership is owned in trust for its members, they share the responsibilities of ownership as well as its rewards – profit, knowledge and power.

Fulfilling Principle 1 is central to our strategic direction. Pages 1 to 45 make up the Partnership's Group Strategic Report where you will find information on the Partnership's strategy, 'It's Your Business 2028'.

In this Governance section we will talk further about how our co-ownership model is governed and how Partners share the responsibilities as well as the rewards of ownership (see pages 46 to 49), and more about the three Governing Authorities; the Partnership Council, the Partnership Board and the Chairman (see pages 50 to 59).

HOW OUR GOVERNANCE MODEL IS DIFFERENT

The original Constitution was written well before the advent of modern standards of corporate governance and the development of the framework of legislation, regulation and best practice standards in place today.

Although the Partnership is not required to adhere to the UK Corporate Governance Code (the Code) as it does not have a Premium listing of equity capital on the London Stock Exchange, the Partnership Board has voluntarily adopted the Code on a comply or explain basis. This helps ensure that the differences in our governance model are transparent and gives us a benchmark against which to measure the continued relevance of our Constitution.

The Code recognises that alternative governance arrangements may be justified, if good governance can be achieved by other means. As the Partnership's co-ownership model established its own unique governance structure, there are a number of areas where the Partnership's governance arrangements are distinctly different and do not comply with the Code. Although these differences exist, the Partnership's governance model is broadly consistent with each of the Code's Principles and offers the appropriate level of protection to Partners and other stakeholders. These differences are set out on pages 81 to 82, and where relevant, explanations have been provided as if the provisions applying to a FTSE 350 company applied to the Partnership.

The Partnership is also governed by the Companies Act 2006 and its Articles of Association.

THE CONSTITUTION

The Constitution has been refreshed over the years to reflect the changing societal, business and economic environment facing a business operating today, yet retains a direct connection with the fundamental principles established in 1928. The Constitution is available to all Partners on the Partner intranet and to other interested parties at www.johnlewispartnership.co.uk.
The Introduction, Principles and Rules of the Constitution may be amended or cancelled by agreement between two thirds of the voting membership of the Partnership Council and the Chairman.

"The Founder of the John Lewis Partnership, John Spedan Lewis, believed that there was a better way of managing a business. His lasting legacy, our written Constitution, governs how we run our business in a different way. We do this through our commitment to working together for the success of the Partnership and by constantly challenging ourselves to ensure our co-ownership model remains as vital and relevant in today's competitive conditions as it did when it was written."

Sir Charlie Mayfield
Chairman, John Lewis Partnership

THE CODE

The Code, published by the Financial Reporting Council (FRC), is available to view at www.frc.org.uk. The Code was last updated in April 2016. The revised provisions apply to accounting periods beginning on or after 17 June 2016 and are therefore reported against in this Annual Report and Accounts.

As part of the Government's package of corporate governance reforms, the FRC conducted a consultation on further revisions to the Code during late 2017 and early 2018. The final version of the new Code is expected to be published in the summer and will apply to accounting periods beginning on or after 1 January 2019.

£5,400
MAXIMUM SAVINGS INTO BONUSSAVE IN ANY ONE YEAR FROM PARTNERSHIP BONUS

CO-OWNERSHIP

Under the Trust Settlements of 1929 and 1950, John Spedan Lewis, the Founder of the Partnership, transferred his shareholding and the ownership of the Partnership into a trust to be held for the benefit of all Partners. John Lewis Partnership Trust Limited (the Trust Company) is the Trustee of the Settlements. In addition to the Chairman and the Deputy Chairman, three Directors are elected every three years by the Partnership Council. These are currently Johnny Aisher, Karen Crisford and Cathy Houchin and they are also known as the 'Trustees of the Constitution'. The next elections will take place in May 2018.

The main role of the Trust Company, under the Constitution, is to uphold the Constitution and promote in every possible way the wellbeing of the Partnership.

The Trustees of the Constitution are responsible for, amongst other things, deciding the constituencies of, and overseeing elections to, the Partnership's democratic bodies and as Directors, approving the successor of the Chairman should a 'Resolution upon the Constitution' be passed by the Partnership Council.

THE RESPONSIBILITIES OF OWNERSHIP

The Constitution governs how the Partnership behaves both in relation to Partners' rights and responsibilities and in relation to our responsibilities to others. Under the Constitution every Partner is responsible for knowing, complying with and upholding the Partnership's Principles and those Rules which concern them. Partners are expected to take responsibility for our business success, build relationships powered by our Principles and create real influence over our working lives.

THE REWARDS OF OWNERSHIP

PROFIT

Our success depends on the collaboration and contribution of our Partners who, in return, receive a share of profits in the form of Partnership Bonus. Partners benefit from Employee Ownership tax relief, which allows them to receive the first £3,600 of their Partnership Bonus free of Income Tax (NICs will still be due).

The Partnership operates BonusSave, a Share Incentive Plan (the Plan), which is available to all eligible Partners in the UK and has been approved by HMRC. On the announcement of the annual results, eligible Partners are invited to enter into a savings contract under the Plan to save up to a maximum of £5,400 in any one year from Partnership Bonus. The Plan allows for the investment made by a Partner to be held in shares in the Partnership, in a class created specifically for this purpose known as SIP shares. It enables participating Partners to save Income Tax and NICs when the funds are invested for five years. Also, participating Partners are paid a cash dividend for every full year the investment remains in the plan. Details of SIP shares can be found in note 5.5 to the consolidated financial statements.

The SIP shares do not carry voting rights, cannot be sold or transferred out of the Partnership and are, at all times, held in trust for the benefit of the respective Partners in the name of the Trust Company.

KNOWLEDGE

The Partnership Board is committed to regular dialogue with Partners through many different channels. This keeps Partners informed about the important decisions taken to deliver the strategic direction and ensure the long-term health of the business.

During Council and Forum meetings and through the Gazette, Executive Directors and senior management are able to share the Partnership's objectives and discuss performance against those objectives. Directors are members of Partnership Council and regularly attend meetings. These information sharing opportunities enable Directors to develop an understanding of Partners' views and to act upon them. In turn, Partners are able to influence decision-making.

Through our website, we share information with Partners and financial stakeholders (primarily the Partnership's relationship banks and holders of John Lewis plc bonds) on the financial performance of the Partnership and, where practical to do so, we invite representatives of the investor community to attend our trading updates in person. This gives an opportunity for the investor community to hear from, and engage with, the Partnership's senior management.

POWER

There are a number of ways that Partner views can be voiced and taken into account in decision-making in all levels of the Partnership.

Partners can express their opinions on any topic through the open system of journalism in the weekly *Gazette*. Any Partner may write, anonymously if preferred, without fear of repercussions. This is safeguarded in the Constitution. A letter to the *Gazette* must be published, with any comment from the appropriate member of management, within 21 days of acknowledgement. See page 36 for more information on Evolving Journalism.

"As a Partnership Councillor and Chair of the Partner group, having information available to me is invaluable. Not only when calling out Partner opinion in Council, or asking for clarity around a policy in Partner group, but for when I'm talking to Partners who have questions or who want clarity on things they have heard or read. In the last three years of my term I have seen a huge move by our Directors and Executive to make communication more transparent and more available than it has ever been. This is definitely leading to better conversations and therefore, in my opinion, better outcomes."

Claire Barry,
Team Manager
Waitrose Welwyn Garden City,
Partnership Counsellor and
Chair of the Partner Group

21 DAYS FOR A RESPONSE TO ALL LETTERS SENT TO THE GAZETTE

Partners are able to influence business decisions at all levels of the Partnership through the democratic structure and representative bodies that are set out in our Constitution. See the 'Democratic vitality' section on page 35 and the Partnership Council report on page 38 for more information.

The Partnership also conducts an annual survey, known as Your Voice and a number of Pulse surveys in which Partners are asked their opinion on a wide range of topics. See page 36 for further information.

EQUAL OPPORTUNITIES, DIVERSITY AND INCLUSION

The Partnership is committed to promoting equal opportunities in employment for existing Partners and for prospective Partners throughout the recruitment process. All Partners and job applicants will receive equal treatment regardless of age, disability, gender reassignment, marital or civil partner status, pregnancy or maternity, race, colour, nationality, ethnic or national origin, religion or belief, sex or sexual orientation (these are known as 'Protected Characteristics').

The Partnership has a Diversity and Inclusion policy, and an Equal Opportunities policy. These policies are underpinned by the following Rules contained in the Constitution:

Rule 54 – The Partnership takes no account of age, sex, marital status, sexual orientation, ethnic origin, social position or religious or political views.

Rule 55 – The Partnership employs disabled people in suitable vacancies and offers them appropriate training and careers.

The Partnership recruits people with disabilities to suitable vacancies on merit. We offer tailored support through the recruitment process for applicants who declare their disability. In particular, we know adjustments are of utmost importance for our Partners with disabilities, be they physical or cognitive, and arrange reasonable adjustments required at an individual level to ensure our disabled applicants and Partners are supported.

For further information please see pages 26 to 27, and the Chairman's Nominations Committee report on page 73 for more information on the Diversity and Inclusion Policy and the Board Diversity Statement in respect of diversity on the Partnership Board.

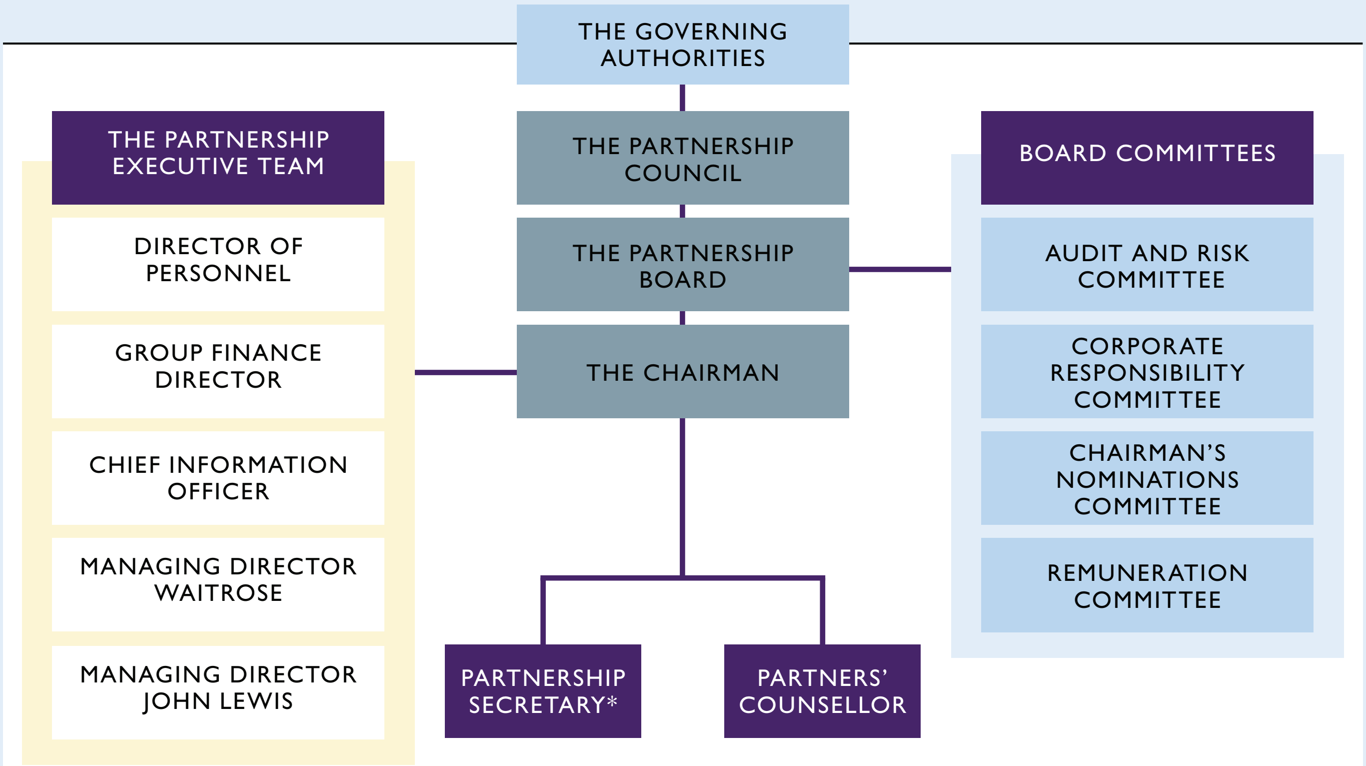
RESPONSIBILITIES TO OTHERS

The Constitution also sets out the role of the Partnership in society, defining our responsibilities to customers, suppliers and to the environment. This includes being honest in our business dealings, showing respect and courtesy to all stakeholders and contributing to the wellbeing of the communities where we operate. See pages 40 to 41 and the Corporate Responsibility Committee report on pages 68 to 70 for more information.

HOW WE SHARE POWER

Three Governing Authorities

The Partnership operates on democratic principles and as much sharing of power among its members and representative bodies as is consistent with efficiency. The three Governing Authorities of the Partnership are the Partnership Council, the Partnership Board and the Chairman.



Key

The Governing Authorities	(grey)
Supporting the Governing Authorities	(purple)
Executive	(cream)

*The Partnership Secretary will be a member of the Partnership Executive Team

THE PARTNERSHIP COUNCIL

The Partnership Council is one of the three Governing Authorities. It is the most senior level of democracy in the Partnership and is run by Partners on behalf of Partners.

> Rule 3
>
> **Rule 3** of the Constitution sets out that the Partnership Council, as the representative body of the members of the Partnership, entrusts management of the business to the Partnership Board, which delegates its management authority to the Chairman.

The Partnership Council represents Partners as a whole and reflects their opinion. In sharing responsibility for the Partnership's health with the Partnership Board and the Chairman, it holds the Chairman to account. It discusses, influences and makes recommendations on the development of policy. It shares in making decisions about governance of the Partnership.

The Partnership Council may ask the Partnership Board or the Chairman anything it wishes, and they must answer unless doing so would in their opinion damage the Partnership's interests (Rule 7).

Through its Specialist Groups, the Partnership Council is able to focus on key areas of the Partnership's strategy and influence policy. The work of the Council and that of its Specialist Groups is co-ordinated by the Steering Committee.

> Rule 4
>
> **Rule 4** of the Constitution describes that the shared aim of the three governing authorities is to safeguard the Partnership's future, enhance its prosperity and ensure its integrity. They should encourage creativity and an entrepreneurial spirit but must not risk any loss of financial independence.

The Council has three vital decision-making powers:

1	To elect three Trustees of the Constitution, five Directors to the Partnership Board and four Trustees to serve as Directors of the John Lewis Partnership Pension Trust
2	To change the Constitution, with the Chairman's agreement
3	To dismiss the Chairman

Partners are able to influence what happens in their area of the Partnership, or the Partnership as a whole, through their local PartnerVoice and the other democratic bodies within the Partnership. PartnerVoice representatives collect Partner views and represent them through regular meetings with their senior leaders. These representatives ensure that, where possible, Partner views are reflected in local decisions and business plans.

Issues raised at a local level can be pursued as appropriate at a regional or divisional level, and ultimately at the Partnership Council.

The 'Democratic vitality' section on pages 35 to 37 provides more information on how our democracy is embedded in everything that we do. See the Partnership Council report on page 38 for more information about the democratic structure and work of the Partnership Council during the year.

HOW WE SHARE POWER

THE PARTNERSHIP BOARD

The Partnership Board is one of the three Governing Authorities of the Partnership. Its composition is different from most other UK company boards. Its members bring a range of skills and experience to the Boardroom through a mix of appointed and democratically elected Partners and Non-Executive Directors who provide external, independent and objective challenge.

THE CHAIRMAN

The Chairman is one of the three Governing Authorities of the Partnership. Sir Charlie Mayfield, the Partnership's fifth Chairman, is based at the Group offices at Partnership House in Victoria, London. He is the Chairman of the Partnership Board by virtue of his appointment as Chairman of the Trust Company. The Chairman's role and responsibilities are defined in the Constitution under Rules 41 to 45.

The Chairman must ensure that the Partnership develops its distinctive character and democratic vitality. The Chairman is responsible for the leadership of the Partnership Board and for ensuring its effectiveness in all aspects of its role. The Partnership Board delegates management authority to the Chairman. As the senior executive in the Partnership he is ultimately responsible for the Partnership's commercial performance.

The Chairman is accountable to the Partnership Council, in accordance with the Partnership's Constitution. If the Partnership Council judges that the Chairman has failed to fulfil (or is no longer a suitable person to fulfil) the responsibilities of office, it may propose a resolution upon the Constitution to dismiss the Chairman.

The Chairman has a duty to actively seek to share power with other Partners, delegating as much responsibility and encouraging as much initiative as possible. The Chairman delegates responsibility for day-to-day management to the other Executive Directors and senior management as appropriate.

Sir Charlie Mayfield N

CHAIRMAN AND CHAIR OF THE CHAIRMAN'S NOMINATIONS COMMITTEE

Started current role: March 2007
Joined the Partnership Board: 2001
Length of time with Partnership: 18 years
Experience: Joined the Partnership in 2000 as Head of Business Development and the Partnership Board as Development Director in 2001. He was appointed Managing Director of John Lewis in 2005 and Chairman of the Partnership in 2007. He was knighted in 2013 for services to business.
Previously: Sir Charlie began his career as an officer in the army before holding management roles at SmithKline Beecham and McKinsey & Co.
Other appointments: Chairman of John Lewis Partnership Trust Limited, Non-Executive Chairman of the Productivity Leadership Group (charity), Non-Executive Chairman of QA and President of the Employee Ownership Association. He is also a member of the Blueprint Trust Advisory Council, Director of Central Surrey Health Trustee Limited, Director of Fabindia Overseas Private Limited, Trustee of Place2Be the children's charity and a Governor of Radley College. He was Chair of the British Retail Consortium from 2014 to 2016, Chair of the UK Commission for Employment and Skills from 2010 to 2016 and a member of The Commission on Economic Justice until 2017.

THE DEPUTY CHAIRMAN

Keith Williams holds the position of Deputy Chairman of the Partnership Board by virtue of his position as Deputy Chairman of the Trust Company. He is a Non-Executive Director.

The Deputy Chairman acts as a sounding board for the Chairman and the other Directors and is available to Partners if they have concerns.

Keith Williams ACA N A R C

DEPUTY CHAIRMAN OF THE JOHN LEWIS PARTNERSHIP, NON-EXECUTIVE DIRECTOR, CHAIR OF THE CORPORATE RESPONSIBILITY COMMITTEE, CHAIR OF THE REMUNERATION COMMITTEE AND DEPUTY CHAIR OF THE CHAIRMAN'S NOMINATIONS COMMITTEE

Joined the Partnership Board: 2014 and his current term is due to expire on 28 February 2019
Experience: Chairman and Chief Executive of British Airways until he retired in March 2016.
Previously: Non-Executive Director of Transport for London and held senior roles at Reckitt and Coleman, Apple Computer Inc and Boots.
Other appointments: Deputy Chairman of John Lewis Partnership Trust Limited, Independent Non-Executive Director of Aviva plc and Royal Mail plc, and a member of the Board of Trustees of the British Museum as a member of the Audit Committee.

Ⓝ Member of Chairman's Nominations Committee
Ⓐ Member of Audit and Risk Committee
Ⓡ Member of Remuneration Committee
Ⓒ Member of Corporate Responsibility Committee

THE PARTNERSHIP EXECUTIVE TEAM

The Chairman is supported in his executive role by the Partnership's Executive Team. In addition to the Chairman, the Executive Directors at the date of this report are Tom Athron, Group Development Director, Rob Collins, Managing Director, Waitrose, Tracey Killen, Director of Personnel, Patrick Lewis, Group Finance Director and Paula Nickolds, Managing Director, John Lewis. Tom Athron has announced his intention to leave the Partnership and will step down as a Director on 27 April 2018.

Andrew Murphy, the Chief Information Officer, is a member of the Executive Team but is not an Executive Director. Michael Herlihy will also be a member of the Executive Team when he joins the Partnership as Partnership Secretary on 16 April 2018.

The Executive Team is responsible for developing and recommending Partnership strategy to the Board and setting the direction for the Partnership in the execution of that strategy. It is also responsible for prioritising the allocation of capital and resources. It is not a formal sub-committee of the Partnership Board and is not one of the Governing Authorities of the Partnership. The Executive Team meets formally on a monthly basis as well as holding shorter trading update meetings each week.

The main focus of the Executive Team during the year has been to develop the propositions and business plans to deliver the 'It's Your Business 2028' objectives. As well as providing the Partnership Board with regular updates on progress, the Executive Team reviewed and recommended the 2017 three-year base financial plan and 2018/19 budget to the Partnership Board for approval.

The Executive Team reviews and recommends all major business proposals before their submission to the Partnership Board for approval.

"The mix of experience around the Board table has been especially helpful over the last year. Having an experienced external view and the powerful internal view of our Elected Directors creates a vital balance to the Executive. That is helping us navigate the significant changes affecting the retail industry and set ourselves up to make the most of our brands and the Partnership."

Patrick Lewis,
Group Finance Director

The Executive Team has also overseen the implementation of the Partnership's productivity programme which included the centralisation of IT Personnel, Property and Finance as single Partnership functions within the Group structure, providing greater operational and cost efficiencies. The Executive Team receive regular updates on: the progress of the major Partnership change programmes; IT and cyber security; Internal Audit and Risk Management; and Corporate Responsibility.

The Executive Team was established towards the end of 2016 and is the successor to the Chairman's Committee which acted as an advisory group to the Chairman. The Executive Team has therefore also spent time during the year developing its ways of working and clarifying roles and responsibilities to reflect its new executive authority. This also formed part of the Board Effectiveness and Governance review (see page 58 for more information).

Patrick Lewis
GROUP FINANCE DIRECTOR

Started current role: September 2015
Joined the Partnership Board: 2009
Length of time with Partnership: 23 years
Experience: Patrick joined the Partnership in 1994 and held a variety of roles before joining the Partnership Board as Partners' Counsellor in 2009. He became Managing Director, Partnership Services in 2012, before being appointed Group Finance Director in 2015.
Previously: Roles at Bain & Company and Procter & Gamble.
Other appointments: Non-Executive Chair of Trustees for 3BM, Director of Girls Education Company Limited (Wycombe Abbey School).

Tracey Killen
DIRECTOR OF PERSONNEL

Started current role: April 2007
Joined the Partnership Board: 2007
Length of time with Partnership: 35 years
Experience: Tracey joined the Partnership in 1982 as an A-Level Trainee and held a variety of roles at John Lewis becoming Personnel Director for John Lewis in 2002. She joined the Partnership Board as Director of Personnel in 2007.
Other appointments: Chair of The John Lewis Partnership Golden Jubilee Trust (charity). Non-Executive Director of Morgan Sindall Group plc and a member of their Remuneration, Nominations and Audit Committees. Formerly a Director and Trustee of Roffey Park Institute Limited.

Tom Athron
GROUP DEVELOPMENT DIRECTOR

Started current role: October 2015
Joined the Partnership Board: 2015
Length of time with Partnership:12 years
Experience: Joined the Partnership in 2005 as Head of Group Financial Strategy and then became Buying Director at John Lewis, responsible for Electricals and Home Technology. He joined the Waitrose Board as Finance Director in 2009, and the Partnership Board as Group Development Director in 2015.
Previously: Roles at Hambros Bank plc and Javelin Group.
Other appointments: Non-Executive Director, Åhléns AB.

Rob Collins
MANAGING DIRECTOR, WAITROSE

Started current role: April 2016
Joined the Partnership Board: 2016
Length of time with Partnership: 24 years
Experience: Joined the Partnership in 1993 as a Graduate Trainee in John Lewis, Oxford Street, moving to Waitrose in 2007 to establish its e-commerce business. He was appointed to the Waitrose Management Board as Personnel Director in 2010 and Retail Director in 2012. He joined the Partnership Board as Managing Director of Waitrose in 2016.
Other appointments: Trustee of The Prince's Countryside Fund.

Paula Nickolds
MANAGING DIRECTOR, JOHN LEWIS

Started current role: January 2017
Joined the Partnership Board: 2017
Length of time with Partnership: 23 years
Experience: Joined the Partnership in 1994 as a Graduate Trainee in John Lewis, Oxford Street. Paula held various roles in the John Lewis buying teams before joining the John Lewis Management Board in 2013 as Buying and Brand Director and latterly Commercial Director. She joined the Partnership Board as Managing Director of John Lewis in January 2017.

HOW WE SHARE POWER

THE NON-EXECUTIVE DIRECTORS

The Non-Executive Directors at the date of this report are Baroness Hogg, Laura Wade-Gery and Keith Williams (see page 52 for biographical information about Keith Williams). Denis Hennequin's term as a Non-Executive Director expired on 31 May 2017. Together, the Non-Executive Directors bring external, independent and objective judgement to the Partnership Board.

The Partnership Board reviews the independence of all Non-Executive Directors annually and has determined that they continue to be independent from management of the Partnership. The Board is also confident that none of the Non-Executive Directors have any cross-directorships or significant links to other organisations that would adversely interfere with their independent judgement.

The Partnership Board does not appoint a Senior Independent Director (see page 81 for more information).

Non-Executive Directors are not eligible to receive Partnership Bonus or other benefits, and are not members of the Partnership's pension schemes.

The letters of appointment of the Non-Executive Directors are available on request from the Company Secretary.

Baroness Hogg N A R

NON-EXECUTIVE DIRECTOR AND CHAIR OF THE AUDIT AND RISK COMMITTEE

Joined the Partnership Board: 2011 (current term of office is due to expire on 31 May 2018)
Experience: Chairman of the Financial Reporting Council until 2014, Chairman of 3i Group until 2010 and Head of Prime Minister's Policy Unit 1990-1995. Created a Life Peer in 1995.
Other appointments: Senior Non-Executive Director of the Financial Conduct Authority, member of the Takeover Panel and Independent National Director of Times Newspapers.

Laura Wade-Gery R C

NON-EXECUTIVE DIRECTOR

Joined the Partnership Board: 1 September 2017 for an initial term of three years
Experience: Executive Director of Marks and Spencer Group plc heading up multi-channel and e-commerce from 2011 to 2016, including from 2014 responsibility for UK stores. Before this, Laura held various senior roles at Tesco plc, most latterly Chief Executive of its online businesses. Prior to this she held roles at Gemini Consulting and Kleinwort Benson.
Other appointments: Non-Executive Director of British Land Company plc, Non-Executive Director of Immunocore Limited and a member of the Government Digital Service Advisory Board. Also a Director of two charitable organisations: The Royal Opera House and Snape Maltings.

PARTNERSHIP SECRETARY

Keith Hubber, General Counsel and Company Secretary, left the Partnership on 31 January 2018. He will be succeeded by Michael Herlihy who will join the Partnership as Partnership Secretary on 16 April 2018. Peter Simpson, Deputy Company Secretary, was appointed Acting Company Secretary for the intervening period.

PARTNERS' COUNSELLOR

The Partners' Counsellor is appointed by the Chairman and is a member of the Partnership Council and a Director of the Partnership Board in accordance with Rule 82 of the Constitution. Jane Burgess, Partners' Counsellor, stepped down from the Board on 27 September 2017, after 37 years' service, taking long leave prior to retiring from the Partnership in May 2018. Helen Hyde, Partnership Registrar for Group, was appointed Acting Partners' Counsellor. Helen attends each Board meeting but is not a member of the Partnership Board.

The Partners' Counsellor seeks to ensure that the Partnership is true to its principles and compassionate to individual Partners. The Partners' Counsellor has responsibility for the independence, health and effectiveness of the Partnership's elected representative bodies, and for developing detailed guidelines for them.

"I was delighted to be invited to join the Board, to help evolve – at pace – our strategy, customer experience and operating model. As an independent Non-Executive Director, my role is to help challenge Executive leadership to ensure that the Partnership is doing the right things fast enough to adapt at a time of unprecedented change in customer behaviour, the retailing industry and wider society."

Laura Wade-Gery,
Non-Executive Director

N Member of Chairman's Nominations Committee
A Member of Audit and Risk Committee
R Member of Remuneration Committee
C Member of Corporate Responsibility Committee

THE ELECTED DIRECTORS

Chris Coburn C

COMMUNICATIONS BUSINESS PARTNER, INTERNAL AND DIGITAL COMMUNICATIONS

Joined the Partnership Board: 2015
Length of time with Partnership: 16 years
Experience: Joined the Partnership in 2001 as a Selling Partner in Peter Jones and went on to join the management training programme. He was elected to represent Peter Jones Partners on the Partnership Council in 2012. Chair of the Partner Group since 2013.
Previously: Lillywhites.

Steve Gardiner N R

BRANCH MANAGER, WAITROSE CIRENCESTER

Joined the Partnership Board: 2012 (re-elected 2015)
Length of time with Partnership: 22 years
Experience: Joined the Partnership in 1996 as a Management Trainee for Waitrose. Steve managed shops in Coulsdon and Weybridge before being appointed as Branch Manager at Waitrose Cirencester. He was elected as one of the Partnership Councillors for Waitrose Group G in 2009.
Previously: Roles at Safeway, Marks & Spencer Group plc.

Kim Lowe N A R

HEAD OF BRANCH, JOHN LEWIS BLUEWATER

Joined the Partnership Board: 2007 (re-elected 2009, 2012 and 2015)
Length of time with Partnership: 35 years
Experience: Joined the Partnership in 1982 as a Selling Assistant. Moved to John Lewis Aberdeen in 1989 and promoted to General Manager in 2007. Subsequently Kim held the role of Managing Director, John Lewis Glasgow and was appointed Head of Branch, John Lewis Bluewater in 2014. First became a Partnership Councillor in 2005.
Other appointments: Non-Executive Board Member of Central Surrey Health Ltd (CSH Surrey) from April 2018

Baiju Naik C

BRANCH MANAGER, WAITROSE KINGS ROAD

Joined the Partnership Board: 2015
Length of time with Partnership: 21 years
Experience: Joined the Partnership in 1997 on the Waitrose Graduate Trainee programme. He became Department Manager at Holloway Road in 1999 and was promoted to Branch Manager in 2005. Baiju held the role of Manager at various shops, before moving to manage Waitrose Kings Road in 2013. Elected to Partnership Council in 2009 and re-elected in 2012.

Ollie Killinger

CHANGE MANAGER, BUSINESS TRANSFORMATION HUB, WAITROSE

Joined the Partnership Board: 2017
Length of time with Partnership: 9 years
Experience: Joined the Partnership as a weekend worker on the Meat and Fish counter in Waitrose Leighton Buzzard in 2008. Maintained service through a student transfer whilst studying at University and returned after graduating to be a Section Manager in Waitrose Oakgrove before progressing through a variety of roles in management at various shops. Moved to the Operational Strategy team in 2016 and is now a Change Manager. Elected to Partnership Council in 2017.

"It is a truly amazing and unique opportunity to influence discussions with Partner perspective. Gaining insight into strategic decision-making has transformed me as a Partner and challenged me to think differently.

Ollie Killinger,
Elected Director

As set out in the Constitution, five Partners are elected to the Partnership Board. The Elected Directors at the date of this report are Chris Coburn, Steve Gardiner, Ollie Killinger, Kim Lowe and Baiju Naik. Lucy Parks left the Partnership and resigned as a Director of the Partnership Board on 30 September 2017. A by-election was then held in November 2017 and as a result Ollie Killinger joined the Partnership Board on 16 November 2017.

Following the end of each three-year term of the Partnership Council, Elected Directors are appointed through a democratic voting process. The next elections will take place in May 2018.

While Elected Directors must act in accordance with their statutory duties, through their constitutional role they must remain mindful of Partners' best interests and have an important role in strengthening Partner voice at Board level.

The Elected Directors are Partners, but they have no executive responsibilities on the Board.

INDUCTION AND TRAINING

Following appointment an induction programme is arranged for each Director, in order to help them gain an understanding of the business, key issues and the Partnership Board processes and agenda, and to provide them with information to help them to be effective and make a contribution to Board debates.

During the year under review, induction programmes were devised for the two new Directors who joined the Partnership Board, Laura Wade-Gery (Non-Executive Director) and Ollie Killinger (Elected Director). This included one-to-one meetings with the Chairman and each of the existing Directors and General Counsel and Company Secretary and other members of senior management. They also met members of the operational teams at Waitrose and John Lewis.

Not having held the role of Director previously, information and training was provided to Ollie Killinger on Directors' duties and the role of an Elected Director, both prior to selection by Partnership Council and as part of his induction.

The Elected Directors also met separately for an Elected Director development session facilitated by the General Counsel and Company Secretary and external advisor, Board Intelligence.

External briefings are provided to the Partnership Board as appropriate; KPMG attended the Partnership Board meeting in November 2017 to provide a view on both Brexit and retail trends. McKinsey & Company attended the Board meeting in January 2018 to provide an overview of evolving customer trends.

HOW WE SHARE POWER

THE PARTNERSHIP BOARD

WHAT ARE THE RESPONSIBILITIES OF THE PARTNERSHIP BOARD?

The role and responsibilities of the Partnership Board are set out in the Constitution under Rules 38 and 39. Although the Partnership Board delegates management authority to the Chairman (supported by the Executive Team), there are certain matters which are reserved for its decision. For more information on the role and responsibilities of the Chairman and the Executive Team see pages 52 to 53.

The Partnership Board has ultimate responsibility for approving major policy and strategy decisions and allocating the financial and other resources of the business. In these pages (pages 56 to 58) we describe the key areas discussed during the course of the year under review and also the major business proposals that were approved.

Supported by its Audit and Risk Committee, the Partnership Board is also responsible for reviewing the effectiveness of the Partnership's internal controls, including financial, operational, compliance and risk management systems, and for determining appropriate risk levels to achieve strategic objectives. It receives and reviews regular reports for these areas as follows:

- Minutes and updates from the meetings of Partnership Board Committees, the Executive Team and the Divisional Management Boards
- Quarterly risk update reports identifying any changes to principal risks and the progress of mitigating actions
- Monthly reports from the Group Finance Director and the General Counsel and Company Secretary (the Partnership Secretary going forward)
- An annual report presented by the Chair of the Pension Trustee

WHAT OTHER COMMITTEES ASSIST THE PARTNERSHIP BOARD?

The Partnership Board is assisted in carrying out its oversight and assurance responsibilities by its Committees: the Audit and Risk Committee; the Corporate Responsibility Committee; the Chairman's Nominations Committee; and the Remuneration Committee. The responsibilities of these Committees are set out in each Committee's report, and their respective Terms of Reference are available at www.johnlewispartnership.co.uk

The Audit and Risk Committee report can be found on page 60, the Corporate Responsibility Committee report on page 68, the Chairman's Nominations Committee report on page 71, and the Remuneration Committee report on page 74. Committee membership is detailed in each Committee's report.

From time to time, the Partnership Board also delegates authority to ad hoc sub-committees to help finalise matters within agreed parameters set by the Partnership Board.

WHAT DID THE PARTNERSHIP BOARD DISCUSS?

STRATEGY

February 2017

The Executive Team set out the direction of the Partnership under 'It's Your Business 2028' (IYB 2028) at a Leadership Summit on 7 February 2017 and at a meeting of the Partnership Council on 8 February 2017. The direction recognised the speed of change in society, retail and the workplace and how the Partnership would need to respond and adapt. The direction has three goals which are: a focus on the customer through 'Stronger Brands and New Growth'; placing Partners at the heart of what makes the Partnership different through 'Better Jobs, Better Performing Partners, Better Pay'; and a drive to strengthen the Partnership's 'Financial Sustainability'.

May 2017

In May 2017, the Partnership Board spent two days at the distribution campus in Magna Park discussing priorities to develop the next phase of the direction. The visit provided the opportunity to see the Waitrose and John Lewis distribution operations and to talk to the teams from both Divisions on how they were working together to develop their distribution strategies.

July 2017

In July 2017, the Partnership Board considered and agreed a three-year base financial plan based on a forward view of the market and trading performance and associated risks at that time. The Partnership Board noted the steps which would be taken by the Executive Team to develop the propositions for the three objectives of the Partnership direction, to enable it to sustain its commercial vitality.

December 2017

In December 2017, the Partnership Board considered and approved the budget proposals for 2018/19 which reflected the intensified pressures on margin and profit. The Partnership Board considered various risk scenarios attached to achieving the budget performance in 2018/19 including the potential impact of continuing uncertainties with regard to Brexit and the need to have contingencies and plans in place to mitigate those risks.

PERFORMANCE

PERFORMANCE AND PROFIT

One of the first major items of the financial year for the Partnership Board to consider is the amount of the previous year's profits which should be retained for the maintenance and development of the Partnership's business and the amount which can be distributed to Partners as Partnership Bonus. In March 2017 the Partnership Board considered and decided that Partnership Bonus for 2016/17 be distributed to Partners at the rate of 6% of their pay (10% for 2015/16). At the same time the Partnership Board reviewed and approved the announcement of the 2016/17 year-end results.

In March 2018, the Partnership Board considered and decided that Partnership Bonus for 2017/18 be distributed to Partners at the rate of 5% of their pay.

The Partnership Board monitors the performance of the business at every meeting through the monthly financial performance report and an overview provided by the Group Finance Director supported by trading updates from the Divisional Managing Directors.

BUSINESS PROPOSALS

During the course of the year and in accordance with its reserved matters, the Partnership Board reviewed and approved significant business proposals. During 2017/18 these included:

March 2017

– Further funding releases for the John Lewis programmes, OCCO and Pioneer to introduce new systems and processes to provide a single view of stock and manage IT accordingly

July 2017

– Funding for the high level design stage of the Waitrose Merchandise Operations programme to introduce new shop ordering for stock management

December 2017

– Approval to proceed with a new core Human Resources and Payroll system
– Authority for the Partnership's Treasury function to review current funding arrangements and future requirements and to make recommendations accordingly to a sub-committee of the Partnership Board

January 2018

– Further funding releases for the John Lewis OCCO Programme and the Waitrose Merchandise Programme

ANNUAL REPORT AND ACCOUNTS

In April 2017, the Partnership Board approved the Partnership's 2017 Annual Report and Accounts and in September 2017 approved the release of Interim Results for 2017/18.

The Audit and Risk Committee recommended to the Partnership Board that KPMG LLP be re-appointed as statutory auditor of the Partnership and all of its subsidiaries for the 2017/18 financial year, which the Partnership Board approved in April 2017.

GOVERNANCE

BOARD COMPOSITION

The Partnership Board approves changes to its structure, size and composition, following recommendations from the Chairman's Nominations Committee. Please see pages 52 to 55 and the table on page 59 for details of Board appointments approved by the Partnership Board during the year under review.

BUSINESS PROPOSALS THAT MAY RESULT IN REDUNDANCIES

Under Rule 39 (ix) of the Constitution, the Partnership Board is required to consider any proposal that places 12 or more Partners at potential risk of redundancy, either as part of the business plan or on a case by case basis. A number of such cases were submitted to the Partnership Board for approval during the course of the year.

PRESUMPTION OF MEMBERSHIP

Under the Partnership's Who is a Member (WIAM) Policy, the aim is to protect the co-ownership model by the presumption of membership and allowing for judgement to be applied where membership is not in the Partnership's best interests. Under the WIAM Policy, any business case to either move away from a presumption of membership or to renew an existing arrangement, which involves 100 or more people, requires the approval of the Partnership Board. A number of such cases were submitted to the Partnership Board for approval during the course of the year.

POLICY APPROVAL

In 2016/17, the Partnership Board approved a Partnership Policy framework founded on the statements of general policy in the Rules of the Constitution. The purpose of the Policy Framework is to supplement the Rules with a structured hierarchy of Policies and supporting Standards that are easy for Partners to navigate and with content that is both clear and concise. During the year the Partnership Board approved an update to the Partnership's Anti-Bribery and Corruption Policy and a new Corporate Responsibility Policy, as well as approving the Partnership's annual Modern Slavery Act Statement and the Partnership's Tax Strategy.

THE PARTNERSHIP BOARD

WHAT DID THE PARTNERSHIP BOARD DISCUSS?

REVIEW OF BOARD EFFECTIVENESS AND GOVERNANCE

Progress against the 2016/17 Board and Committee Evaluation
As reported in last year's Annual Report and Accounts, further progress was made to improve the governance around risk management including the oversight of data and cyber risks with the widening of the remit of the Group Risk Committee reporting into the Executive Team following the move to functional working. Clarifying roles and accountabilities of members of the Executive Team formed part of the externally facilitated evaluation during 2017/18, the key points from which are set out below.

2017/18 Formal Externally Facilitated Evaluation
Following the establishment in late 2016 of the Executive Team in succession to the Chairman's Committee, and as reported in last years' Annual Report and Accounts, the decision was taken to carry out a formal externally facilitated review of the Partnership Board and its governance during 2017. This concerned the Partnership Board and its Committees and built on the areas identified for further examination from the internal evaluation during 2016/17. The review focused on the roles and relationships of the three Governing Authorities as well as the role of the Executive Team and its relationship with the Partnership Board and the Divisional Management Boards.

The intention of the report was to provide a forward looking view and a long-term roadmap (one to three years) for the Partnership Board's development. The review was carried out by Dr Tracy Long of Boardroom Review Limited and her report was presented to the Partnership Board in July 2017. Boardroom Review Limited has no other connection with the Partnership.

The review confirmed that the Partnership Board was functioning well and effective in many ways, including having a positive Board culture and an increasingly effective use of formal Partnership Board and Committee time to focus on the risk and control framework.

The recommendations centred on governance within the Partnership. In September 2017 the Partnership Board agreed the next steps to be taken to act on the recommendations in the report. In the context of the current general focus on the approach to good corporate governance (and the planned changes to the UK Corporate Governance Code) and changes within the business, the Partnership Board decided that this was a timely opportunity to carry out a review of the Partnership's governance frameworks to ensure they remained fit for purpose and to respond to the challenges recognised within 'IYB 2028'.

KEY POINTS FROM THE REVIEW AND NEXT STEPS

- **Clarify roles and responsibilities**: The Chairman would lead the development of a clearer roadmap for the emerging strategy which would include defining and clarifying the roles and relationships between the Executive Team, the Divisional Management Boards and the Group functions to achieve the goals described in 'IYB 2028'.
- **Review the governance model**: A working group led by the Deputy Chairman would carry out a holistic review of the constitutional governance model to ensure it continued to provide the necessary framework to meet the challenging economic and business environment for the next decade. In particular, consideration would be given to the composition of the Partnership Board, the roles of the Chairman and the Deputy Chairman and to succession.
- **Critical review**: A separate review had also been commissioned by the Chairman to look at the broader landscape of checks and balances on the 'critical' side of the Partnership led by Bérangère Michel, Finance Director, John Lewis.

  The background to this review is that as the Partnership grew, our Founder, Spedan Lewis recognised that the role of Chairman needed the assistance of five specialists referred to as 'the five Heads of the Critical Side'. These were the General Inspector, the Chief Registrar, the Internal Auditor, the Financial Adviser and the Partners' Counsellor. As Spedan Lewis explained: "The function of the Critical Side is to safeguard the Executive Side from inadvertence. The Critical Side provides the Executive Side with the salutary if not always pleasant services of a candid friend…"

  The nature of these roles and how they are performed has changed over time. The Chairman decided to commission a separate review to look at the broader landscape of checks and balances on the 'critical side' of the Partnership to ensure that the right balance of constructive challenge continues to exist within the modern Partnership's co-owned business model.
- **Continue to understand and learn from external perspectives:** This will continue through regular briefings provided at Board meetings.

MEETING ATTENDANCE

The members of the Partnership Board and their attendance at meetings of the Partnership Board and its Committees of which they were members during 2017/18, are as follows:

Director	Partnership Board	Audit and Risk Committee[1]	Corporate Responsibility Committee[2]	Chairman's Nominations Committee	Remuneration Committee[3]
	Meetings attended/eligible to attend				
Executive Directors					
Sir Charlie Mayfield (Chairman)	10/10			5/5	
Tom Athron	10/10				
Rob Collins	9/10				
Tracey Killen	10/10				
Patrick Lewis	10/10				
Paula Nickolds	8/10				
Partners' Counsellor[4]					
Jane Burgess resigned 27 September 2017	6/6	5/5	2/3		
Elected Directors					
Chris Coburn	8/10		5/5		
Steve Gardiner	10/10			6/6	5/5
Oliver Killinger appointed 16 November 2017	2/3				
Kim Lowe	10/10	6/6		6/6	1/1
Baiju Naik	10/10		5/5		
Lucy Parks resigned 30 September 2017	6/6				2/2
Non-Executive Directors					
Denis Hennequin resigned 31 May 2017	4/4		2/2	2/2	1/1
Baroness Hogg	10/10	6/6		4/4	4/4
Laura Wade-Gery appointed 1 September 2017	4/5		2/2		3/3
Keith Williams (Deputy Chairman)	9/10	5/6	5/5	6/6	3/3

1 The two external independent members of the Audit and Risk Committee, Zarin Patel and Sharon Rolston, attended each of the six Committee meetings held during the year.
2 The external independent member of the Corporate Responsibility Committee, Dame Fiona Reynolds, attended each of the five Committee meetings held during the year.
3 In accordance with the Terms of Reference of the Remuneration Committee, when approving the remuneration of Non-Executive Directors, the Quorum is two Elected Directors.
4 The Acting Partners' Counsellor, Helen Hyde, attends Partnership Board meetings but is not a Director.

It is the practice of the Partnership Board and the Board Committees for Directors to either not attend a meeting, or to absent themselves from relevant agenda items, where they have a conflict or potential conflict of interest in what is being discussed.

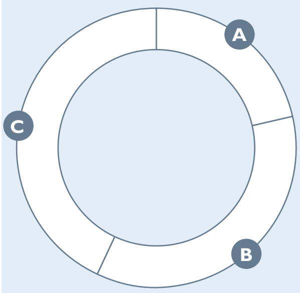
In addition to the 10 full Partnership Board meetings above, the Partnership Board also met on a quorate basis on two further occasions. These quorate meetings were constituted by the Partnership Board from those members available at that time, to approve the final form of the announcements for the full and half year results.

Senior executives attend Partnership Board and Committee meetings as appropriate to support business proposals, investments and report on material matters in relation to the business. Partnership Board and Committee members are given relevant and timely documentation in advance of each Partnership Board and Committee meeting.

In addition to attending Partnership Board meetings, the Non-Executive Directors and the Elected Directors met together without the Executive Directors twice during the year. These meetings were facilitated by both the Deputy Chairman and General Counsel and Company Secretary.

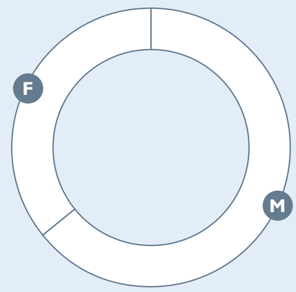
BOARD COMPOSITION

BY POSITION



A Non-Executive Directors 3
B Elected Directors 5
C Executive Directors 6

BY GENDER



M Male 9
F Female 5

AUDIT AND RISK COMMITTEE REPORT

Accuracy and integrity of the control environment and risk management

The Audit and Risk Committee focuses on the accuracy, integrity and communication of financial reporting, the control environment and risk management.

"During a time of significant change for the Partnership, the Committee has continued to oversee and provide appropriate challenge in relation to accounting treatment, risk management and the control environment."

Baroness Hogg, Non-Executive Director and Chair of the Audit and Risk Committee

MEMBERSHIP AND COMPOSITION

The members of the Committee at the date of this report are:
Baroness Hogg (Chair)
Kim Lowe
Zarin Patel
Sharon Rolston
Keith Williams

Jane Burgess retired as Partners' Counsellor and stood down as a member of the Committee on 27 September 2017.

There were six Committee meetings held during the year under review. Attendance at those meetings is shown in the table on page 59.

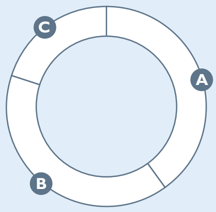
The two independent external members of the Committee, Zarin Patel and Sharon Rolston, attended each of the six meetings held during the year.

There have been no changes in Committee membership since year-end.

The Committee meets with the external auditor and the Head of Internal Audit and Risk Management, without Executive Directors being present, before each regularly scheduled meeting.

Quorum: three members of the Committee to include at least one member who is independent.

COMMITTEE COMPOSITION



A	Independent External Members	2
B	Non-Executive Directors	2
C	Elected Director	1

IN THIS SECTION

KEY ACTIVITIES DURING THE YEAR UNDER REVIEW

– Monitored the financial reporting process, and preparation of the 2016/17 Results Announcement and Annual Report and Accounts and the 2017/18 Interim Results Announcement, ensuring that the reporting is fair, balanced and understandable
– Monitored the effectiveness of the Partnership's internal controls framework
– Monitored the scope and planning of the external audit, including meeting separately from management with the external auditor and evaluating the effectiveness of the external auditor
– Oversaw the scope and planning of the internal audit workplan, including meeting separately from management with the Head of Internal Audit and Risk Management
– Reviewed quarterly reports and updates from Internal Audit and Risk Management as well as regular reports from the Divisional Risk Committees
– Received reports on the management and mitigation of specific key risks
– Continued to review the level and nature of whistleblowing reports on a six-monthly basis

EXTERNAL FINANCIAL REPORTING

ROLE OF THE COMMITTEE

The Committee is responsible to the Partnership Board for the oversight of:

- The integrity of the Partnership's Annual Report and Accounts, and other formal announcements relating to the Partnership's financial performance
- External audit activities
- Internal audit activities
- The Partnership's systems of risk management and internal control, including an annual review of the effectiveness of their processes

The Chairman of the Corporate Responsibility Committee, Keith Williams, is a member of the Committee and at each meeting provides a summary of the key risk areas overseen by the Corporate Responsibility Committee, such as Health and Safety, Product and Food Safety, and Responsible Sourcing.

The Committee operates in accordance with its Terms of Reference, which are available at **www.johnlewispartnership.co.uk**

INDEPENDENT EXTERNAL MEMBERS

Zarin Patel

Zarin is a member of the HM Treasury Group Audit and Risk Committee. She was formerly Chief Operating Officer of The Grass Roots Group PLC, Chief Financial Officer, BBC and held other senior positions. She was also Non-Executive Director, BBC Worldwide where she chaired both Audit and Remuneration Committees. Zarin is a Fellow of the Institute of Chartered Accountants in England and Wales.

Sharon Rolston

Sharon is Head of Investor Relations at Diageo PLC, having previously held the position of Group Treasurer and other senior positions in Diageo PLC and Nortel Networks Corporation. Sharon is a Fellow of the Institute of Chartered Accountants in Ireland.

The Partnership prepares consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, which form part of the Annual Report and Accounts. An interim review is prepared at the end of the first six months of the year.

The Partnership has an internal control and risk management framework in place under which the Partnership operates, and which supports the preparation of consolidated financial statements. This includes policies and procedures designed to ensure that adequate accounting records are maintained and transactions are accurately recorded.

The Committee is responsible for the appointment, scope and fees of the external auditor, KPMG LLP.

REGULATORS AND FINANCIAL REPORTING

During the 2017/18 financial year, the Partnership was notified by the FRC that its 2016/17 Annual Report and Accounts had been selected to be included in the FRC's corporate reporting thematic review of pension disclosures. No substantive issues were raised in relation to this review, and feedback from the process has been used to further improve the quality of the Partnership's pension disclosures, in particular note 6.1.4.

ANNUAL REPORT AND ACCOUNTS

Since the year-end the Committee reviewed the draft Annual Report and Accounts 2017/18 and recommended their approval to the Partnership Board.

As part of its review, the Committee assessed whether the Annual Report and Accounts provided a fair, balanced and understandable assessment of the Partnership's position, performance, business model and strategy, as stipulated by the UK Corporate Governance Code (the Code).

In assessing whether the Annual Report and Accounts are fair, balanced and understandable, the Committee received a broad overview of the design and content of the report in December 2017, early in the planning process. The Committee received a full draft of the Annual Report and Accounts for review and comment two weeks ahead of the meeting in which it was asked to give final opinion on the report. The Committee's assessment included consideration of the following:

Are the Annual Report and Accounts fair and balanced?

- Does the Annual Report and Accounts provide a balanced view of the Partnership's performance and prospects, appropriately weighting setbacks and challenges?
- Is the report reflective of internal reporting and discussions, or have any items been omitted which should have been included?
- Is the description of the business model and strategy appropriate?
- Are key issues and judgements referred to in the narrative reporting consistent with the financial reporting issues referred to in the Audit and Risk Committee report and critical accounting estimates and judgements referred to in the financial statements?
- Are the KPIs presented appropriate, with clear linkage from strategy to KPIs and a clear track record of performance against KPIs?
- Are financial measures not defined under IFRS clearly explained with appropriate prominence and used consistently throughout the Annual Report and Accounts?
- Is the narrative reporting in the front of the report consistent with the financial reporting?

Are the Annual Report and Accounts understandable?

- Are important messages, policies, transactions and significant changes from prior periods highlighted and supported, and not obscured by unnecessary detail?
- Does the report include a simple explanation of the business model, strategy and accounting policies?
- Does the governance section clearly explain how decisions are made?
- Are financial measures not defined under IFRS clearly explained and reconciled to measures defined by IFRS?
- Are there clear and concise explanations of KPIs, including how they are measured?
- Is the language used in the report clear and precise, avoiding generic wording that is not specific to the Partnership?
- Is the layout of the Annual Report and Accounts clear, with good linkage throughout the report?

The Committee was satisfied that, taken as a whole, and having regard to the amendments made by the Committee, the John Lewis Partnership plc's Annual Report and Accounts 2017/18 are fair, balanced and understandable.

VIABILITY AND GOING CONCERN

The Committee also considered what statements the Partnership should make giving assurance as to its going concern and its viability. These disclosures are on pages 79 to 80 of the Directors' report.

AUDIT AND RISK COMMITTEE REPORT

OUR SIGNIFICANT FINANCIAL REPORTING ISSUES, AND OUR RESPONSE

As part of the preparation of the Annual Report and Accounts, the Committee considered the following significant financial reporting issues.

01

Impairment

NOTES 3.1, 3.2

Issue: The Partnership has significant non-current assets, both tangible and intangible. Judgement is exercised in reviewing their carrying value in respect of possible impairment. Initial trigger tests, such as whether performance was in line with expectations, provided indicators of some assets with a potential impairment. For each of these assets, management prepared a value in use model or obtained valuations to assess the asset's carrying value and calculated an impairment charge where appropriate.

Response: The Committee reviewed and challenged the methodology and assumptions applied to test impairment and the results of the trigger tests, including the assumptions used in cash flow projections as part of the value in use calculations. The Committee considered the sensitivity of the proposed impairment charge to movements in key assumptions such as the discount rate, long-term growth rate and performance. The Committee considered programmes where a significant intangible assets have been capitalised or are work in progress, to ensure it is comfortable that future economic benefit will be generated.

The Committee satisfied itself that the assumptions used and the resulting impairment charge were reasonable.

02

Exceptional items

NOTE 2.3

Issue: The Partnership recorded an exceptional loss of £111.3m principally relating to restructuring and redundancy and branch impairment. The branch impairment charge for Waitrose shops rose sharply, becoming material this year. Management therefore proposed to change the accounting treatment, including this under 'exceptional items', arguing that this would improve the clarity of the results for Partners.

Response: The Committee considered the items presented as exceptional, in respect of the Partnership's policy to present separately items that are material and non-recurring, to better explain the Partnership's underlying business performance.

In particular, in respect of the change to exceptional treatment in branch impairment, the Committee challenged management and the auditors as to whether this was in line with John Lewis Partnership's accounting policies. The Committee required greater prominence to be given to the charge in the results, and a fuller explanation to be given in the financial statements as to the significance of the shift in methodology and assumptions made when assessing impairment this year, before accepting the proposed treatment of the charge.

06

Depreciation and useful economic lives

NOTE 3.2

Issue: The Partnership has significant non-current tangible assets in the form of freehold land and buildings and long leasehold buildings. Depreciation is recorded to write down non-current assets to their residual value over their estimated useful lives. Determining an asset's residual value and estimated useful life involves significant judgement.

Response: The Committee received a memorandum from management detailing the review of residual values and useful economic lives. The Committee satisfied itself that the residual values and useful economic lives were appropriate, considering the sensitivity of changes in residual value on depreciation.

07

Supplier income

NOTE 4.2

Issue: The Partnership receives supplier income mainly in the form of volume and marketing rebates. Judgement is exercised in estimating the value of rebates to accrue, ensuring they are appropriately calculated and the level of disclosure. Care has been taken to ensure that rebates are recognised in the accounting period to which they relate.

Supplier income balances accrued at the year-end were not material. However, given the industry specific focus on supplier rebates, this is kept under review.

Response: The Committee reviewed the paper prepared by management detailing supplier rebates. earned during the year and accrued at the year-end. The Committee considered that the supplier rebate balance was appropriate.

03

Employee benefits

NOTE 6.1

Issue: The Partnership operates a defined benefit pension scheme, open to all Partners, subject to length of service. The pension scheme liability is calculated using an actuarial model with a number of key assumptions, notably the discount rate and inflation rate. Significant judgement is exercised in determining these actuarial assumptions, and the overall pension scheme liability is very sensitive to small movements in the discount rate and inflation rate.

During the year, management reviewed and proposed to change the methodology used in calculating the discount rate, as set out in note 6.1.

Response: The Committee reviewed the papers prepared by management, including the advice obtained by management from independent actuarial specialists on the appropriateness of the assumptions used. As part of this, the Committee considered these assumptions as compared with previous years and those used by our peer companies.

The Committee considered and challenged the proposed change in discount rate methodology, including its compliance with IAS 19, relative benchmarking, the rationale for change in methodology and the detailed disclosure in the Results Announcement and Annual Report and Accounts.

The Committee satisfied itself as to the acceptability of the key assumptions, particularly the discount rate, and concluded that the overall pension scheme liability is appropriate.

04

Provisions

in relation to long leave, service guarantee costs, customer refunds, insurance claims, reorganisation costs, property related costs and pay.

NOTE 4.4

Issue: The Partnership has significant provisions in relation to its long leave scheme, which provides six months' paid leave after 25 years of service. It also makes provisions for expected future customer refunds, service guarantees, insurance claims and other items such as reorganisation, property related costs and pay. Judgement is exercised in making the assumptions that form the basis of the provision calculations.

Response: The Committee reviewed the methodology and key assumptions used in determining significant provisions, including the basis for any release of provision. The Committee considered past use of each provision, as well as the sensitivity of the assumptions, when reviewing the appropriateness of the provision.

In relation to the specific pay provision for potential costs of complying with the National Minimum Wage Regulations, the Committee reviewed a memorandum from management detailing the status of discussions with HMRC, the legal basis and advice from independent National Minimum Wage specialists. The Committee reviewed the conclusions reached by management and key assumptions in calculating the provision and their relative sensitivities. The judgements made by management were challenged and the detailed disclosure within the Results Announcement and Annual Report and Accounts was reviewed.

The Committee concluded that the amount recorded in respect of provisions was appropriate and represented the best estimate of the liability and the disclosure in respect of provisions was appropriate.

05

Liability

for unredeemed gift vouchers and gift cards

NOTE 4.3

Issue: The Partnership issues gift vouchers and gift cards and records a liability on the balance sheet for unredeemed vouchers and cards. Judgement is exercised in estimating the value of this liability, based on redemption patterns.

Response: The Committee reviewed the paper prepared by management detailing the methodology, actual experience and key assumptions used in calculating the liability for unredeemed gift vouchers and gift cards. These showed that there was no significant change in the overall trend of redemption patterns for gift vouchers or gift cards. The Committee considered that the estimates were reasonable.

AUDIT AND RISK COMMITTEE REPORT

EXTERNAL AUDIT ACTIVITIES

EVALUATION AND RE-APPOINTMENT OF AUDITOR

KPMG LLP were the Partnership's external auditor for 2017/18. They provided the Committee with relevant reports, reviews, information and advice throughout the year, as set out in their engagement letter.

The Committee is responsible for making a recommendation to the Partnership Board relating to the appointment, re-appointment or removal of the external auditor.

In March 2018, the Committee conducted an evaluation of the external auditor's performance. Members of the Committee and senior finance management within the Partnership were provided with an opportunity, through an evaluation questionnaire, to comment on the effectiveness of the external auditor and the audit process.

In concluding on the effectiveness of the external auditor, the Committee considered:

- The terms and the scope of the work of the external auditor, as set out in the engagement letter
- The experience and expertise of the audit team
- The audit work plan for the financial year 2017/18
- The detailed findings of the interim review and year-end audit, including how the auditor assessed key accounting and audit judgements and discussion of any issues that arose
- The constructive challenge and professional scepticism applied by the audit team in dealing with management

The outcome of the evaluation was considered by the Committee, which concluded that the effectiveness of the external auditor and the audit process was satisfactory and recommended the re-appointment of KPMG LLP to the Partnership Board.

During the year, the 2016/17 audit of John Lewis Partnership plc by KPMG LLP was reviewed by the FRC's Audit Quality Review team (AQR). The AQR routinely monitors the quality of audit work of certain UK audit firms through inspections of sample audits and related procedures at individual audit firms. Certain matters for improvement were identified along with good practice observations. The Committee and KPMG LLP have discussed the review findings and the identified improvement areas, and the actions taken to incorporate these into the 2017/18 audit work. KPMG LLP have also discussed more generally the firm's process for enhancing audit quality which includes internal quality reviews. KPMG LLP reported to the Audit and Risk Committee as part of their April 2018 report on these matters, with the Audit and Risk Committee concluding that the findings were being addressed.

AUDIT FIRM TENDERING

It is the Committee's policy to ensure that there is audit partner rotation every five years to safeguard the external auditor's objectivity and independence. In 2012/13, the Committee adopted a policy relating to tendering the external audit contract at least every 10 years.

Following the audit tender process in 2015/16, the year ended 27 January 2018 was the second year of audit by KPMG LLP and the second year of the audit engagement partner, Mike Maloney's, appointment.

AUDITOR'S INDEPENDENCE AND OBJECTIVITY AND NON-AUDIT SERVICES

The Committee continually reviews the nature and extent of non-audit services provided to the Partnership by the external auditor and receives confirmation from the external auditor, at least annually, that in their professional judgement, they are independent with respect to the audit.

The Committee recognises that the independence of the external auditor is a fundamental safeguard for the interests of the Partnership's co-owners. The Partnership has a non-audit services policy that allows the external auditor to be appointed to provide non-audit services in exceptional circumstances. The policy was reviewed in light of EU Regulations, which became effective in June 2016, with no significant changes. The Partnership's non-audit services policy is summarised below.

Details of the amounts paid to the external auditor are given in note 2.4 to the consolidated financial statements. The ratio of non-audit services fees to audit and audit-related services fees was 22% (2017: 22%).

Having undertaken a review of the non-audit services provided during the year, at both the half year and year-end, the Committee is satisfied that these services did not prejudice the external auditor's independence.

SUMMARY OF NON-AUDIT SERVICES POLICY

- In line with the Code, the Partnership's auditor is prohibited from supplying most categories of non-audit services
- Prohibited services include bookkeeping or other services related to the accounting records or financial statements; internal audit services; taxation services; and any other work that could compromise the independence of the external auditor or is prohibited by UK regulator's ethical guidance
- There is a specific approval process for any non-audit work to be undertaken by the external auditor. Any proposal to engage the external auditor to perform non-audit services must be referred to the Group Finance Director for approval. Where fees exceed £100,000, the proposal must be approved by the Chair of the Committee, and where fees exceed £250,000, the proposal must be approved by the whole Committee

SYSTEMS OF RISK MANAGEMENT AND INTERNAL CONTROL

RESPONSIBILITIES

Partnership Board

Has overall responsibility for the risk management framework and key risk decisions. Reviews principal risks and mitigating actions regularly with the support of the Executive Team; and seeks to comply with the UK Corporate Governance Code (2016).

Audit and Risk Committee

Provides assurance to the Board on internal controls and the risk management process. Monitors the effectiveness of internal control and risk management processes and challenges decision-making.

Executive Team

Identifies, evaluates and monitors the principal business risks. Implements and maintains risk management systems in an efficient and effective manner.

MONITORING DURING THE YEAR

Through the Committee, the Partnership Board has evaluated the Partnership's risk management and internal control systems. The Executive Team, the Committee and the Partnership Board receive quarterly risk management reports. On a quarterly basis the Partnership Board has stress-tested the business plan in relation to the relevant principal risks, how our risk profile may be affected by Brexit and monitored the Partnership's performance towards target risk.

Ongoing monitoring takes place by the Committee through the regular allocation of specific time to understand and assess risk management and internal control weaknesses across strategic, operational, financial and compliance areas at meetings; and discussion with executive management. senior management present on risks and mitigating activities in order to support their ongoing assessment in areas such as cyber security, IT infrastructure, change, data protection and Brexit related risks.

The Head of Internal Audit and Risk Management presents on the effectiveness of internal controls assessed as part of the audit plan.

A consistent theme in the conclusions of the Audit and Risk Committee was a request to management to continue to clarify lines of responsibility, to ensure that ownership was taken of any outstanding control issues and the management and mitigation of risks right across the Partnership, at the senior operational level. Progress had been made in the monitoring of major projects but there were still issues of accountability with respect to ongoing business risks. With major new regulatory regimes coming into force, responsibility for embedding a compliance culture needed to be accepted at all levels.

The Partnership Board has set an overall risk appetite for the business to operate within. With the support of the Executive Team, it has reviewed Divisional and Partnership proposed changes to the Partnership's appetite for risk, and taken decisions to further reduce or tolerate risk if appropriate. During the year, the Partnership has implemented and embedded its upgraded risk management software to improve the quality, efficiency and consistency of risk reporting, such that risks are now managed and reported in one consistent way across the Partnership.

Improvements in internal controls are underway to improve Partner and customer experiences and protect profit, cash, data and other assets to support the overall sustainability of our business.

THE PARTNERSHIP'S SYSTEMS OF RISK MANAGEMENT AND INTERNAL CONTROL

Risk management

Assessing and managing risk is fundamental to safeguarding our Partners' interests, protecting our reputation, complying with regulatory standards and achieving our business objectives.

To enable this, the Partnership has a risk management framework, including a process for how we identify, evaluate, manage and monitor the principal risks faced by the Partnership, supported by tools, dedicated Partners and a risk governance structure with defined accountability. Further details on this can be found on pages 42 to 45 along with details of our principal risks and how we mitigate them.

Internal control

The systems of internal control we have established are designed to manage, rather than eliminate, the risk that is inherent in pursuit of our business strategy and objectives. As a consequence, our internal controls can only provide reasonable, and not absolute, assurance against material misstatement or loss.

The Partnership Board receives updates through the Chair of the Committee and copies of its minutes on the operation of the systems of internal control for risk management. Reporting is through presentations from senior management, the chairs of Divisional Risk Committees and financial control as well as the work of Internal Audit, which provides objective assurance on the effectiveness of controls through the delivery of a risk-based work plan. The Head of Internal Audit and Risk Management reports functionally to the Chair of the Committee and operationally to the Group Finance Director.

At the end of the year, the Committee conducted an annual review of the effectiveness of the risk management framework, supported by a self-certification exercise by management.

During the year:

- The risk management governance structure was further developed to accommodate the changes to the structure of the Partnership. As a result, the composition and role of the Group Risk Committee was enhanced to reflect the centralisation of operations and risk ownership. Revised ownership, accountability and reporting of risks under the new governance structure was agreed
- The Committee has continued to focus on the challenges in meeting the upcoming complex GDPR requirements, as well as plans to improve our IT resilience and Data Privacy compliance in response to the ongoing external threat of an information security breach or cyber attack
- The Committee supported the Partnership's approach to identifying and managing risks exacerbated by Brexit and focused challenge on proposed options to mitigate the Partnership's key Brexit related risk areas
- Risk reporting has become significantly more efficient and consistent across the Partnership and risk indicator reporting for our principal risks has improved to support management's decision-making
- Key controls over material financial risks have also been tested

The focus for the year ahead is to continue to develop the quality of our risk reporting to provide improved insight and challenge for decision-making, proactively manage our response to the Partnership's Brexit related risks and oversee the implementation of these plans.

The Partnership's approach to risk management is detailed on pages 42 to 45.

THE PARTNERSHIP APPROACH TO INTERNAL AUDIT

Partnership Internal Audit is an independent and objective assurance and advisory function, operating to add value to the business through challenging, improving and assuring systems of risk management and control.

The purpose of Internal Audit is to support the Committee in fulfilling the parts of its remit laid down by the Partnership Board that require it to oversee:

1. The integrity of the Partnership's Annual Report and Accounts, and other formal announcements relating to the Partnership's financial performance
2. The Partnership's systems of risk management and internal control

Internal Audit brings a systematic and disciplined approach to evaluating and improving the effectiveness of the Partnership's risk management, control, and governance processes.

The Audit and Risk Committee reviews and approves the scope of the Internal Audit work programme on an annual basis, which covers both advisory and assurance related reviews of operational, financial and IT processes as well as key change projects and programmes across the Partnership. The annual audit plan this year has included reviews of:

Programme

– Master Data Management
– Merchandise Operations
– Personnel Functional Transformation

Finance

– Internal Controls Framework
– Pensions

Regulatory/Other

– GDPR Readiness
– Specific independent reviews

IT

– User Access
– Cyber Operating Model
– Cyber Security

Operations

– Buying
– Inventory Management
– Hong Kong Sourcing Office
– GSCoP

At each meeting with the Audit and Risk Committee, the Head of Internal Audit and Risk Management reports on the current status against the agreed audit plan, control weaknesses identified and management's progress in developing the control environment.

KPIs measuring the efficiency and effectiveness of the Internal Audit function were introduced during 2015/16. These continue to be used to benchmark performance against prior years and to demonstrate the continuous improvements made in maturing the function and the quality of service provided to the Partnership. The Head of Internal Audit and Risk Management reports on these KPIs at every Committee meeting as well as providing a status update of progress against the agreed development plan.

Partnership Internal Audit was subject to independent external quality assessment (EQA) during 2015, in compliance with section 1312 of the Institute of Internal Auditors (IIA) standards, which requires independent EQA once every five years.

The review outlined the level of conformance with the IIA's Code of Ethics and International Standards and offered specific recommendations which are on track to support the continuous improvement of the Internal Audit function. Progress against recommendations raised by the EQA is presented by the Head of Internal Audit and Risk Management at each Audit and Risk Committee meeting.

GROCERIES (SUPPLY CHAIN PRACTICES) MARKET INVESTIGATION ORDER 2009 (THE ORDER) AND THE GROCERIES SUPPLY CODE OF PRACTICE (GSCOP)

Waitrose is subject to the Groceries (Supply Chain Practices) Market Investigation Order 2009 and the Groceries Supply Code of Practice (Code). As required by the Order and the GSCoP, Waitrose's Code Compliance Officer (CCO) is obliged to present a report detailing the business' compliance to GSCoP to the Partnership's Audit and Risk Committee, for onwards submission to the Competition and Markets Authority (CMA).

The CCO presented the report to the Committee at its meeting on 10 April 2018 and reported an increase in the number of suppliers raising GSCoP queries. They cover a range of areas across Commercial, Supply Chain and Finance, including one formal dispute raised during the period which has subsequently been resolved.

The Committee reviewed and approved the report, noting the increase in queries from previous years and requested that management consider further options to mitigate queries and to simplify.

See page 79 of the Directors' report for further information.

WHISTLEBLOWING

The Partnership whistleblowing procedures allow Partners to raise, in confidence, any concerns about possible improprieties including matters of financial reporting, risk, fraud, internal controls and auditing issues. Whistleblowing is managed by Registry who engage Internal Audit as appropriate for investigations throughout the year. The Committee receives bi-annual reports on the level and nature of issues raised and on the actions taken as a result.

RELEVANT QUALIFICATIONS OF AUDIT AND RISK COMMITTEE MEMBERS AND COMPETENCE RELEVANT TO THE SECTOR

Keith Williams, Zarin Patel and Sharon Rolston have recent and relevant financial experience. Each is a qualified accountant and has held senior finance roles.

Baroness Hogg has significant experience, notably from her time as Chair of the Financial Reporting Council, that supports her leadership of the Committee.

Kim Lowe has 35 years' experience in the retail sector having joined the Partnership in 1982 as Selling Assistant and is now Head of Branch at John Lewis Bluewater.

The former Partners' Counsellor, Jane Burgess, who was a member of the Committee until 27 September 2017, joined the Partnership in 1975 and held a variety of roles within the business before becoming Partners' Counsellor in 2012.

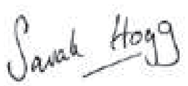
Added to this retail sector experience within the Partnership Keith Williams previously held senior roles at Apple Computers Inc and Boots and Sharon Rolston is Head of Investor Relations at Diageo plc, a multinational beverages company and supplier to the retail industry.

Viewed as a whole, the Committee possesses competence relevant to the retail sector in which the Company operates.

COMMITTEE EVALUATION

Please see page 58 for a summary of the evaluation of the effectiveness of the Partnership Board and its Committees during the year.

On behalf of the Audit and Risk Committee.



Baroness Hogg
Non-Executive Director and
Chair of the Audit and Risk Committee

CORPORATE RESPONSIBILITY COMMITTEE REPORT

Being a responsible business

The Corporate Responsibility Committee is responsible to the Board for the oversight of the Partnership's Corporate Responsibility Policy and Corporate Responsibility objectives.

"This year, the Committee has explored some of the most acute challenges facing the Partnership and overseen how the Partnership is responding to meet the expectations of our Partners, customers and wider society to fulfil our obligations under the Constitution."

Keith Williams, Deputy Chairman of the John Lewis Partnership, Non-Executive Director and Chair of the Corporate Responsibility Committee

IN THIS SECTION

COMMITTEE EVALUATION

Please see page 58 for a summary of the evaluation of the effectiveness of the Partnership Board and its Committees during the year. Since the year-end, the Committee also undertook an internally facilitated review of its own effectiveness. The main themes arising from the review were discussed by the Committee at its meeting in April 2018 and will be considered as part of the continuing development of the Committee's ways of working and agenda going forward.

MEMBERSHIP AND COMPOSITION

The members of the Committee at the date of this report are:
Keith Williams (Chair)
Chris Coburn
Baiju Naik
Dame Fiona Reynolds
Laura Wade-Gery

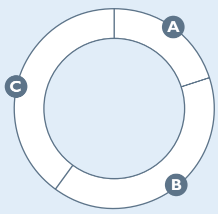
Denis Hennequin (former Non-Executive Director) and Jane Burgess (former Partners' Counsellor) stood down as members of the Committee on 31 May 2017 and 27 September 2017 respectively, and Laura Wade-Gery joined the Committee on 1 September 2017.

There were five meetings held during the year under review and attendance at those meetings is shown in the table on page 59.

There have been no changes in Committee membership since year-end.

Quorum: three members to include at least one Non-Executive Director and one Elected Director.

COMMITTEE COMPOSITION



A	Independent External Member	1
B	Non-Executive Directors	2
C	Elected Directors	2

"This year, the Committee has further challenged the Partnership to integrate and clarify its approach to Corporate Responsibility and ensure our commitments fit squarely within the Partnership's overall strategy. We have made good progress in both tasks though, as always, there is more to do."

Dame Fiona Reynolds, External Independent member of the Corporate Responsibility Committee

ROLE OF THE COMMITTEE

The role of the Committee is to:
– Oversee and make recommendations to the Board in respect of the Partnership's Corporate Responsibility (CR) Policy and objectives
– Monitor performance against the Partnership's CR Policy
– Monitor the effectiveness of the management of the Partnership's CR obligations and risks
– Review the effectiveness of the Partnership's procedures for maintaining and safeguarding the Partnership's corporate reputation
– Review and endorse the Partnership's CR report available at **www.johnlewispartnership/co.uk/csr**

The Committee has responsibility for providing oversight in a number of areas previously under the remit of the Audit and Risk Committee including Health and Safety, Food Safety, Product Safety and Responsible Sourcing and receives regular updates from the Partnership Health and Safety Management Committee, the John Lewis Corporate Social Responsibility Committee and the Waitrose Corporate Social Responsibility Committee.

The Corporate Responsibility Committee was established by the Partnership Board in September 2015. It operates in accordance with its Terms of Reference that are available at **www.johnlewispartnership.co.uk**

INDEPENDENT EXTERNAL MEMBER

Dame Fiona Reynolds
Dame Fiona is Master of Emmanuel College, Cambridge. She is a Non-Executive Director of Wessex Water and Chair of their Futures Panel, and a trustee of the Grosvenor Estate. In a voluntary capacity she also Chairs the Cathedrals Fabric Commission for England, the Cambridge University Botanic Garden Syndicate, the environmental charity Green Alliance and the International National Trusts Organisation. She was Director-General of the National Trust from 2001-2012 and previously Senior Independent Director of the BBC's Executive Board. Until her appointment as a member of the Committee, Dame Fiona was a member of the Waitrose Corporate Social Responsibility Advisory Board.

CORPORATE RESPONSIBILITY IN THE PARTNERSHIP

The Partnership has a different way of doing business. Our Partnership model was, and still is, an experiment in industrial democracy, showing that long-term commercial success can come from co-ownership. We have a written Constitution, based on seven clear and enduring Principles, which set out Partners' rights and responsibilities, how power is shared and our collective responsibilities to others. Specifically, our responsibilities are outlined in:

– Members under Principle 4
– Customers under Principle 5
– Those with whom it has a business relationship under Principle 6
– The communities in which we operate under Principle 7
– Section 3 of the Rules outlines clearly our 'responsibilities to others' in respect of our dealings with suppliers and competitors and our impact on the environment

Our approach to CR continues to be underpinned by these values as we navigate a radically changing retail and societal climate. We endeavour to make decisions that stay true to these principles and ensure our customers continue to trust the products and services we provide.

Our CR Framework describes our corporate responsibility priorities and how they support the Partnership's business priorities. We use this framework to manage our most material issues and make a positive contribution in those areas where we can have the greatest impact. These commitments unite Waitrose and John Lewis towards shared goals whilst giving flexibility to respond in ways that are right for each brand. Within each area, we are looking to innovate and create genuine impact, building on our core programme of activities which manage our day-to-day operations and key risks.

For more information on corporate responsibility issues please see 'Our Responsibilities' on pages 40 to 41 and the John Lewis Partnership Corporate Responsibility report 2017/18 at **www.johnlewispartnership.co.uk/csr.**

KEY ACTIVITIES

Over the course of the year under review, the Committee held five meetings. Through updates on the CR Framework and Divisional strategies, the Committee received updates on all areas of the CR agenda and reviewed the progress across a number of issues.

Particular focus was given to the following key areas:

Corporate responsibility framework

Throughout the year, the Committee received updates on progress against the CR Framework. During the course of the year Waitrose and John Lewis presented the development of their CR strategies in support of the CR Framework. The Divisions presented both their ongoing risk management programmes and the areas where they would lead on the CR agenda. The Committee reviewed plans and provided feedback on progress made.

Health and safety

Our physical estate is large and complex, comprising offices, warehouses and shops and the Partnership is committed to ensuring the safety of its Partners, customers and visitors. Therefore, it is imperative the Committee has a solid understanding of the Health and Safety challenges facing the business. This year, the Committee received regular updates from the Group Health and Safety function outlining the key priorities facing the Partnership and reviewed and made recommendations on the Partnership's safety management system.

Community

In October 2017, the Committee commented on the review of the Partnership's community investment strategy and considered the external insights delivered by an expert consultancy. The Committee agreed that community investment is a central part of the Partnership's CR strategy and will continue to receive updates as we review our approach.

Narrative reporting

Since the year-end, the Committee reviewed and endorsed the Partnership's Corporate Responsibility report 2017/18. This includes the John Lewis Partnership's Modern Slavery Statement.

Health and wellbeing

In December 2017, the Committee undertook a review of the Partnership's approach to Partner health and wellbeing, one of the strategic focus areas of the CR Framework in support of providing 'Better Jobs' for Partners. The Committee considered detailed analysis of the issues, the overall Partnership ambition and the progress made so far and provided guidance on the developing strategy. The Committee will continue to challenge the business as the Partner proposition on health and wellbeing is developed.

Training

In August 2017, the Committee visited the Waitrose Farm at Leckford Estate, a 4,000-acre estate near Stockbridge, Hampshire which is owned and run by the John Lewis Partnership. The Estate is a diverse commercial operation spanning property, food production, farming and retail. The Waitrose Farm produces apples, flour and mushrooms, which are stocked in some Waitrose shops. The visit offered an opportunity for the Committee to understand critical farming sustainability and sourcing challenges relevant to the Partnership.

Briefings and workshops are provided to the Committee in relation to specialist and developing areas as deemed necessary.

CORPORATE RESPONSIBILITY COMMITTEE REPORT

GREENHOUSE GAS EMISSIONS

The Partnership's environmental strategy includes reducing the carbon emissions and energy consumption associated with our buildings, and finding more efficient ways to distribute our goods. By innovating and investing in our buildings, and through procuring renewable electricity, we have seen our Greenhouse Gas emissions fall. As a result we have already achieved our target of a 65% reduction in carbon intensity (tonnes per £m of revenue) against a 2010 baseline. We are encouraged by the progress we have made, however there is still more to do to reduce our energy consumption in shops and on the roads.

The table below provides more detail on our emissions and a description of what each 'Scope' means as well as the methodology behind the figures.

METHODOLOGY

The Partnership has reported on all of the Greenhouse Gas (GHG) emission sources as required under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013. 2017 data is reported on an approximate calendar year basis, which comprises the period from 25 December 2016 to 23 December 2017.

The methodology used to calculate our GHG emissions is the GHG Protocol Corporate Accounting and Reporting Standard (revised edition), using the operational control approach on reporting boundaries. This covers the properties where the Partnership has operational control and is financially responsible for the utility supply. Data has been calculated using Defra 2017 emission factors, with the exception of certain refrigerants, and emission sources associated with our Leckford Farm, which are taken from industrial and academic sources. Further detail on the methodology is set out within the John Lewis Partnership Basis of Reporting available at **https://www.johnlewispartnership.co.uk/csr**

The Partnership engaged KPMG LLP to undertake an independent limited assurance engagement over selected information included in our Corporate Responsibility report. Selected data has been extracted from that report and included in this document, as identified by a footnote on the relevant pages. The level of assurance provided for a limited assurance engagement is substantially lower than a reasonable assurance engagement. KPMG's full assurance statement is available on our website at **https://www.johnlewispartnership.co.uk/csr**

GLOBAL GHG EMISSIONS DATA*

	2017	2016
Scope 1 (tonnes CO_2e)[1]		
Combustion of fuel and operation of facilities, refrigeration	**176,611**	193,796
Scope 2 (tonnes CO_2e)[2]		
Electricity purchased and heat and steam generated for own use		
– Location-based	**227,334**	269,986
– Market-based	**6,425**	7,401
Scope 3 (tonnes CO_2e)[3]		
Water, business travel, waste to landfill and transmission and distribution losses from purchased electricity	**50,510**	55,901
Intensity measurement (tonnes CO_2e per £m sales)		
– Location-based	**39.3**	45.7
– Market-based	**19.9**	22.6

* Figures presented are for each approximate calendar year

1 **Scope 1 emissions**: These are the GHG emissions associated with our direct activities – such as heating our shops and offices and running our fleet of trucks and company cars.
2 **Scope 2 emissions**: These are the GHG emissions associated with the electricity we purchase to run our buildings. Location-based represents the GHG intensity of the grids where we have sites and market-based reflects the emission for the electricity we have purchased as a business and is lower because of our renewable energy sourcing.
3 **Scope 3 emissions**: These are the GHG emissions associated with our indirect activities such as business travel that isn't in company-owned cars, our water use or unrecycled waste disposal.

DIVERSITY AND INCLUSION POLICY ASSURANCE

Since year-end, the Committee reviewed an assurance update on progress the Partnership is making against our Diversity and Inclusion policy.

OUTLOOK

In 2017/18, the Committee was focused on overseeing the implementation of the CR Framework and reviewing in detail priority areas that have been identified. In 2018/19 the Committee will review updates on CR across the Partnership to ensure the risks we have identified are being managed and that we are meeting the objectives of our CR Framework.

On behalf of the Corporate Responsibility Committee.

Keith Williams
Non-Executive Director and
Chair of the Corporate Responsibility Committee

CHAIRMAN'S NOMINATIONS COMMITTEE REPORT

Leadership and effectiveness

The Chairman's Nominations Committee's main role is to ensure there is a strong succession and a robust appointment process to the Partnership Board.

"The Committee's main focus for the year has been oversight of the changes to the Partnership Board as well as ensuring that the right balance of senior management skills, knowledge and experience are in place to deliver the IYB 2028 objectives."

Sir Charlie Mayfield, Chairman and Chair of the Chairman's Nominations Committee

IN THIS SECTION

MEMBERSHIP AND COMPOSITION

The members of the Committee at the date of this report are:
Sir Charlie Mayfield (Chair)
Keith Williams (Deputy Chair)
Steve Gardiner
Baroness Hogg
Kim Lowe

Baroness Hogg joined the Committee on 20 July 2017 in succession to Denis Hennequin who stepped down as a member of the Committee on 31 May 2017 on the expiration of his term of office as a Non-Executive Director.

There were six Committee meetings held during the year under review and Directors' attendance at those meetings is shown in the table on page 59.

There have been no changes in Committee membership since year-end.

Quorum: three members to include the Chair of the Committee (or his appointed deputy) and at least one Non-Executive Director and one Elected Director.

ROLE OF THE COMMITTEE

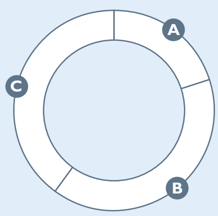
The Committee's responsibilities are to support the Chairman in ensuring that:

– There is a formal, rigorous and transparent process for the appointment and succession of new Directors to the Board
– Appropriate development and training is provided to enable each Board member to fulfil their accountabilities as a member of the Board

The Chairman's Nominations Committee operates in accordance with its Terms of Reference that are available at **www.johnlewispartnership.co.uk**

The Committee is supported by the Director of Personnel and assisted by independent consultants, as required.

COMMITTEE COMPOSITION



A	Chairman	1
B	Non-Executive Directors	2
C	Elected Directors	2

CHAIRMAN'S NOMINATIONS COMMITTEE REPORT

APPOINTMENTS

The Chairman's Nominations Committee oversees the process for selecting and recommending candidates for appointments to the Partnership Board. This includes working with the Chairman and the Director of Personnel to establish the experience and characteristics required on the Board going forward to enable a profile to be developed to be used in the search, conducted by an external search consultant where relevant, and then the assessment of suitable candidates. The Committee receives regular updates on progress and members participate in the selection process, as appropriate.

CHAIRMAN

Following the Partnership Board's agreement that there was advantage in the Chairman continuing in office beyond the end of his term in 2017, the Committee authorised a new contract to be agreed with the Chairman.

The Committee considered the outcome of the Deputy Chairman's review of the Chairman's contribution.

NON-EXECUTIVE DIRECTOR RECRUITMENT

The Committee oversaw the recruitment and selection process for a new Non-Executive Director to succeed Denis Hennequin, who stepped down from the Board on 31 May 2017, assisted by Egon Zehnder, an external search consultant. Egon Zehnder have assisted with three other pieces of work for the Partnership outside the remit of the Committee.

The Committee recommended the appointment of Laura Wade-Gery, which was agreed by the Partnership Board and she became a Non-Executive Director and member of the Corporate Responsibility and Remuneration Committees, effective 1 September 2017.

The Committee also initiated the search process for a successor to Baroness Hogg whose term of office as a Non-Executive Director and Chair of the Audit and Risk Committee will expire on 31 May 2018.

SELECTION OF A NEW ELECTED DIRECTOR

The Committee had no role in the selection of a new Elected Director to succeed Lucy Parks who left the Partnership on 30 September 2017. The Partnership Council initiated a selection process which resulted in Oliver Killinger being elected at the Partnership Council meeting on 7 November 2017 and appointed as a Director with effect from 16 November 2017.

PARTNERS' COUNSELLOR

The Committee supported the Chairman's decision at a period of significant change in the business to take time in appointing a successor to Jane Burgess, who stepped down as Partners' Counsellor and from the Board on 27 September 2017 on taking long leave, prior to retiring from the Partnership. Helen Hyde was appointed Acting Partners' Counsellor and attends meetings of the Partnership Board although she is not a member.

PARTNERSHIP SECRETARY

During the year Keith Hubber informed the Chairman of his decision to leave the Partnership and the Committee oversaw the recruitment and selection process for his successor assisted by Hedley May, an external search consultant. Hedley May has no other connection with the Partnership. Following a recommendation from the Committee, the Partnership Board appointed Michael Herlihy as Partnership Secretary who will join the Partnership on 16 April 2018.

CHIEF INFORMATION OFFICER

The Committee oversaw the selection process for the appointment of Andrew Murphy as Chief Information Officer, an Executive Team member appointment. The Committee was assisted by Spencer Stuart, an external search consultant. Spencer Stuart has no other connection with the Partnership.

MEMBERSHIP OF BOARD COMMITTEES

Following changes on the Partnership Board the Committee accordingly considered and made recommendations on changes to the membership of the Board Committees, which were approved by the Partnership Board.

SUCCESSION PLANNING AND TALENT MANAGEMENT

During the year, the Committee continued to oversee how the Partnership was developing its succession planning and talent management programmes to ensure that the right balance of senior management skills, knowledge and experience were in place to deliver the IYB 2028 objectives. This included monitoring the development of the role of the new Executive Team and individual responsibilities of its members, particularly taking into account the move to establish IT, Personnel, Property and Finance as central Partnership functions. The creation of a centralised Personnel function had enabled greater alignment in the approach to be taken to succession planning, overseen now by the Executive Team.

During the year, the Committee started to consider the planning for the Chairman's succession. The role of the Committee and the Partnership Board in respect of the Chairman's succession forms part of the scope of the governance review being led by the Deputy Chairman following the Board Effectiveness Review. See page 58 for further information.

INDUCTION, TRAINING AND DEVELOPMENT

During the year, tailored induction programmes were arranged for Laura Wade-Gery and Ollie Killinger on their appointments to the Board. Further details can be found on page 55.

REVIEW OF BOARD EFFECTIVENESS

Please see page 58 for a summary of the evaluation of the effectiveness of the Partnership Board and its Committees during the year.

DIVERSITY AND INCLUSION POLICY

The Partnership Board has adopted a Diversity Statement, as set out on this page, regarding the composition of the Partnership Board, the aims of which are supported by the Diversity and Inclusion Policy.

The Partnership Board recognises and embraces the benefits of having a diverse Partnership Board and the principles of the Diversity and Inclusion Policy apply equally to the Partnership Board.

Through the Chairman's Nominations Committee, the structure, size, composition and balance of the Partnership Board (including skills, knowledge, experience and backgrounds) are monitored, to ensure that when considering Partnership Board candidates, due regard is given to the benefits of diversity, including gender, ethnicity and other characteristics protected by the provisions of the Equality Act 2010. However it should be noted that under the Partnership's Constitution, five members of the Partnership Board are elected by the Partnership Council and their appointments are not subject to oversight by the Chairman's Nominations Committee or the Partnership Board.

All other Partnership Board appointments are made on merit against objective criteria in the context of the skills and experience required for them to be effective. It is not the Partnership Board's policy to set specific targets by legally protected characteristics such as gender.

Further information on Diversity and Inclusion in the Partnership can be found on pages 26 to 27 and on page 49.

DIVERSITY STATEMENT

We are an inclusive business which stems from our ownership model and our Constitution. Being an inclusive business goes to the heart of our ultimate purpose: the happiness of our members through their worthwhile and satisfying employment in a successful business.

The Partnership has a Diversity and Inclusion Policy which applies to all Partners and we have a clear action plan which aims to encourage an inclusive and vibrant community of Partners. Our Partnership Board Diversity policy reflects that Policy.

The Board policy has the following objectives:

– The composition of the Partnership Board should reflect the diverse population of the Partnership
– All Board appointments are based on merit against objective criteria in order to enhance the Board's overall effectiveness
– Maintain a healthy balance of female Directors on the Partnership Board.
– Candidates for appointment as Non-Executive Directors will be drawn from diverse sources and 'long lists' will always include female and minority candidates
– We will only use search firms who have signed up to the voluntary code of conduct on gender diversity and best practice
– Successful Non-Executive Director candidates will be committed to the Partnership's values, principles and ethos and have a strong practical and common sense approach
– Our pipeline of internal Board talent will have opportunities to gain experience and an understanding of working inclusively, and not just within our own business
– Measurement against these objectives and assurance on broader Partnership diversity is reported annually to the Board

The Chairman's Nominations Committee monitors the structure, size and composition of the Board to ensure due regard is given to diversity.

On behalf of the Chairman's Nominations Committee.

Sir Charlie Mayfield
Chairman and Chair of the Chairman's Nominations Committee

REMUNERATION COMMITTEE REPORT

Overseeing how the pay policy is applied

The Remuneration Committee oversees how the pay policy is applied to the Chairman, Executive Directors and senior management who report to the Chairman, as well as setting the fees for Non-Executive Directors.

"During the year, the Committee undertook the Annual Pay Review for the Executive Team and the Elected Director members of the Committee approved the new fee structure for Non-Executive Directors. Other areas of focus for the Committee were overseeing the Partnership's Gender Pay Gap Report and considering the Government s response to the Business, Energy and Industrial Strategy (BEIS) Committee inquiry on executive pay."

Keith Williams, Deputy Chairman and Chair of the Remuneration Committee

MEMBERSHIP AND COMPOSITION

The members of the Committee at the date of this report are:

Keith Williams (Chair)
Steve Gardiner
Kim Lowe
Laura Wade-Gery
Baroness Hogg

There were five Committee meetings held during the year under review and Directors' attendance at those meetings is shown in the table on page 59.

Keith Williams was appointed Chair of the Committee on 20 July 2017, succeeding Denis Hennequin who stepped down from this position and left the Partnership Board on 31 May 2017 having completed his term of office as a Non-Executive Director. Laura Wade-Gery joined the Committee on 1 September 2017.

Lucy Parks stepped down as a Member of the Committee on leaving the Partnership Board on 30 September 2017. Kim Lowe was appointed a Member of the Committee on 14 December 2017.

At the date of this report the Remuneration Committee comprises three independent Non-Executive Directors and two Elected Directors. This provides a broad mix of members who are independent of executive management and mindful of Partners interests.

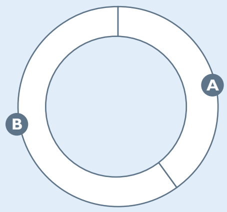
Quorum: two members, including one Non-Executive Director and one Elected Director. When approving the remuneration of Non-Executive Directors, the Quorum is two Elected Directors.

ROLE OF THE COMMITTEE

– The Committee is responsible for ensuring that there is a formal and transparent procedure for the development and application of policy on executive remuneration which is able to attract, retain and motivate executive management of the quality required to run the Partnership successfully without paying more than is necessary with reference to the market.
– It makes recommendations to the Partnership Board in respect of the Chairman's pay and determines the pay of individual Executive Directors and senior management who report to the Chairman.
– The Elected Director members of the Committee fix the fees for the Non-Executive Directors of the Partnership Board.

The Remuneration Committee operates in accordance with its Terms of Reference that are available **www.johnlewispartnership.co.uk**

COMMITTEE COMPOSITION



A Elected Directors 2
B Non-Executive Directors 3

IN THIS SECTION

ADVISORS

The Committee has retained Willis Towers Watson as independent remuneration consultant to advise the Remuneration Committee on executive remuneration and provide assessments of the market. Willis Towers Watson also provides talent and reward consulting services, including advice in relation to the Partnership's job evaluation system along with providing general market compensation data. Additionally, Willis Towers Watson provides actuarial services in relation to pensions and, until 31 December 2017, acted as actuary to the John Lewis Partnership Trust for Pensions.

The Committee was also advised during the year by the Director of Personnel and the Head of Total Reward.

KEY ACTIVITIES

APPLICATION OF PAY POLICY

The Partnership's pay policy is set out in Rules 61, 62 and 63 of the Constitution. It is supported by a Pay Standard which sets out what we do to apply the Pay Policy and provides a clear definition of how pay rates and ranges are set across the Partnership, as well as details of other pay elements (premium payments, bonuses and allowances), pay review and holiday pay.

Rule 61

Rule 61: The Partnership sets pay ranges which are informed by the market and which are sufficient to attract and retain high calibre people. Each Partner is paid a competitive rate for good performance and as much above that as can be justified by better performance. Partnership Bonus is not taken into account when fixing pay rates.

Rule 62

Rule 62: Pay rates must be decided with such care that if they were made public each would pass the closest scrutiny. Managers are responsible for ensuring that Partners are paid fairly in comparison with others who make a similar contribution.

Rule 63

Rule 63: The pay of the highest paid Partner will be no more than 75 times the average basic pay of non-management Partners, calculated on an hourly basis.

Each job in the Partnership has a pay range that is informed by the market for comparable roles in comparable organisations. The rate of pay for each Partner is reviewed on an annual basis with reference to the pay range set for the year and the Partner's performance. All Partners have the opportunity to increase pay through their pay range as their performance develops. The same pay policy applies to setting pay for the Executive Team and senior management in the Partnership.

The Partnership does not operate annual incentive plans as would generally apply in comparable organisations. However, Partners who make a special contribution to the Partnership outside of their normal responsibilities or deliver exceptional performance in their role may be recognised with a special contribution bonus award of up to 10% of salary.

Under Rule 44 of the Constitution, the Chairman is ultimately responsible for ensuring that the system for deciding the pay and benefits of individual Partners is fair.

DETERMINING PAY

The Remuneration Committee makes a recommendation to the Partnership Board in respect of the Chairman's pay, determines the pay of the Executive Directors and senior management who report to the Chairman taking into account the recommendations of the Chairman, and monitors the pay recommendations for other Directors reporting to members of the Executive Team, to ensure that proposals are in accordance with the Partnership's pay policy.

The Deputy Chairman and Chair of the Remuneration Committee carries out an annual review of the Chairman's contribution, which is conducted through an assessment against the Chairman's objectives, with input from members of the Partnership Board in order to attain a '360 degree' view. A summary is prepared for the Remuneration Committee to consider when it makes its recommendation to the Partnership Board in respect of the Chairman's pay. The Committee also takes account of a market assessment provided by Willis Towers Watson.

When considering rates of pay for the Executive Directors and senior management who report to the Chairman, the Remuneration Committee takes into account:

– Individual performance assessments undertaken by the Chairman, including the achievement of specific role related objectives;
– The performance of the Partnership overall, reflecting the collective responsibility of the Executive Directors, as well as the performance of the function or Division for which they are responsible;
– The market context as advised by Willis Towers Watson, the Committee's independent remuneration consultant; and
– The level of pay increases awarded to all Partners.

The Partnership's performance appraisal process was simplified for the 2017/18 year for all Partners and the same principles were applied to executive roles. Executive Directors and senior management who report to the Chairman have an annual performance discussion with the Chairman and future objectives are agreed.

For the 2018 pay review a summary of the performance discussion, including evidence of progress against objectives and targets, was provided to the Remuneration Committee to support pay proposals.

In determining individual basic pay rates, the Remuneration Committee takes account of the amounts paid to executives in similar organisations, performing comparable roles by comparing the mid-point of the comparable market range for pay and target annual bonus. The comparison excludes the value of long-term incentives and share schemes which the Partnership does not offer, despite them being widely available in the market at senior executive level.

GENDER PAY GAP REPORTING

During the year under review, the Committee reviewed the contents of the Partnership's first Gender Pay Gap report and agreed to recommend it to the Board for publication. Further details on the report and the results for the Partnership can be found on page 29.

CORPORATE GOVERNANCE REFORMS

The Committee has kept a watching brief on the Government's response to the BEIS Committee inquiry focusing on executive pay, directors' duties and the composition of boardrooms and specific actions set out in the Government's report that relate to executive pay. Further consideration of this area will be on the Committee's agenda for 2018/19 as and when details are confirmed which define the requirements for businesses going forward.

COMMITTEE INDEPENDENCE

The Remuneration Committee comprises five members, including three Non-Executive Directors and two Elected Directors. No decisions can be made by the Remuneration Committee without at least one Non-Executive Director and one Elected Director present, apart from when considering Non-Executive Directors' remuneration, in which case two Elected Directors are required.

No member of the Committee takes part in any deliberations affecting their own remuneration.

COMMITTEE EVALUATION

Please see page 58 for a summary of the evaluation of the effectiveness of the Partnership Board and its Committees during the year.

OUTLOOK

During 2018/19, the Committee will continue to focus on ensuring remuneration arrangements for the Chairman and the Executive Directors and senior management who report to the Chairman remain relevant and appropriate for a co-owned business today. Particular focus will continue on considering the impact of any corporate governance reforms, once confirmed, including how they apply to the Partnership, and overseeing any changes to policies or their application in response.

The Committee will also continue to oversee the Partnership's Gender Pay Gap reporting and monitor the progress of the actions that are being taken to address any gaps identified.

REMUNERATION REPORT

RELATIVE SPEND ON PAY

In 2017/18, the Partnership spent £1,846.9m on employment and related costs (2016/17: £1,817.2m). This represented 18.1% (2016/17: 18.1%) of the Partnership's revenue. £1,441.3m (2016/17: £1,423.7m) was spent on basic pay and every eligible Partner received 5% of their 2017/18 gross pay as a Partnership Bonus, at a total cost of £74.0m (2016/17: £89.4m).

WHAT IS THE CHAIRMAN PAID? (AUDITED)

In the year under review, the value of the Chairman's total reward decreased by 0.1 per cent to £1,411,000. As noted in the 2017 report, for the April 2017 pay review, the Chairman indicated to the Remuneration Committee that his rate of pay should remain unchanged. The Committee therefore decided not to conduct a review of the Chairman's pay and as a result his annual basic rate of pay remained held at £1,108,800 in April 2017. In this reporting period the Chairman's basic rate of pay increased by 0.55 per cent compared to the prior year, reflecting that the 2016/17 reporting year included two months prior to an increase being awarded at the April 2016 pay review and 10 months at the basic rate of pay after the April 2016 pay review.

The total reward package for the reporting period is made up of the following elements:

	2017/18 £	2016/17 £
Pay	**1,109,000**	1,103,000
Partnership Bonus (see below)	**–**	–
Pension supplement in lieu of further defined pension accrual	**288,000**	296,000
Cash value of benefits	**14,000**	14,000
Total reward	**1,411,000**	1,413,000

For the 2017/18 trading year, the Partnership Board agreed, at the Chairman's request, that his Partnership Bonus would be nil. Last year the Chairman also received no Partnership Bonus having made the same request to the Partnership Board to which they agreed.

WHAT WILL THE CHAIRMAN BE PAID IN 2018/19?

For the 2018 Pay Review the Chairman informed the Remuneration Committee that his rate of pay should remain unchanged. The Remuneration Committee therefore did not make a recommendation to the Partnership Board in respect of the Chairman's pay for 2018 and the Board determined that the Chairman's annual basic rate of pay would remain unchanged at £1,108,800.

WHAT ABOUT RULE 63

At the end of the reporting period, the pay of the highest paid Partner, the Chairman, was 68 times the average basic pay of non-management Partners calculated on an hourly basis. Although Rule 63 itself applies only to basic pay, the Remuneration Committee also considers each year the relationship between total reward, including pension benefit and other benefits, as well as pay, of the highest paid Partner and the average total reward of non-management Partners with three or more years' service. At the end of the reporting period, the total reward excluding Partnership Bonus of the Chairman who was the highest paid Partner in the year ended 27 January 2018 was 56 times the average total reward, excluding Partnership Bonus, of non-management Partners with three or more years' service.

	2018	2017	2016	2015	2014
Rule 63: Basic Pay Only	**68**	70	73	66	66
Rule 63: Total Reward excluding Partnership Bonus	**56**	58	59	60	69

WHAT ARE THE PENSION ARRANGEMENTS FOR MEMBERS OF THE BOARD? (AUDITED)

At the end of the reporting period the Chairman and Executive Directors had all ceased to accrue further benefits in the Partnership's pension scheme (2017: one). During the year one Executive Director opted out of the Partnership's pension scheme. The aggregate value of the Partnership's contributions to the scheme until the date of them opting out was £13,000 (2017: £95,000). In lieu of pension accrual for current service, each Director receives a monthly pension supplement. These supplements are cash payments that are broadly equivalent in value to the defined benefit pension that the individual would previously have accrued in the Partnership's pension scheme.

HOW MUCH IS THE PENSION SUPPLEMENT? (AUDITED)

During the year ended 27 January 2018, the total pension supplement paid to the Chairman, Executive Directors and former Partners' Counsellor was £1,130,000 (2017: £1,086,000).

WHAT IS THE VALUE OF THE DEFINED BENEFIT PENSION FOR THE EXECUTIVE DIRECTORS? (AUDITED)

The aggregate annual defined benefit pension entitlement from the age of 60, accrued at the end of the year, for the Chairman, Executive Directors and former Partners' Counsellor who have accrued pension, and who served on the Partnership Board during any part of the year, were as follows:

	2017/18	2016/17
£50,001 – £100,000	**4**	4
£100,001 – £150,000	**1**	1
£150,001 – £200,000	**1**	2
£200,001 – £250,000	**–**	1
£300,001 – £350,000	**1**	1
Total	**7**	9

For the Chairman, Executive Directors and former Partners' Counsellor who served on the Partnership Board during any part of the year, the aggregate defined benefit pension entitlement accrued at the end of the year was £894,000 per annum for seven individuals (2017: £1,276,000 per annum for nine individuals).

The accrued pension for the Chairman, Executive Directors and former Partners' Counsellor increases in line with either price inflation or future pay increases, depending on their individual arrangements. Where there are any accrued defined benefit pensions remaining on an unfunded basis, the Partnership has made provision for the associated liability. In addition, most of the Directors are entitled to temporary pensions, until their state pension starts. The aggregate entitlement to temporary pensions was £29,000 per annum for four individuals (2017: £44,000 per annum for six individuals). For those Directors where there was an increase, the transfer value of the aggregate increase in total accrued pension entitlement above consumer price inflation during the year was £nil (2017: £452,000 including temporary pensions).

WHAT PENSION WILL THE CHAIRMAN RECEIVE? (AUDITED)

The Chairman's aggregate defined benefit pension entitlement from the age of 60 accrued at the end of the year was £300,000 per annum (2017: £300,000 per annum).

WHAT ARE THE CHAIRMAN, THE EXECUTIVE DIRECTORS, THE NON-EXECUTIVE DIRECTORS AND FORMER PARTNERS' COUNSELLOR PAID? (AUDITED)

The table below shows the number of Directors and their total remuneration for the year, including both Partnership Bonus and the pension benefit, for all Directors on the Partnership Board excluding the Elected Directors:

	2017/18 Number of Directors	2016/17 Number of Directors
£1 – £50,000	**2**	–
£50,001 – £100,000	**1**	3
£100,001 – £150,000	**1**	1
£200,001 – £250,000	**1**	–
£300,001 – £350,000	**–**	1
£500,001 – £550,000	**–**	1
£550,001 – £600,000	**1**	–
£700,001 – £750,000	**1**	–
£750,001 – £800,000	**–**	2
£800,001 – £850,000	**–**	2
£900,001 – £950,000	**1**	–
£950,001 – £1,000,000	**2**	1
£1,400,001 – £1,450,000	**1**	1
Total	**11**	12

The aggregate amount of remuneration paid to or receivable by Directors in respect of qualifying services for the year under review was £6,060,000 (2017: £6,722,000).

The Chairman, Executive Directors, Elected Directors and former Partners' Counsellor are also entitled to the same benefits as all other Partners, including long leave, Partnership discount and other subsidies.

The table above for 2016/17 includes payments made to former Directors Lord Price and Andy Street in respect of their qualifying services, including pro-rated Partnership Bonus paid in March 2017, until they ceased to be Directors on the Partnership Board on 18 March 2016 and 28 October 2016 respectively. As reported last year, for Lord Price this also included payment of Partnership Bonus on his long leave entitlement paid in March 2017.

HOW DO WE COMPENSATE THE ELECTED AND NON-EXECUTIVE DIRECTORS FOR THEIR CONTRIBUTIONS TO THE BOARD?

Elected Directors receive no additional pay or benefits for their service on the Partnership Board, as their pay is determined by their respective roles and responsibilities in the Partnership. Their pay is therefore not considered by the Committee or the Partnership Board.

Non-Executive Directors receive fixed annual fees, which are reviewed periodically and set at levels that reflect the Directors' responsibilities. Non-Executive Directors' fees are determined by the Elected Directors on behalf of the Committee who receive a recommendation from the Director of Personnel, while also considering the Chairman's views and relevant market data provided by the independent external remuneration consultant.

Non-Executive Directors are not entitled to Partnership Bonus, or to any other pay or benefits from the Partnership.

WHAT ARE THE CONTRACTUAL NOTICE PERIODS FOR EXECUTIVE DIRECTORS?

Contracts of employment for the Chairman and the Executive Directors provide for a notice period of between six months and one year. No contract contains a provision regarding early termination compensation.

PAYMENTS FOR LOSS OF OFFICE

No compensation for loss of office was paid to departing Directors of the Partnership Board during the period or to the date of this report.

PAYMENTS TO PAST DIRECTORS

Other than the payments relating to 2016/17 noted earlier on this page, no reportable payments to past Directors of the Partnership Board were paid during the period under review or to the date of this report.

WHAT ABOUT EXTERNAL APPOINTMENTS?

An Executive Director with an external appointment may not retain any earnings from such appointment unless it dates from before they joined the Partnership. Details of external appointments for Executive Directors are included on page 53 of the Annual Report and Accounts.

REPORTING REQUIREMENTS

This report forms part of the Directors' report and has been prepared in accordance with the disclosure requirements applying to the Partnership, which are set out in Schedule 5 of the Large and Medium-sized Companies and Groups (Accounts and Report) Regulations 2008 (the Regulations).

Since the Partnership is not quoted, and has no share-based incentive schemes or other long-term incentive plans, the Partnership Board has decided not to adopt the full disclosure provisions applicable to quoted companies. However, in the interests of transparency, certain disclosures within this report go beyond the requirements of Schedule 5 of the Regulations.

The Directors' earnings section on pages 76 and 77 is cross-referenced from note 2.6 of the financial statements and forms part of the audited financial statements.

On behalf of the Remuneration Committee.

Keith Williams
Non-Executive Director and
Chair of the Remuneration Committee

12 April 2018

OTHER DISCLOSURES

Compliance

DIRECTORS' REPORT

The Directors' report for the year ended 27 January 2018 comprises pages 46 to 82 of this Annual Report and Accounts, together with the sections of the Annual Report and Accounts incorporated by reference. The Company has chosen, as permitted under section 414 C(11) of the Companies Act 2006, to include certain matters in its Group Strategic report that would otherwise be required to be disclosed in the Directors' report as the Partnership Board considers them to be of strategic importance. Specifically, these are:

- Future business developments on pages 4 to 5, and pages 17 to 23
- Risk management on pages 42 to 45
- Employee involvement on pages 24 to 29, pages 35 to 39 as well as pages 48 to 49
- Equal opportunities, diversity and inclusion on pages 26 to 27, as well as page 49
- Research and development on pages 18 to 34

The Partnership's statements on corporate governance can be found in the Governance section of this Annual Report and Accounts on pages 46 to 82. This includes the Audit and Risk Committee report, the Corporate Responsibility Committee report, the Chairman's Nominations Committee report and the Remuneration Committee report.

PRINCIPAL ACTIVITY

The Partnership's principal activity is retailing, with the main trading operations being the Waitrose and John Lewis businesses: John Lewis operates in a number of different formats including John Lewis department stores, John Lewis at home stores, online (johnlewis.com), a John Lewis liaison office in Gurgaon, India and a sourcing office in Kwun Tong, Hong Kong; Waitrose operates supermarkets and convenience shops, including shops which operate under licence in the Middle East, online (waitrose.com) and the Leckford Estate (the Waitrose Farm); there are also business to business contracts in the UK and abroad and ancillary manufacturing activities (together the Partnership). The Company's subsidiaries and related undertakings are listed in note 16.

DIRECTORS' INTERESTS

Under the Constitution of the Partnership, the Executive Directors, Elected Directors and Partners' Counsellor (until her resignation as a Director in September 2017), as employees of John Lewis plc, are necessarily interested in the 612,000 Deferred Ordinary Shares in John Lewis Partnership plc, which are held in trust for the benefit of employees of John Lewis plc and certain other subsidiaries.

Any conflicts of interest are disclosed on this page and details of the Directors' service agreements and notice periods are given on page 77.

CAPITAL STRUCTURE

At 27 January 2018, the Partnership had in issue 612,000 Deferred Ordinary Shares of £1 each and 104,169,594 SIP shares of £1 each. Under the Constitution, the 612,000 Deferred Ordinary Shares in John Lewis Partnership plc are held in trust for the benefit of employees of John Lewis plc and certain other subsidiaries within the Partnership. The total issued share capital of the Partnership was £104,781,594 at the year-end (2017: £104,781,594).

DIVIDENDS

No dividends were paid on the Deferred Ordinary Shares (2017: nil). John Lewis Partnership Trust Limited (the Trust Company) holds 612,000 Deferred Ordinary Shares in trust for the benefit of employees of John Lewis plc and certain other subsidiaries. Each year, the Partnership resolves not to recommend or declare a dividend upon the Deferred Ordinary Shares, but to recommend the payment of Partnership Bonus to their eligible employees.

Dividends on SIP shares (issued in connection with BonusSave) during the year under review were £428,000 (2017: £922,000).

CONFLICTS OF INTEREST AND BOARD INDEPENDENCE

The Partnership Board has determined that the composition of the Board provides a balanced leadership, appropriate for a business that is co-owned by Partners. Elected Directors and Non-Executive Directors together form a majority of the Partnership Board.

Directors are required to disclose their interests to the Board, highlighting any actual or potential conflicts of interest with their duties and responsibilities as a Director of the Partnership. The Board will consider any actual or potential conflicts which are disclosed and, if appropriate, approve them. A register of interests is maintained by the Company Secretary and reconfirmed every six months for the whole Board.

The Partnership Board has looked closely at the other appointments held by Directors, details of which are contained in their biographies on pages 52 to 55. The Partnership Board considers that the Chairman and each of the Directors are able to devote sufficient time to fulfil the duties required of them under the terms of their contracts or letters of appointment.

During the year no Director declared a material interest in any contract of significance with the Partnership or any of its subsidiary undertakings, other than a third-party indemnity between each Director and the Company, as granted in accordance with the Company's Articles of Association and service contracts between each Executive Director and the Company.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The Partnership has purchased and maintained throughout the year Directors' and Officers' liability insurance in respect of itself and its Directors.

The Directors' and Officers' liability insurance provides cover for claims made, subject to certain limitations and exclusions, against Directors and key managers (Officers).

The Company also provides an indemnity for the benefit of each Trustee of the Partnership's Pension Fund, in respect of liabilities that may attach to them in their capacity as a Trustee. As a former Trustee of the Partnership's Pension Fund, Patrick Lewis has the benefit of this indemnity in relation to his term as Trustee from August 2009 to September 2015.

GROCERIES (SUPPLY CHAIN PRACTICES) MARKET INVESTIGATION ORDER 2009 (THE ORDER) AND THE GROCERIES SUPPLY CODE OF PRACTICE (GSCOP)

Waitrose is subject to the Groceries (Supply Chain Practices) Market Investigation Order 2009 and the Groceries Supply Code of Practice (Code). Both regulate our trading relationships with grocery suppliers, including training requirements for buyers and the content of supplier contracts. Our approach to Code compliance reflects our long-term commitment to treating our suppliers fairly, as set out in the Constitution (Principle 6 and Rule 96). See page 66 for information on the report from the Waitrose Code Compliance Officer (CCO) to the Audit and Risk Committee required by the Order and the GSCoP.

We have a positive working relationship with the Groceries Code Adjudicator (GCA) and her team and welcome discussions and advice on how to enhance supplier relationships. Meetings are constructive and cover discussions on a range of topics. The feedback from both the GCA annual survey and the mini survey on the GCA's top five issues were helpful in identifying suppliers' concerns and resulted in a number of changes to our processes.

We work collaboratively with our suppliers and internally adopt an approach of continuous review and improvement. This year we developed and launched a new e-learning package for buyers and support teams. It covers a number of modules and allows topics to be explained in depth.

Day-to-day advice, online guidance and support is available to buyers with more specialist advice offered by the CCO team and the John Lewis Partnership's Legal Department. We have an online site for Commercial Partners (employees) which includes advice, templates and details of where to get further support.

For suppliers we provide information about the Code on Waitrose Connect – an online resource for all of our suppliers – and in the Autumn we launched Waitrose Engage – a new supplier facing portal which also offers Code related content.

Each query is taken extremely seriously to understand the concern, seek resolution and identify whether further guidance or changes to our processes are required. We have also proactively carried out internal reviews and identified areas we need to strengthen through clear action plans.

POLITICAL DONATIONS

It is not the Partnership's policy to make donations to political groups. No political donations were made in respect of the year under review.

USE OF FINANCIAL INSTRUMENTS

The notes to the financial statements, including note 7 from page 128 onwards, include further information on our use of financial instruments.

GOING CONCERN

The Directors, after reviewing the Partnership's operating budgets, investment plans and financing arrangements, consider that the Company and Partnership have sufficient financing available over a period of at least 12 months from the date of approval of this report. Accordingly, the Directors are satisfied that it is appropriate to adopt the going concern basis in preparing the Annual Report and Accounts.

A full description of the Partnership's business activities, financial position, cash flows, liquidity position, committed facilities and borrowing position, together with the factors likely to affect its future development and performance, are set out in the Group Strategic report on pages 1 to 45.

VIABILITY STATEMENT

The UK Corporate Governance Code requires the Directors to make a statement in the Annual Report and Accounts with regards to the longer term viability of the Partnership, taking into account the Partnership's current position; current strategy (as described on pages 16 to 34); and principal risks and uncertainties (as described on pages 42 to 45).

The Directors have assessed the Partnership's viability over the three-year period to January 2021. Although consideration has been given to a longer assessment period and the Partnership has set out its long-term strategy in IYB2028, a three-year period is considered the most appropriate time-frame. This is because, a three-year period matches our business planning cycle, which allows financial modelling to be supported by the base financial plan approved by the Partnership Board. Additionally, given the pace of change in the retail industry, we don't have reasonable clarity beyond this period with which to assess our principal risks.

In assessing the viability of the Partnership, the Directors considered the Partnership's revenue, profit, net assets and cash position under the most recent budget and base financial plan, which have been prepared in the context of a challenging retail sector and taking account of factors such as increased competition and sustained cost pressures that impact sales and margin. The Directors have assumed that the Divisional strategies in the latest budget and base financial plan are followed, which includes the ability of the Partnership to raise finance in the future.

Challenging but plausible downside scenarios were then applied as additional sensitivities overlaid to the budget and three-year base financial plan. These scenarios are based on the potential financial impacts of the Partnership's seven principal risks. These risks are deemed the most relevant when assessing the Partnership's viability, as they have scored highest on the combined scale of impact and likelihood during ongoing assessment performed as part the Partnership's risk management process (see pages 42 to 45). These risks take account of significant, expected events such as Brexit, but one-off 'black-swan' events that cannot reasonably be anticipated have not been included in the modelling.

The seven principal risks and corresponding downside scenarios used in the modelling are shown in the table below:

Principal risk	Downside scenario
Competitive customer proposition (see page 44)	The potential consequences of this risk have been modelled through decreased sales and increased margin pressures.
Operating model strain (see page 44)	The potential consequences of this risk have been modelled through margin deflation and failure to reach targeted efficiencies.
Information security (see page 44)	The potential consequences of this risk have been modelled through decreased sales and increased operating costs impacting the Partnership's ability to achieve targeted efficiencies.
Pension obligations (see page 45)	The potential consequences of this risk have been modelled through significant movement in the real discount rate resulting in a corresponding increase in the pension liability.
Change delivery (see page 45)	The potential consequences of this risk have been modelled through decreased sales, margin deflation and failure to reach targeted efficiencies.
External environment (see page 45)	The potential consequences of this risk have been modelled through sales decreases, increased margin pressure, adverse movements in currency exchange rates and the potential cost impact of Brexit.
Ownership model strain* (see page 45)	The potential consequences of this risk have been modelled through decreased sales, increased margin pressures and failure to reach targeted efficiencies.

*Newly classified as a principal risk for 2017/18.

OTHER DISCLOSURES

The downside scenarios detailed above have been assumed to all occur simultaneously in order to assess the Partnership's ability to withstand multiple challenges at once. The impact of these scenarios when applied in combination results in the following adjustments to the budget and base financial plan:

- A compound 2.0% annual shortfall in like-for-like sales;
- A reduction in gross margin rate of 50bps in each year;
- Efficiency savings achieved are only 50% of annual target across all three years;
- A fall in the real discount rate in Year 1, resulting in an increase in the pension deficit of £450m with no further movement in the discount rate assumed over the three-year assessment period;
- A one-off cost in Year 1 as a result of Brexit

The impact of the adjustments above have been reviewed against the Partnership's projected cash position and the Partnership's financial covenants over the three-year viability period. Under these conditions the Partnership would retain sufficient available cash across all three years of the assessment period and no financial covenants would be breached.

Reverse stress testing was also performed to identify what it would take to 'break' the Partnership's financial model, being a situation in which the Partnership was no longer liquid or could not meet the requirements of our financial covenants. Based on this analysis the Directors are satisfied that no material uncertainties exist related to events or conditions assumed in the viability modelling that may cast doubt on the Partnership's ability to remain commercially viable over the assessment period of three years.

In addition to the downside modelling, mitigating actions have been identified which could be used to alleviate the impact of an extreme downside scenario or catastrophic event should this occur. These measures, which include but are not limited to asset sales and significant reductions in planned capital expenditure, would not be required to absorb the effects of the challenging but plausible scenario considered in the viability assessment. The continuous monitoring of the Partnership's principal risks and financial position should also allow management to respond quickly and take preventative action should conditions deteriorate.

Based on the assessment performed and the Partnership's current position, the Directors have a reasonable expectation that the Partnership will be able to continue in operation and meet its liabilities as they fall due over the three-year period of assessment. An overview of the process undertaken was provided to, and reviewed by, the Audit and Risk Committee.

EVENTS AFTER THE BALANCE SHEET DATE

Since 27 January 2018, there have been subsequent events which require disclosure in the financial statements. See note 8.3 for further information.

AUDITOR AND DISCLOSURE OF INFORMATION TO AUDITOR

The auditor, KPMG LLP have indicated their willingness to continue in office, and a resolution that they will be re-appointed will be proposed to the Annual General Meeting, together with a resolution to authorise the Directors to determine the auditor's remuneration.

The Directors of the Partnership Board have taken all the necessary steps to make themselves aware of any information needed by the Partnership's auditor in connection with preparing their report and to establish that the auditor is aware of that information. As far as the Directors are aware, there is no such information of which the Partnership's auditor has not been apprised.

UK CORPORATE GOVERNANCE CODE (CODE)

As referenced on page 47, pages 81 to 82 provide more details on how our governance model differs from the provisions contained in the Code and an explanation of the alternative governance arrangements which we believe provide an appropriate level of protection to Partners and other stakeholders.

BOARD AND COMMITTEE EVALUATION

Please see page 58 for a description of the formal externally facilitated review of the effectiveness of the Partnership Board and its governance undertaken during the year under review, and the next steps to be taken to act on the recommendations of the review. The Partnership intends to undertake an internal evaluation of the effectiveness of the Board and its Committees during 2018/19.

RETIREMENT BY ROTATION

The Partnership does not operate a system of retirement by rotation or annual election by shareholders (see page 81 for more information).

ANNUAL GENERAL MEETING (AGM)

The Partnership's AGM will be held at 2.00pm on 19 July 2018 at Partnership House, Carlisle Place, London, SW1P 1BX. The AGM is held and conducted in accordance with the Companies Act and the Company's Articles of Association. Representatives of the Trust Company and the Directors of the Partnership are entitled to attend the AGM. Voting is conducted by way of a show of hands, unless a poll is demanded.

The Directors' report was approved by the Partnership Board and signed on its behalf by.

Peter Simpson
Acting Company Secretary
12 April 2018

UK CORPORATE GOVERNANCE CODE

The Code	The Partnership's governance arrangements
Code Ref. A.2 **Code provisions** There should be a clear division of responsibilities at the head of the company between the running of the board (the role of the chairman) and the executive responsibility for the running of the company's business (the role of the chief executive) and Code Provision A.2.1 states that these roles should not be exercised by the same individual. This supports the Code Principle that no one individual should have unfettered powers of decision.	**We do not have a separate Chairman and Chief Executive** • The Chairman and his role and responsibilities are set out on page 52. • The Chairman is one of the three Governing Authorities as set out in the Constitution. The Constitution applies Code Principle A.2 by means of a number of checks and balances on the powers of the Chairman. He is accountable to the Partnership Council and delegates part of his management authority to the Executive Directors. • Additionally, the Partners' Counsellor/Acting Partners' Counsellor from 28 September 2018 and Elected Directors, whose roles are detailed on pages 54 and 55, are able to monitor first hand how the business is being run, with the particular perspective of Partners and the Constitution.
Code Ref. A.1.2, A.4.1, A.4.2 and B.6.3 **Code provisions** One of the non-executive directors should be appointed as the SID to provide a sounding board for the chairman, and to serve as an intermediary for the other directors, lead the non-executive directors in the performance evaluation process for the chairman and be identified in the Annual Report and Accounts.	**We do not have a Senior Independent Director (SID)** • The Partnership Board does not appoint a SID. The functions contemplated by this Code Provision are split across the responsibilities of Keith Williams as Deputy Chairman and Helen Hyde as Acting Partners' Counsellor (and Jane Burgess as Partners' Counsellor before her). • For more information on the role of the Deputy Chairman and Partners' Counsellor see pages 52 and 54. • The Deputy Chairman, as Chair of the Remuneration Committee, who is a Non-Executive Director, oversees the performance appraisal process for the Chairman. The appraisal process takes a number of factors and feedback from various senior Partners into account. For further details see page 75.
Code Ref. B.1.2 **Code provisions** At least half the board, excluding the chairman, should comprise non-executive directors determined by the board to be independent. This supports the Code Principle that the board should have the appropriate balance of skills, experience, independence and knowledge.	**A majority of the Partnership Board are not Non-Executive Directors** • For more details on Board independence please see page 78. • The Partnership Board reflects the stakeholders of the Partnership and has the appropriate balance of skills, experience, independence and knowledge. As at 27 January 2018, the Partnership Board included three Non-Executive Directors. The Partners' Counsellor (when appointed and a Board member) and the five Elected Directors are neither Executive Directors nor Non-Executive Directors. However, they are not part of the Executive, as they do not hold executive responsibilities, nor do they hold a Director's service contract. As Partners, they are co-owners of the Partnership. • While they are not independent (as defined by Code Provision B.1.1), they approach Partnership Board decisions and proposals by the Executive from their perspective as Partners and co owners. While they must act in accordance with their statutory duties as Directors, through their constitutional position they are also mindful of Partners' best interests as a whole.
Code Ref. B.7.1 **Code provisions** All directors of FTSE 350 companies should be subject to annual election by shareholders and all other directors should be subject to election by shareholders at their first annual general meeting, followed by re-election at intervals of no more than three years.	**Our Directors do not retire by rotation** • In accordance with the Articles of Association, all Directors appointed by the Partnership Board are subject to re-election by shareholders at the first Annual General Meeting following appointment. However, the Partnership does not operate a system whereby all Directors are subject to annual election or re-election at three-year intervals. • As detailed on pages 51 and 52, if the Council judges that the Chairman has failed to fulfil (or is no longer a suitable person to fulfil) the responsibilities of his office, it may propose a resolution upon the Constitution to dismiss the Chairman. • The Elected Directors are appointed or re-appointed in accordance with the democratic process, by a vote of the Partnership Council during each three-year term of the Council as detailed on page 55. • The Chairman, as the senior executive in the Partnership, is ultimately responsible for its commercial performance, including being responsible for the performance of the Directors, and is accountable to the Partnership Council twice a year, rather than annually at an AGM. These meetings are also attended by Partnership Board Directors. In addition, the Divisions operate Councils which enable Partners to review Divisional performance, future strategy and the direction of the Division and to hold the Directors responsible.

OTHER DISCLOSURES

UK CORPORATE GOVERNANCE CODE (CONTINUED)

The Code	The Partnership's governance arrangements
Code Ref. C.3.1 Code provisions The board should establish an audit committee of at least three independent non-executive directors. This provision supports the Code Principle that the committee should be independent of executive management.	The composition of our Audit and Risk Committee is different • The full Audit and Risk Committee report can be found on pages 60 to 67. • At 27 January 2018 the Partnership Board's Audit and Risk Committee comprised two Non-Executive Directors, one Elected Director and two external independent members. This composition enables assurance and critical analysis of the business systems, operations and financial probity to be conducted with appropriate objective and independent scrutiny. • The inclusion of the two external independent members has enhanced the Committee's composition, both having recent and relevant financial experience (see page 61).
Code Ref. B.2.1 Code provisions A company's nominations committee should be chaired by an independent non-executive director, comprise a majority of independent non-executive directors and lead the process for board appointments. This provision supports the Code Principle that the process for nominating people to the board is subject to independent review and not dominated by the executive.	Our Nominations Committee is different • Please see pages 71 to 73 for the full Chairman's Nominations Committee report. • Under the Constitution, the Chairman is responsible for the appointment of the Executive Directors and co-ordinates their responsibilities. He therefore chairs the Chairman's Nominations Committee. The Committee also comprises two Non-Executive Directors and two Elected Directors. This provides a broad mix of members, including those mindful of Partners' interests. • In accordance with the Constitution, the Chairman is the Chairman of the Partnership Board, by virtue of his appointment as Chairman of the Trust Company. He nominates his successor in accordance with the Articles of Association of the Trust Company. The Partnership Board approves the Chairman's nominee to succeed him on retirement. • The Chairman's Nominations Committee oversees the process of nominating and appointing the Chairman. The Committee will, following consultation with the Chairman, inform the Board concerning the plans and the process for the Chairman's succession. • The Chairman's Nominations Committee oversees the process for Partnership Board appointments and makes recommendations to the Partnership Board. The Chairman's Nominations Committee takes no part in the appointment of the Elected Directors, which is overseen by the Partnership Council.
Code Ref. D.2.1 Code provisions The board should establish a remuneration committee of at least three independent non-executive directors. This provision supports the Code Principle that the committee should be independent of executive management. Code Ref. D.2.2 Code provisions The remuneration committee should have delegated responsibility for setting remuneration for all executive directors and the chairman, including pension rights and any compensation payments. This provision supports the Code Principle that remuneration should be set in a formal and transparent manner.	Our Remuneration Committee is different • The full Remuneration Committee report can be found on page 74. • The Committee comprises at least four members, including two Non-Executive Directors and two Elected Directors. Due to changes on the Board, Committee membership fluctuated and changes in Committee membership during the year under review are set out in the Remuneration Committee report. At the year-end and the date of this report, the Committee comprises three independent Non-Executive Directors and two Elected Directors. This provides a broad mix of members who are independent of executive management and mindful of Partners' interests. • The Remuneration Committee does not have delegated responsibility for setting the Chairman's remuneration, but instead recommends to the Partnership Board the remuneration package for the Chairman. • Under the terms of Rule 63 of the Constitution, the highest paid Partner's pay is subject to a cap by reference to a formula related to the pay of other Partners (see page 76).