Our governance

## HOW GOVERNANCE IS SHARED IN THE PARTNERSHIP

The two Trust Settlements made by John Spedan Lewis in 1929 and 1950 established the John Lewis Partnership, to be owned in Trust for the benefit of its members - its employees - who, since 1920, have been known as Partners.

This is Spedan Lewis' experiment in industrial democracy. He described it as "an attempt so to organise and conduct a business that all the advantages whatsoever of owning it shall be shared as fairly as possible by all who are working in it…" ('Partnership For All', 1948).

The Partnership is the general body of Partners, working together for the success of the business to fulfil the purpose and Principles of the Constitution. It is governed according to a written Constitution, which must not conflict with the Settlements that established the Partnership. 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 on our website at www.johnlewispartnership.co.uk

## THE TRUST SETTLEMENTS

The Trustee of the two Settlements is John Lewis Partnership Trust Limited (the Trust Company) and its Chairman is the Partnership's Chairman. Its other Directors are the Deputy Chairman and the three Partners elected by Partnership Council as 'Trustees of the Constitution'. The Trust Settlements require that the Chairman and Deputy Chairman of John Lewis Partnership Trust Limited also be the Chairman and Deputy Chairman of the Partnership Board.

The use of the terms 'Chairman' and 'Deputy Chairman' in this report reflect the terminology contained within the Partnership's constitutional documents and are intended to be construed as gender neutral.

The role of the Trust Company is to:

- carry into effect with or without modification the Deeds of Settlement;
- uphold the Constitution; and
- promote in every possible way the wellbeing of the Partnership.

The election by the Partnership Council of three Partners to be Directors of the Trust Company - the 'Trustees of the Constitution' - takes place every three years. The last elections took place in May 2018, when Johnny Aisher, Mark Anderson and Claire Barry were appointed, and the next elections are due to take place in 2021.

The responsibilities of the Directors include:

- Receiving an annual report from the Independent Directors and President of Partnership Council on their work;
- Considering and agreeing any recommendations from Partnership Council (currently delegated to Council's Welfare and Financial Assistance Focus Group) to exclude any Partner from participation in any distribution of Partnership Bonus; and
- Approving the appointment of the successor to the Chairman should a 'Resolution upon the Constitution' be passed by Partnership Council.

The additional role of the Trustees of the Constitution is to:

- Determine constituencies and the number of Councillors, and rule on election procedures;
- Approve the Chairman's outside appointments; and
- Agree to disciplinary action or the dismissal of the President of Partnership Council (if the person elected is a Partner), Independent Directors and Partnership Secretary (as a 'check and balance').

The Trustees of the Constitution may, whenever they believe it necessary, call a meeting attended by the Independent Directors and President of Council to discuss any matter.

## INDEPENDENT DIRECTORS

Following the changes to the Constitution approved by Partnership Council in 2019/20, Clare Tickell and Michael Herlihy were appointed as the Partnership's first Independent Directors in 2019. Their role is to: be a provocative and engaging force that focuses on what the Partnership stands for, inspire people to think differently, challenges and supports leaders; provide independent perspective on the progress of the business towards its purpose and constitutional Principles (and advise the Chairman in this respect); be completely open with the Chairman, and also tell them anything which they ought to know for the good of the Partnership; and maintain focus on the distinctive character of the Partnership, including specifically humanity (amongst Partners and with the communities within which the Partnership operates).

They have the 'right to roam' and investigate any area of the business and are supported by a group of Independent Advisors. The Independent Directors attend, but are not members of, Partnership Board and Partnership Council meetings.

## PARTNERSHIP PURPOSE AND VALUES

The Partnership's purpose is contained in Principle 1 of the Constitution, and values are set out in Principles 2 to 7 of the Constitution. They are:

**Principle 1 - Purpose**
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.

**Principle 2 - Power**
Power in the Partnership is shared between three governing authorities, Partnership Council, the Partnership Board and the Chairman. See pages 61 to 118.

**Principle 3 - Profit**
The Partnership aims to make sufficient profit from its trading operations to sustain its commercial vitality, to finance its continued development, to distribute a share of those profits each year to its members, and to enable it to undertake other activities consistent with its ultimate purpose. See pages 9 to 12.

**Principle 4 - Members (Partners)**
The Partnership aims to employ and retain as its members, people of ability and integrity who are committed to working together and to supporting its Principles. Relationships are based on mutual respect and courtesy, with as much equality between its members as differences of responsibility permit. The Partnership aims to recognise their individual contributions and reward them fairly. See pages 17 to 18.

**Principle 5 - Customers**
The Partnership aims to deal honestly with its customers and secure their loyalty and trust by providing outstanding choice, value and service. See pages 28 to 31.

**Principle 6 - Business relationships**
The Partnership aims to conduct all its business relationships with integrity and courtesy, and scrupulously to honour every business agreement. See pages 32 to 33.

**Principle 7 - The community**
The Partnership aims to obey the spirit as well as the letter of the law and to contribute to the wellbeing of the communities where it operates. See pages17 to 18.

## THREE GOVERNING AUTHORITIES
Power in the Partnership is shared between the three governing authorities: the Chairman, Partnership Board and Partnership Council (Principle 2 of the Constitution). Their power to direct the Partnership's affairs depends on the consent of Partners, whose opinion is expressed through: (i) formal arrangements for sharing knowledge; (ii) representative bodies; (iii) personal contact between Partners, both formal and informal (Rule 2 of the Constitution).

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

For more information on each of the governing authorities, see page 65 on the Chairman, pages 67 to 74 on the Partnership Board and its Committees and pages 103 to 110 on Partnership Council.

## THE CHAIRMAN

The Chairman's purpose is to ensure that the Partnership develops its distinctive character and its democratic vitality. In accordance with the Constitution, the Chairman is Chair of the Partnership Trust Company and, by virtue of their appointment in that role, Chair of the Partnership Board.

As set out in the Trust Company's constitutional documents, the ultimate choice of successor remains with the outgoing Chairman. However, this process is overseen by the Nominations Committee. The Nominations Committee keeps the Partnership Board informed of the plans and the process for the Chairman's succession, before the Partnership Board is asked to approve the Chairman's nominee. For the Nominations Committee Report see page 88.

Charlie Mayfield formally stepped down as Chairman on 4 February 2020 and Sharon White officially became the Partnership's sixth Chairman at a meeting of the Trust Company held in front of Partnership Council and webcast to Partners. In accordance with the Partnership's constitutional arrangements, she signed a written undertaking to uphold the Constitution and work to the utmost of her energy and ability for the fulfilment of the Partnership's Principles.

The role of the Chairman is central to our governance structure. Our Chairman has three roles:

1. Chair of the Trust Company.
2. Chair of the Partnership Board, by virtue of their appointment as Chairman of the Trust Company.
3. The senior executive in the Partnership. As such they are ultimately responsible for its commercial performance and supported in this by the Executive Team, which they lead.

## THE EXECUTIVE TEAM

The Chairman, supported by the Executive Team, is ultimately responsible for the Partnership's commercial performance. The purpose of the Partnership's Executive Team is to define a strategy to enable the Partnership's continuing experiment to succeed, recommending it for the approval of the Partnership Board and then delivering it through its management and running of the business.

### CHANGES DURING THE YEAR

Following a substantive review in 2019, the Partnership implemented a new operating model structure effective on 3 February 2020. This involved significant changes to how we lead and run the Partnership including disbanding the Waitrose and John Lewis Management Boards and the creation of a single Executive Team responsible for the Partnership's strategy and performance.

In addition to the Chairman, the Executive Team comprises of the following members at the date of this report, four of which joined the Partnership during the 2020/21 financial year:

- Nina Bhatia, Executive Director, Strategy and Commercial Development (joined 17 February 2020)
- James Bailey, Executive Director, Waitrose (joined 29 April 2020)
- Pippa Wicks, Executive Director, John Lewis (joined 3 August 2020)
- Nikki Humphrey, Executive Director, People (joined 1 October 2020)
- Bérangère Michel, Executive Director, Finance (commenced current role 1 January 2021)
- Andrew Murphy, Executive Director, Operations

On the appointment of Bérangère Michel as Executive Director, Finance, her former responsibilities as Executive Director, Customer Service, were transferred to James Bailey, Executive Director, Waitrose, and Pippa Wicks, Executive Director, John Lewis.

More information about the members of the Executive Team can be found at www.johnlewispartnership.co.uk

## PARTNERSHIP BOARD

The purpose of the Partnership Board is to support the Executive Team to ensure that the Partnership's continuing experiment succeeds.

Under the 1950 Trust Settlement the composition of the Partnership Board includes the Chairman and Deputy Chairman of the Trust Company, with the Chairman being able to nominate up to five other Directors and Partnership Council being able to nominate up to five Directors.

Following on from its 2019 Board effectiveness review, in September 2019 the Partnership Board agreed to reduce its size, which would contribute to enhancing its effectiveness while maintaining a balance of different experience, skills and perspectives. It was agreed that from February 2020, in addition to the Chairman and Deputy Chairman (which would continue as a Non-Executive role), the Board should routinely comprise two other Non-Executive Directors, one Executive Director (Executive Director, Finance) and three Elected Directors. The Partnership Board has determined that this composition provides a balanced leadership, appropriate for an employee-owned business. Elected Directors and Non-Executive Directors together form a majority of the Partnership Board.

At the date of this report, the Partnership Board comprises:

- **Executive Directors:** Sharon White and Bérangère Michel.
- **Elected Directors:** Ollie Killinger, Nicky Spurgeon and Becky Wollam.
- **Non-Executive Directors:** Rita Clifton (Deputy Chairman), Nish Kankiwala, Andy Martin and Laura Wade-Gery.

Biographies for the members of the Partnership Board can be found from page 71. Biographical details for former members can be found in the 2020 Annual Report and Accounts available at www.johnlewispartnership.co.uk

Sharon White succeeded Charlie Mayfield as Chairman on 4 February 2020. Patrick Lewis stood down from the Partnership Board on 31 December 2020 and was succeeded by Bérangère Michel as Executive Director, Finance on 1 January 2021.

Keith Williams stepped down as Deputy Chairman and Non-Executive Director on 15 April 2020 and was succeeded by Rita Clifton who was appointed as Deputy Chairman and Non-Executive Director with effect from 1 February 2021. Andy Martin, a Non-Executive Director, acted as interim Deputy Chairman. Nish Kankiwala was appointed as a Non-Executive Director with effect from 12 April 2021 for an initial three-year term. Laura Wade-Gery's initial three-year term as a Non-Executive Director commencing in September 2017, was extended, and will now expire on 30 April 2021.

Information on the appointment process for members of the Partnership Board can be found in the Nominations Committee Report on pages 89 to 90.

### DEPUTY CHAIRMAN

The role of Deputy Chairman includes: having responsibility for leading the Chairman's performance appraisal and remuneration review; chairing both the Nominations and Remuneration Committees; acting as an alternative point of contact to the Chairman for other Directors and, as and when necessary and in periods of organisational stress, acting as an intermediary between the stakeholders to resolve major issues. The intent is that the Deputy Chairman should remain a Non-Executive Director role, but that if the role of Deputy Chairman were to be filled by someone who was not 'independent' (i.e. a Partner or potentially a former Partner), some or all of these responsibilities might need to be reallocated. It had also been recognised that there would be occasions when the Chairman would be acting at the Board in a 'Chief Executive' capacity for certain agenda items and to avoid any potential conflict, the Deputy Chairman could step in and chair the Board meeting for such discussions.

ELECTED DIRECTORS
Elected Directors are neither Executive Directors nor Non-Executive Directors. Although they are not independent, they approach Partnership Board decisions from their individual perspectives as Partners, contributing to decision-making through their knowledge and experience from working within the Partnership. The next elections for Directors nominated by Partnership Council will take place in 2021.

NON-EXECUTIVE DIRECTORS
The Non-Executive Directors bring an independent view to the Partnership Board's discussions and the development of strategy. Their range of skills and experience ensures that the performance of management in achieving the Partnership's plans is appropriately challenged.

The Partnership Board reviews the independence of all Non-Executive Directors annually and has determined that they bring strong independent oversight and 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.

**ROLE AND RESPONSIBILITIES**

The Partnership Board's role is:

- To provide the Executive Team with constructive challenge and make its advice, experience and specialist knowledge available to both the Executive Team and Partnership Council;
- To ensure that in delivering the continuing experiment the Partnership's financial condition remains sound and that the Founder's principle of 'safety first' is upheld; and
- To ensure proper governance for the Partnership.

In performing its role, the Partnership Board: approves the Partnership Strategy, business plan and sets risk appetite; oversees and monitors the delivery by the Executive Team of the business plan, financial performance and management of risk; oversees behaviours within the Partnership to ensure that they are aligned and consistent with the Principles of the Constitution (i.e. with the Partnership's 'purpose' and 'values'); ensures that there is appropriate engagement with Partners (so that their views are listened to and taken into account in a way that encourages their active engagement) and other stakeholders to satisfy itself that the business is operated in a way that is consistent with the experiment and the Principles of the Constitution; and ensures that as Directors they fulfil their legal duties to promote the success of the Partnership.

The role and responsibilities of the Board are contained in the Board's reserved matters which were reviewed during the year and are available at www.johnlewispartnership.co.uk/about/how-we-share-power.html

The Partnership Board is assisted in carrying out its oversight and assurance responsibilities by its Committees; the Audit and Risk Committee (see page 75), the Nominations Committee (see page 88) and the Remuneration Committee (see page 93). The responsibilities and membership of these Board Committees are set out in each Committee's report and their respective Terms of Reference are available at www.johnlewispartnership.co.uk. 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.

## BOARD EFFECTIVENESS REVIEW

The Partnership Board normally carries out an externally facilitated board evaluation every three years. The last external review was conducted in 2017 and therefore a further external review was due to be carried out in 2020. After taking into account the challenging circumstances of the pandemic, including the Board having to work remotely, and the fact that new directors would be joining the Board in early 2021, it was decided that there would be more value in delaying the external review and instead for an internal review to be performed led by the Company Secretary.

The internal review covered the areas of the Board's strategic oversight, risk and controls, relationships, ethics and sustainability and Partnership culture, Board composition and development, the Board Committees and Board meetings.

It was generally considered that the Board had been more effective during 2020, despite the need for it to work virtually, benefiting from the smaller Board composition, the necessity to respond at speed to the challenges driven by the Covid-19 pandemic and the different approach of the new Chairman. The weight the Board had placed on the views of Partners in its discussions and decisions during the year was particularly highlighted.

Working virtually had presented some challenges, as it was felt that it had stifled the depth of discussion and debate. Due to the number of significant matters coming to the Board during the course of the year, it was felt that there had not always been sufficient time at meetings for a full discussion of all agenda items. This was despite the fact that, although at the start of the year the Board had only been scheduled to meet on seven occasions during 2020/21, 26 meetings were held[16]. Even without the challenges of the pandemic, 2020 was always going to be a different year for the Board and the Executive Team with a new Chairman, a smaller Board with less executive presence, and a new Executive Team assuming responsibility for directly managing the business, succeeding the John Lewis and Waitrose Divisional Management Boards.

In response, the main recommendation from the Board effectiveness review was to spend time over the summer, assuming the resumption of physical meetings, to explore in more depth respective roles, interaction, and the Board's priorities. A number of other actions were also agreed to improve effectiveness and these are in the course of being progressed.

## THE BOARD'S AGENDA

The Partnership Board forward plans its meeting agendas for the year ahead. Agendas cover the three broad areas of: strategy - development of the strategic direction and monitoring its delivery; performance - monitoring delivery of the annual operating and investment plans, making adjustments where necessary; and governance - monitoring how our Principles are applied in practice.

[16] Due to the increased number of meetings caused by the demands of the pandemic during the year under review, not all Directors attended every meeting, but the majority of meetings were attended by all Directors who were eligible to attend.

The forward plan is intended to enable the Partnership Board to meet its responsibilities described above including the legal responsibilities of Directors to promote the success of the Partnership. In carrying out their responsibilities, Directors have regard to the matters they are required to consider under Section 172(1) of the Companies Act 2006 and balance their decisions taking into account all these factors. See pages 41 to 47 for the Partnership's statement on Section 172(1).

The Group Strategic Report on pages 4 to 60 contains more information on activities overseen by the Board and led by the Executive Team during the year, and in particular relating to the development and launch of the Partnership's strategy, the Partnership Plan.

BOARD INFORMATION AND ARRANGEMENTS

The Board receives and reviews a broad range of information sources and regular reports including, but not limited to: monthly performance reporting packs which include customer, Partner and financial performance data; quarterly risk reports; and minutes and updates from the meetings of the Executive Team. Senior executives attend Partnership Board and Committee meetings as appropriate to support business proposals and investments and report on material matters in relation to the business.

The two Independent Directors, Michael Herlihy and Clare Tickell, attend Partnership Board meetings, but are not Directors of the Partnership Board.

It is the practice for Directors to either not attend a Board or Committee 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 full Board meetings held during the year, the Board also meets on a quorate basis on occasion. These quorate meetings are constituted by the Partnership Board from those members available at that time.

As well as attending Board meetings, the Non-Executive Directors and the Elected Directors met together without the Executive Directors on two occasions during the year. These meetings were facilitated by the Acting Deputy Chairman.

## PARTNERSHIP BOARD MEMBERS' BIOGRAPHIES

**Key for Committee membership:**
A - Audit and Risk Committee
N - Nominations Committee
R - Remuneration Committee
* - Committee Chair

**SHARON WHITE (N)**
**Partner and Chairman**
**Appointed:** February 2020

Sharon White became the Chairman of the John Lewis Partnership and Chairman of John Lewis Partnership Trust Limited on 4 February 2020. Prior to this Sharon was Chief Executive of Ofcom from 2015.

Before joining Ofcom, Sharon had a long career in the civil service. She was Second Permanent Secretary at the Treasury, responsible for overseeing public finances. Before that she held Board level positions at the Ministry of Justice and the Department for International Development. She has worked as a civil service advisor at the Prime Minister's Policy Unit and in Washington DC as a senior economist at the World Bank.

Sharon is a Non-Executive Board member for Barratt Developments plc and Deputy Chairman of Sadler's Wells Trust Limited. She is also a member of the Government's 'Build Back Better Council' which was established in January 2021 to work with the Government to fuel Covid-19 economic recovery and future growth plan, and sits on an advisory Board for Altermind, a strategy consultancy.

Sharon is a trained economist and studied at Cambridge University and University College London.

**RITA CLIFTON (A, N, R)**
**Non-Executive Director and Deputy Chairman**
**Appointed:** February 2021

Rita became Deputy Chairman of the John Lewis Partnership and Deputy Chairman of John Lewis Partnership Trust Limited on 1 February 2021.

Prior to this her career has included being a Vice Chair and Strategy Director at Saatchi & Saatchi, as London CEO and Chair at the global brand consultancy Interbrand and as co-founder of BrandCap. Rita was previously a Board member of ASOS for six years, and held non-executive roles with Dixons Retail, Emap, Bupa and the research firm Populus Group. Non-profit Board experience has included WWF (World Wide Fund for Nature), the UK Sustainable Development Commission and Trustee of the leading environmental think tank Green Alliance.

Rita is also a Non-Executive Director at Nationwide Building Society and Ascential plc and is Chair of Trustees at the leading sustainability organisation Forum for the Future.

**NISH KANKIWALA**

**Non-Executive Director**

**Appointed:** April 2021

Nish Kankiwala joined the Partnership Board as a Non-Executive Director on 12 April 2021. Nish is currently the Chief Executive of Hovis, a business with over 130 years of heritage. He brings 40 years' experience in retail and consumer brands such as PepsiCo, Unilever and Burger King. Nish started his career at Unilever in a number of commercial and operational roles, before moving to PepsiCo where he became President of the soft drinks business in Europe and Africa. He then moved to Burger King International as President. He continued his career within private equity led businesses and joined Hovis in 2014, initially as Chairman and in the past five years as Chief Executive, where he led the transformation of the brand.

Nish is a Fellow at the Institute of Chemical Engineers and Fellow at University College London, where he graduated in Chemical Engineering.

**OLLIE KILLINGER (A)**
**Elected Director, Partner & Digital Product Owner**
**Appointed:** November 2017

Ollie joined the Partnership in 2008 as a part-time weekend Partner in Waitrose Leighton Buzzard. He secured a student transfer to Waitrose Oadby whilst studying at university before returning to Leighton Buzzard in 2013. Since graduating, Ollie has progressed through various management positions in Waitrose branches, being part of the High Wycombe shop opening at the start of a large change programme looking at the operating model of our shops. This led to various Change Management roles in head office, looking at transformational programmes across Retail, Finance, Commercial, Product Supply and IT. Currently, Ollie is working within the Digital Development team working across products touching customer data, loyalty and digital rewarding.

Ollie was elected to Partnership Council in 2015, joining the Partner Group, a sub-committee of the Council at the same time, before moving to chair the Customer Group in November 2016.

Ollie is also Academy Trustee and Director of Dove House School Academy.

**ANDY MARTIN (A*, N*, R)**
**Non-Executive Director**
**Appointed**: July 2018

Andy was, until 2015, Group Chief Operating Officer, Europe and Japan, for Compass Group plc, having previously been its Group Finance Director from 2004 to 2012. Before joining Compass Group, Andy was Group Finance Director at First Choice Holidays (now TUI Group) and prior to that held a number of senior finance roles at Granada Group plc and was a Partner at Arthur Andersen. Until August 2020, he was also a Non-Executive Director of easyJet plc. Andy brings to the Board extensive experience in managing the associated risks and complexities of driving change in difficult climates. He is a chartered accountant.

Andy is Non-Executive Chairman at Intertek Group plc and Non-Executive Chairman at Hays plc, where he also Chairs the Nominations Committee. He is also Director and Trustee of The Compass Group Foundation.

**BÉRANGÈRE MICHEL**
**Partner & Executive Director, Finance**
**Appointed:** January 2021

Bérangère joined the Partnership in April 2008 as Group Head of Financial Strategy, before being appointed Director, Supply Chain Development and subsequently Finance & Strategy Director and Operations Director for John Lewis. Bérangère became Executive Director, Customer Service in February 2020 and was then appointed Executive Director, Finance in January 2021. Before joining the Partnership, Bérangère spent 11 years at the Royal Mail in a number of finance, change and strategy roles, including as Finance Director of the property division.

Bérangère is a Board Trustee at World Animal Protection - a global animal welfare charity.

**NICKY SPURGEON (N, R)**
**Elected Director, Partner & Programme Manager**
**Appointed:** May 2018

Nicky joined the Partnership in 1998 as a management trainee for John Lewis and had a number of management roles in shops for five years before joining the Johnlewis.com start-up team. Nicky went on to work in John Lewis head office taking on various positions in trading before moving into Project and Programme management. She has delivered projects which are now an integral part of the John Lewis business. Nicky currently manages a portfolio of projects that seek to deliver new propositions as well as enhance customers' experience when shopping with John Lewis or Waitrose.

Nicky's active involvement in democracy started in 2012 as a John Lewis Councillor and was followed by three years as a Partnership Councillor before joining the Partnership Board.

**LAURA WADE-GERY (N, R*)**
**Non-Executive Director**
**Appointed:** September 2017

Laura is a leading British senior executive with experience of multi-channel retail. She has worked for a number of businesses including Marks & Spencer Group plc, where she was Executive Director heading up multi-channel and e-commerce from 2011 to 2016, including, from 2014, responsibility for UK stores. Prior to this she held roles, including CEO of Tesco.com, at Tesco plc, and at Gemini Consulting and Kleinwort Benson. She was an advisor to the Government Digital Service from 2012 to 2016.

Laura is Chair of NHS Digital and a Non-Executive Director of NHS England & Improvement where she co-chairs the Digital Committee. Laura is also a Non-Executive Director of British Land Company plc and Chair of their Remuneration Committee and on the boards of Britten Pears Arts and its trading subsidiary, Snape Maltings Trading. Prior non-executive roles included Immunocore, Trinity Mirror, and the Royal Opera House.

**BECKY WOLLAM (N, R)**
**Elected Director, Partner & Regional Manager**
**Appointed:** May 2018

Becky joined the Partnership in 2009 as a graduate trainee. She secured her first Branch Manager position in Leighton Buzzard, before leading branches in York, Leek and Glasgow. After six years in Retail Operations Becky moved into head office, with a year in Finance, representing retail on a large change programme before spending a year leading change within Retail. In 2018, Becky moved back into Retail Operations as a Regional Manager, accountable for Waitrose shops in central London.

Becky was elected to Partnership Council in 2015 before joining the Partnership Board.

## AUDIT AND RISK COMMITTEE REPORT

The Partnership Board's Audit and Risk Committee provides independent scrutiny and challenge to ensure that the Partnership always presents a true and fair view of its performance, focusing on the accuracy, integrity and communication of financial reporting. It also provides assurance that risks are being managed appropriately through examination of the Partnership's control environment and risk management strategies.

### MEMBERSHIP AND COMPOSITION

The Committee comprises two Non-Executive Directors, one Elected Director and two Independent External Members. This composition allows the Committee to maintain appropriate levels of objectivity and independence when providing assurance over the Partnership's systems, operations and financial probity. Decisions can only be made by the Committee when three members are present, including the Chair (or their appointed deputy) and at least one member who is independent. The members of the Committee at the date of this report are:

| | |
|---|---|
| **Andy Martin** | Chair of the Committee and Non-Executive Director |
| **Rita Clifton** | Non-Executive Director |
| **Ollie Killinger** | Elected Director |
| **Zarin Patel** | Independent External Member |
| **Sharon Rolston** | Independent External Member |

Rita Clifton was appointed to the Committee on 2 February 2021. In addition, Keith Williams was a member of the Committee until his resignation from the Board on 15 April 2020. During the year, Sharon Rolston agreed to extend her term for a further two years to 30 April 2023. Zarin Patel has confirmed that she intends to step down on 30 April 2021. A search process has commenced to find a successor.

There were eight Committee meetings held during the year under review, which were attended by all members who were eligible to attend, except Sharon Rolston and Zarin Patel who were unable to attend one meeting each.

During at least one meeting in each quarter of the year, the Committee meets separately with each of the external auditor and the Director of Internal Audit and Risk or her designate, without management being present.

RELEVANT QUALIFICATIONS OF COMMITTEE MEMBERS AND COMPETENCE TO THE SECTOR

Andy Martin, Zarin Patel and Sharon Rolston have significant, recent and relevant financial experience. Each is a qualified accountant and has held or currently hold senior finance roles. See pages 71 and 76 for biographical information. Viewed as a whole, the Committee possesses competence relevant to the retail sector in which the Partnership operates.

INDEPENDENT EXTERNAL MEMBERS

**Zarin Patel**

**Appointed:** March 2016

Zarin is an Independent Non-Executive Director of Anglian Water Services Limited and chairs its Audit and Risk Committee and sits on its Nominations Committee, a Non-Executive Director of Post Office Limited and sits on its Audit and Risk Committee, and an Independent Member of the HM Treasury Group Audit and Risk Committee. She also sits on the Board of Trustees of the National Trust and chairs its Audit and Risk Committee. Zarin was most recently the Chief Operating Officer of The Grass Roots Group plc. She was the BBC's Chief Financial Officer and member of its Board from 2004 to 2013. She was also Non-Executive Director, BBC Worldwide where she chaired both the Audit Committee and the Remuneration Committee. Zarin is a fellow of the Institute of Chartered Accountants in England and Wales.

**Sharon Rolston**

**Appointed:** March 2016

Sharon is Group Controller of Diageo plc, joining in January 2010 from Nortel Networks Corporation where she held a number of senior finance leadership positions. Prior to her current role, she spent time in Diageo Europe; first as Finance Director Europe and latterly as Western Europe Finance and Strategy Director. She became Group Treasurer in 2014 and then Head of Investor Relations in February 2017. Sharon is a fellow of the Institute of Chartered Accountants in Ireland.

ROLE OF THE COMMITTEE

The Audit and Risk Committee operates in accordance with its Terms of Reference, which were reviewed and refreshed during the year to ensure they reflect current best practice and are fit for purpose. The Terms of Reference are available at www.johnlewispartnership.co.uk

The role of the Committee is to assist the Partnership Board in fulfilling its responsibility by reviewing and monitoring:

| | |
|---|---|
| 1. | The integrity of the Partnership's financial and narrative statements, other formal announcements relating to the Partnership's financial performance, and reviewing significant financial reporting judgements contained in them; |
| 2. | The effectiveness of the Partnership's system of internal controls and risk management; |
| 3. | The effectiveness of the Partnership's auditor and the internal and external audit process; and |
| 4. | The effectiveness of the Partnership's processes for compliance with laws and regulations, including systems and controls for the detection of fraud. |

## COMMITTEE EFFECTIVENESS

During the year under review, an internal Board effectiveness review was conducted by the Company Secretary. For further information on the review please see page 69. It included questions on the Board Committees and the support they provide to the Board; Committee members also contributed to an assessment of the Committee's effectiveness. Feedback relative to the Committee is being followed up through the agreed actions.

## EXTERNAL FINANCIAL REPORTING

The Partnership prepares consolidated financial statements, which form part of the Annual Report and Accounts, in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, and in compliance with International Financial Reporting Standards (IFRS) and IFRS Interpretations

Committee interpretations as adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union (IFRSs as adopted by the EU). An interim review is prepared at the end of the first six months of the year.

The Partnership operates under an internal control and risk management framework, 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.

## REGULATORS AND FINANCIAL REPORTING

In November 2020, the Financial Reporting Council (FRC) issued a letter to Audit Committee Chairs and Finance Directors on key matters relating to the preparation of annual reports and accounts. In December 2020, the FRC issued a letter to the Partnership in relation to the FRC's corporate reporting thematic review of IFRS 16 'Leases'. The Committee, along with management, have reviewed the letters and have taken the points raised into consideration in the preparation and review of the Partnership's 2021 Annual Report and Accounts, in particular further improving the quality of disclosures in notes 5.6 and 7.1.2.

## ANNUAL REPORT AND ACCOUNTS

Since the year-end the Committee has reviewed the draft Annual Report and Accounts 2021 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.

The Committee considered and challenged management's assessment of the following:

| |
|---|
| Does the Annual Report and Accounts provide a balanced view of the Partnership's performance and prospects, giving appropriate weighting to risks, setbacks and challenges? |
| Is the report reflective of internal reporting and discussions, or have any items been omitted which should have been included? |
| Are key issues and judgements discussed in the narrative reporting consistent with the Audit and Risk Committee Report and estimates and judgements referred to in the financial statements? |
| Are the KPIs presented and explained appropriately, with clear linkage from strategy to performance? |
| Are financial measures not defined under IFRS clearly explained and used consistently with appropriate reconciliations to measures defined by IFRS? |
| Are important messages, policies, transactions and significant changes from prior periods highlighted, explained, and not obscured by unnecessary and distracting detail? |
| Does the report include simple and appropriate explanations of the business model, strategy and accounting policies? |
| Does the governance section clearly explain how decisions are made? |
| 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 2021 is fair, balanced and understandable.

## 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.

### *1. **Impairment** (Notes to the financial statements: 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. Given the significant shift in trading experienced throughout the year, initial trigger tests, such as whether performance was in line with expectation or significant external changes with an adverse effect on the cash generating unit (CGU), identified some assets with indicators of potential impairment. For each tangible asset identified, management prepared a value in use model or obtained valuations to assess the asset's recoverable amount and calculated an impairment charge where appropriate. The model includes a number of assumptions in relation to expected cash flows, long-term growth rates, cost inflation, online sales and costs allocation and discount rate. For each intangible asset identified, consideration was given to changes in use, deterioration and evidence of obsolescence, with an impairment charge calculated where appropriate.

**Response**

The Committee reviewed the results of the trigger tests and challenged the methodology used to test impairment, including the appropriateness of key assumptions and methodologies used. This included review and challenge over the cash flows, growth rates, online sales and costs allocation and discount rate. Additional meetings were held in September 2020 and prior to the year-end, where particular focus and challenge was given to the current and expected performance of John Lewis and proposed changes to the allocation of online sales. In particular the Committee considered the impact of Covid-19 and its longer term impacts on consumer shopping habits, alongside the ambitions set out in the Partnership's five-year Plan. The Committee also considered the sensitivity of the proposed impairment charges and releases to movements in key assumptions such as the discount rate, online sales allocation, performance projections, long-term growth rates, and the wider economic environment.

Where releases of previous impairments were proposed, for some Waitrose shops, the Committee assured itself that the improved performances were ongoing and sustainable. The Committee considered programmes where significant intangible assets have been capitalised or are in the course of construction, to ensure it is comfortable that future economic benefits will be generated. The Committee satisfied itself that the assumptions used within the tangible and intangible impairment models, together with the resulting impairment charges, were reasonable. The Committee also reviewed the associated disclosure for inclusion within the financial statements.

### *2. **Pensions** (Notes to the financial statements: 6.1)*

**Issue**

The Partnership operates a defined benefit pension scheme which closed to future accrual on 1 April 2020. The pension scheme liability is calculated using an actuarial model with a number of key assumptions, notably the discount rate and inflation rate.

During the year, the 31 March 2019 triennial actuarial valuation concluded. In response to the UK Statistics Authority's RPI reform announcement in September 2019, management reviewed the inflation rate assumptions used for the IAS 19 valuation of the pension scheme liability. At January 2020, management revised the adjustments applied for the inflation risk premium and the gap between RPI and CPI for the cash flows beyond 2030. Following the subsequent announcement by the Chancellor in November 2020, these adjustments have been further revised for the 30 January 2021 year-end.

As a result of the Covid-19 pandemic, management has considered the appropriate approach to take in respect of mortality assumptions. Latest Continuous Mortality Investigation data (CMI 2019) shows an improvement in life expectancy, however subsequent experience during 2020 is expected to lead to a future decline. As a result management has retained the CMI 2018 mortality tables in the actuarial valuation as at January 2021.

**Response**

The Committee considered 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 peer companies. The Committee satisfied itself as to the acceptability of the key assumptions, particularly the discount rate and inflation rate assumptions, as well as mortality assumptions. The Committee considered the proposed change in the inflation rate assumptions as a result of RPI reform, including compliance with IAS 19, the rationale for the change in parameters and advice from independent actuarial specialists regarding overall trends in the market. The Committee concluded that the overall pension scheme liability is appropriate.

***3. Provisions*** *(Notes to the financial statements: 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, 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 provisions calculations.

**Response**

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

The Committee concluded that the amounts recorded in respect of provisions were appropriate, represented the current best estimate of each liability, and that associated disclosures were appropriate.

***4. Exceptional items*** *(Notes to the financial statements: 2.5)*

**Issue**

Management has consistently applied the Partnership's exceptional policy in the current year, recording an exceptional loss of £648.0m. This principally relates to exceptional shop impairment costs, restructuring and redundancy charges arising as a result of transformational strategic programmes including head office reviews and our physical estate programme.

**Response**

The Committee considered the items presented as exceptional, in respect of the Partnership's policy to present separately items that are significant by virtue of their size and nature. A charge of £468.1m has been recognised as a result of the impairment of John Lewis stores. Given the unprecedented size of this charge and the change to assumptions in the year, the cost has been recognised as exceptional. The Committee challenged management and the auditor on the inclusion within exceptional items of the John Lewis shop impairment charge, with particular focus on the proportion driven by trading performance compared to that driven by changing assumptions. Having considered the significance of both the size of the impairment charge and the reassessment of assumptions, the Committee concluded that it was appropriate to disclose as exceptional and requested a full explanation be given in the financial statements.

Restructuring and redundancy costs continue to be incurred as a result of strategic reviews, with £96.1m recognised in respect of head office reviews, including the significant Head Office Transformation (HOT) programme announced during the year, and £93.7m in relation to the review of our Physical Estate. The Committee considered and challenged management on the continued inclusion of these costs within exceptional items, and to demonstrate that the costs were part of transformational strategic programmes of activity that would take a number of years to deliver. The Committee requested continued enhanced disclosure to be included within the financial statements. The Committee, having reviewed and discussed both the analysis presented and draft disclosures provided by management, satisfied itself as to the appropriateness of the items reported as exceptional and the transparency included within the disclosures.

## VIABILITY AND GOING CONCERN

The Directors must satisfy themselves as to the Partnership's ability to continue as a going concern for a minimum of 12 months from the approval of the financial statements. Additionally, the Directors report on the longer term viability of the Partnership, over a period of three years. The Committee supported the Board in its assessment of both going concern and viability by considering whether, in the challenging but plausible risk scenario identified, including changes in customer behaviour and further impacts arising from measures to prevent Covid-19 transmission, the Partnership has adequate liquid resources to meet its obligations as they fall due for at least the next 12 months and to remain commercially viable over the three-year period to January 2024.

The Committee reviewed papers presented by management on its assessment of the Partnership's going concern and longer term financial viability based on the budget, Partnership Plan and cash flow forecasts. It also reviewed the stress testing performed in the form of a downside scenario, ensuring this was based on the potential financial impact of the Partnership's principal risks and the specific risks associated with changes in customer shopping patterns and Covid-19. This downside scenario, as set out in the Viability Statement (from page 57), represents a severe but plausible scenario and, whilst being considered by the Directors to be extremely cautious, has a significant adverse impact on sales, margin and cash flow. In response, the Directors have identified a number of actions, all within management's control, to reduce costs and optimise the Partnership's cash flow and liquidity. The Committee reviewed and challenged the appropriateness of the scenario modelled and scrutinised the underlying Partnership Plan to ensure the assumptions within the base case, such as committed levels of investment, did not undermine the validity of proposed mitigations. The Committee also assessed the feasibility of management to deliver the quantum of the mitigations within the time frame required, including assessing the precautionary measures taken in spring 2020 in direct response to the onset of Covid-19 and how quickly and willingly management were able to take action as required. As a result of Covid-19 and its longer term impacts, the Committee also reviewed and tested management's assessment that, whilst there remains significant risk and uncertainty in the market, no material uncertainty exists for the Partnership. The Committee also reviewed the level of disclosure proposed.

As a result of the procedures performed, and the responses received from management on the challenges raised and the level of disclosure proposed, the Committee satisfied itself that the going concern basis of preparation is appropriate and that the Partnership is commercially viable over the duration of its assessment period. The Committee reviewed the expanded basis of preparation disclosures (pages125 to128) to ensure this sufficiently detailed the considerations made in making this conclusion. The Board's going concern statement is included within the Directors' Report on page 117 and the Viability Statement within the Group Strategic Report on page 57.

## EXTERNAL AUDIT ACTIVITIES

KPMG LLP were the Partnership's external auditor for 2020/21. 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 2021, the Committee conducted an evaluation of the external auditor's performance. Members of the Committee were provided with an opportunity to comment on the effectiveness of the external auditor and the audit process. These comments were collated by the Chair of the Committee and raised with the external auditor as part of the preparations for a change in audit engagement partner.

In assessing the effectiveness of the external auditor, the following were considered:

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| 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 2020/21; |
| 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; and |
| 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.

The Committee also considered the findings contained in a report issued following an inspection of KPMG LLP's audit for the year ended 25 January 2020 by the Financial Reporting Council's Audit Quality Review Team. The Committee discussed the findings of this external report and the actions undertaken by KPMG LLP to address the matters raised as part of the 2021 audit. KPMG confirmed that any identified areas for improvement had been addressed.

Based on the above, the Committee 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.

### 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 30 January 2021 was the fifth year of audit by KPMG LLP and the fifth and final year of the audit engagement partner, Mike Maloney's, appointment. The Committee has commenced work with Nick Frost, who will be the audit engagement partner for 2021/22 and subsequent years. The Committee has reviewed Nick's history of undertaking and leading audits of consumer goods and retail group businesses.

### 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 Partners. 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 Partnership's non-audit services policy is summarised below.

### SUMMARY OF NON-AUDIT SERVICES POLICY

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| In line with our policy, 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 the 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 Executive Director, Finance 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. |

Details of the amounts paid to the external auditor are given in note 2.6 to the consolidated financial statements. The ratio of non-audit services fees to audit and audit-related services fees was 14% (2020: 10%).

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.

## OUR 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 implements 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, Partners and a risk governance structure with defined accountability. Further details on this can be found on pages 48 to 56 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. During the year under review, reporting was through presentations from senior management 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 Director of Internal Audit and Risk reports functionally to the Chair of the Committee and operationally to the Executive Director, Finance.

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 the Executive Team.

During the year:

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| The Committee has ensured the appropriate assessment and disclosure of viability; |
| The Committee has continued to challenge management to understand and appropriately mitigate against the risks arising from changes across the Partnership; from external influences such as Covid-19, Brexit, changing customer demand and competitor behaviour; to internal influences such as the new Partnership strategy, new risk governance structure and revised approach to risk management; |
| The Committee has continued to focus on data privacy requirements and plans to improve our IT and cyber security resilience in response to the ongoing external threat of an information security breach or cyber attack; |
| The Committee supported the approach to transfer governance of the Partnership's key Brexit-related risks to the Operational Team as the Partnership prepared for a potential no-deal, during the peak trading period and with Covid-19 restrictions. Oversight by the Director of Internal Audit and Risk was maintained, with an escalation route to the Committee, as required; |
| The Committee has continued to provide more focus on areas of regulatory compliance due to the changing nature of the external regulatory environment and has provided oversight of the development of the regulatory compliance framework including regulatory assurance capability; |
| The Committee has reviewed reports from management in relation to controls activity undertaken in the year in relation to key financial risks, including the testing of key controls; and |
| The Committee continues to have oversight of open and overdue Internal Audit findings, with an ongoing focus on action-owner accountability. |

The immediate focus for the year ahead continues to be to proactively manage the risks and the Partnership's response to the potentially prolonged impact of Covid-19, and evolving response to government policy in relation to Brexit in order to maintain customer service and protect Partners, local communities and trade.

The Committee will also focus on the management of risk through the significant strategic and organisational change underway through the implementation of the Partnership Plan, whilst continuing to develop the quality of our risk and control frameworks. In addition, the Committee will reassess the appropriate information flows and governance for the review of principal risks in our evolving internal structure, to ensure we continue to get the most value from our decision-making and challenge. The Partnership's approach to risk management is detailed on pages 48 to 56.

## THE PARTNERSHIP'S 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, as laid out in its charter, is to support the Audit and Risk 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 financial and narrative statements, other formal announcements relating to the Partnership's financial performance, and reviewing significant financial reporting judgements contained in them; and
2. The effectiveness of the Partnership's system of internal controls and risk management.

The Internal Audit work plan is structured to align with the key objectives and risks of the Partnership, and covers both advisory and assurance related reviews of operational, financial and IT processes as well as key change projects and programmes. In response to the challenging and changing retail environment, the Committee had already moved to reviewing and approving the scope of the Internal Audit work programme on a six-month rolling basis; this was increased during the pandemic with the existing plan suspended and rebuilt at speed to focus on heightened risks in the operating environment, business critical activity, and ongoing regulatory and operating compliance. To enable this change, the approach to Internal Audit was also adapted to accelerate delivery and insight, e.g. shorter, advisory type reviews in place of long, traditional assurance exercises and running alongside the business at the same pace of decision-making to provide inflight challenge and real time feedback.

Work undertaken during the year, aligned with the justification for its inclusion in the revised plan, included:

| ***CORE PROCESS REVIEWS*** | ***REGULATORY*** |
|---|---|
| • INTERNAL CONTROLS FRAMEWORK | • GROCERIES SUPPLY CODE OF PRACTICE |
| • WHISTLEBLOW | • CORONAVIRUS JOB RETENTION SCHEME |
| ***INCREASED RISK IN OPERATIONS AS A RESULT OF THE PANDEMIC*** | |
| • DATA SECURITY | • WAITROSE.COM STABILITY & RESILIENCE |
| • CYBER SECURITY & RESILIENCE | • WAITROSE RAPID |
| • SHOP OPERATIONS & COMPLIANCE | • STOCK MOVEMENTS AND ACCURACY |
| • PARTNER & CUSTOMER SAFETY | • COVID-19 RESPONSE LESSONS LEARNT |

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. Work is currently underway to appoint an assessor for the next review which was delayed in 2020 because of the pandemic.

KPIs measuring the efficiency and effectiveness of the Internal Audit function covering the core value areas of 'impact', 'involvement' and 'influence' are used to benchmark performance against prior years and to demonstrate the continuous improvements made to mature the function and the quality of service provided to the Partnership. The Director of Internal Audit and Risk reports on these KPIs at every Committee meeting.

FRAUD

The Committee reviewed the Partnership's level of compliance with the Partnership Fraud Standard and, for the first time, received a pan-Partnership (as opposed to individual brand) assessment of the approach to this risk. As part of this, the Committee supported the inclusion, within governance for programmes, of the requirement to conduct a fraud risk assessment of any change proposed.

## 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 (the "Order") and the Groceries Supply Code of Practice ("GSCoP" also referred to as the "Code").

Both the Order and, in particular, the Code, regulates Waitrose's everyday trading relationships with our grocery suppliers, ensuring that as a Designated Retailer, we treat our suppliers fairly and in accordance with the Code. The Order also includes provisions on training requirements for our buyers, mandates a need for agreements to be in place with all our groceries suppliers and that any such agreements incorporate the Code. These principles, and the desire to treat our suppliers fairly, are also enshrined within our Principle 6 and Rule 96 of the John Lewis Partnership's Constitution and are therefore in keeping with the Partnership's general ethos.

As required by the Order, the Waitrose Code Compliance Officer ("CCO") is obliged to present a report detailing our compliance to the Code to the Partnership's Audit and Risk Committee, for onwards submission to the Competition and Markets Authority ("CMA"). The reporting period covered was 26 January 2020 to 30 January 2021 and was submitted to the CMA on 13 April 2021.

WORK WITH THE GROCERIES CODE ADJUDICATOR ("GCA")

Retailer compliance with the Code is regulated by the GCA.  Over the past year we have seen Mark White take over from Christine Tacon in this role and we have continued to work with Mark and his team in the same cooperative manner that we enjoyed with Christine.

Our collaborative approach with the GCA supports us in identifying underlying issues and trends, and allows us to address individual supplier concerns that the GCA may bring to our attention.

The Chair of the Audit and Risk Committee, Andy Martin, also attended a meeting with the new GCA in the autumn.

WORK WITH SUPPLIERS

We have made wholesale improvements to the content and usability of our supplier portal, Waitrose Engage, to enable suppliers to find the resources and assistance they require more easily. As part of this, we have also provided further information on Engage about the Code, the GCA and the role of the Waitrose CCO, providing additional assurance to suppliers that any concerns that they bring to the CCO's attention will be dealt with confidentially.

*Covid-19*

The Covid-19 crisis placed unprecedented demand on our business and supply base. Waitrose responded to this with clear and regular communications to our suppliers, explaining the necessity behind the fast-paced and often quite drastic measures that we had to take to maintain our core services and supplies and play our part in feeding the nation. These regular communications were supported by extensive guidance from our Legal and Commercial Management teams, which emphasised the Code and a need to do what we reasonably could to support our suppliers. With every key decision that was communicated, suppliers were actively encouraged to reach out to us if they had concerns or required support. We conducted weekly calls with key suppliers to ensure we understood and could react to issues that our suppliers were facing and to get feedback on how our comms were landing. We were pleased to learn that our suppliers felt our communications during the crisis were clear and that our buyers were well-informed, accessible and dynamic in their dealings with them.

Whilst other retailers shortened their payment terms for small suppliers during the crisis, Waitrose already had these measures in place as a matter of course for the majority of our small suppliers.

The CCO and Senior Finance Manager responsible for GSCoP were also regular attendees at key executive and Covid-19 planning meetings respectively throughout the crisis, enabling a Code lens to be applied throughout our key decision-making.

INTERNAL WORK

Compliance with the Code by Waitrose is overseen by the GSCoP Steering Group, comprising the CCO and representatives from the Commercial, Legal, Finance, and Supply Chain teams. The team meets on a monthly basis and is supported by a GSCoP weekly group (with similar attendees) who monitor ongoing complaints, industry trends and collaborate on continuous improvement activities as well as producing training materials and guidance for our Partners.

This year, we have revised the mandatory GSCoP e-learning that our Partners receive, upweighting training in certain areas where the roles that certain teams now carry out have evolved and are more supplier-facing (requiring, therefore, a more in-depth understanding of the Code).

Our e-learning is also supplemented by training sessions before key events (such as prior to our annual supplier negotiations in the autumn) which has relevant content dedicated to Code compliance, as well as by our "Legal briefing" training sessions for all Trading Partners which are led by Legal, Compliance, Commercial Management and the CCO. This year's sessions focused on delisting, using the appropriate language when making requests of suppliers, payment for positioning and the new Partnership Contract Management system, Coupa.

*Contracts project*

In October 2020 the John Lewis Partnership launched its new contract management tool, Coupa. This is a pan-Partnership system which will also act as a repository for the main aspects of our agreements with Suppliers, including, in particular, supplier acceptance to our core terms and policies, embodied within our Conditions of Purchase. In time for this change, Waitrose took the opportunity to review our mandatory policies and

Conditions of Purchase with a view to updating and streamlining them with the aim of making Waitrose a simpler retailer to deal with. Following an extensive exercise between our Legal team, policy owners and key commercial stakeholders, the revised terms have been significantly improved from a supplier perspective and are assessed to be fair, reasonable and easy to digest, whilst also making it overtly clear where the Code has been incorporated. In addition, where policies have cost recovery mechanisms, any applicable charging structures and revenue streams have also been revised and streamlined to ensure that they are fair, transparent and justifiable.

SUMMARY

The Partnership continues to take compliance with the Code very seriously and Waitrose has worked hard over the past year to continue to make further improvements to our overall GSCoP compliance. Our progress in this respect has been significantly aided by the fact that our GSCoP governance and operational groups have become more established in their roles over the past year (with the Steering and Working Groups having been first established in 2019). Where a Code-related issue or complaint has been identified, Waitrose will always seek to understand the root cause of the problem and in the case of a supplier complaint, the reasons behind their concerns with the ultimate aim of resolving the issues quickly and ensuring that our suppliers have been treated fairly and in line with the Code. We welcome queries and feedback from our suppliers and, to that end, invite any suppliers reading this report who may have had issues or have any suggested improvements to our Code-related ways of working, to please contact their buyer in the first instance or our CCO, Matt Wilson, which can be done in complete confidence.

## WHISTLEBLOWING

The Partnership's whistleblowing policy outlines the Partnership's approach to dealing with allegations which relate to suspected wrongdoing or potential risks at work which have a wider impact. During the year, the management of whistleblowing was undertaken by the People Directorate. The Committee receives biannual reports on the level and nature of issues raised. Any significant matters raised would be escalated to the Audit and Risk Committee Chair on a more timely basis.

The respective responsibilities of the Committee and the Board in respect of whistleblowing are set out in the Terms of Reference. The Committee reviews, on behalf of the Board, the adequacy and security of the Partnership's arrangements for its Partners and those working for the Partnership in a third party relationship to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Committee ensures that these arrangements allow proportionate and independent investigation of such matters and appropriate follow-up action. The Board retains responsibility for reviewing reports arising from use of these arrangements.

On behalf of the Audit and Risk Committee.

ANDY MARTIN

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

## NOMINATIONS COMMITTEE REPORT

The Nominations Committee's main role is to ensure there is a strong succession and a robust appointment process to the Partnership Board, the Executive Team and other senior management positions that report to the Chairman.

### MEMBERSHIP AND COMPOSITION

The membership of the Committee provides a broad mix of members, and to ensure this balance is preserved, the quorum (three members) requires at least one Non-Executive Director and one Elected Director along with the Chairman of the Committee or their appointed deputy. The members of the Committee at the date of this report are:

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| **Andy Martin** | Interim Chair of the Committee and Non-Executive Director |
| **Rita Clifton** | Non-Executive Director |
| **Nicky Spurgeon** | Elected Director |
| **Laura Wade-Gery** | Non-Executive Director |
| **Sharon White** | Chairman |
| **Becky Wollam** | Elected Director |

Sharon White joined the Committee on 4 February 2020 following her appointment as Chairman, replacing Charlie Mayfield who ceased to be a member of the Committee on this date. Keith Williams left the Committee on 15 April 2020, when he stood down from the Partnership Board as Deputy Chairman and a Non-Executive Director. Andy Martin, a Non-Executive Director, joined the Committee on 25 March 2020 and was subsequently appointed Interim Chair of the Committee with effect from 16 April 2020 while the search process was conducted to select a successor to Keith Williams as Deputy Chairman. Rita Clifton joined the Committee on being appointed as Non-Executive Deputy Chairman on 1 February 2021 and will assume the position as Chair of the Committee on 1 May 2021.

There were 11 Committee meetings held during the year under review. All eligible members attended each meeting with the exception of Laura Wade-Gery who was unable to attend one meeting during the year under review. Meetings of the Committee are also regularly attended by the Partnership's two Independent Directors. The Committee is supported by the Executive Director, People and assisted by independent consultants, who attend Committee meetings as required.

### ROLE OF THE COMMITTEE

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

(i) There is a formal, rigorous and transparent process for the appointment and succession of new Directors to the Board and the Executive Team; and

(ii) Appropriate development and training is provided to enable each Board member to fulfil their accountabilities as a member of the Board.

The Nominations Committee operates in accordance with its Terms of Reference that are available at www.johnlewispartnership.co.uk The Committee is currently in the process of reviewing its Terms of Reference.

## APPOINTMENTS

The Nominations Committee oversees the process for selecting and recommending candidates for appointments to the Partnership Board. This includes working with the Chairman and the Executive Director, People to establish the experience and capabilities required on the Board going forward as well as using external search consultants where appropriate. For all appointments the Committee decides on the appropriate search and selection process for a particular appointment, including whether to use open advertising or the services of external search consultants to facilitate the search. During the year under review, the Committee was supported by external search consultancy firms as required for the appointments within their remit, none of which have any other connection with the Partnership aside from the provision of recruitment services.

The Nominations Committee takes no part in the appointment of the Elected Directors, which is overseen by Partnership Council.

### DEPUTY CHAIRMAN

The use of the terms 'Chairman' and 'Deputy Chairman' reflects the terminology contained within the Partnership's constitutional documents and the terms are intended to be construed as gender neutral.

Keith Williams stepped down as both Deputy Chairman and a Non-Executive Director on 15 April 2020 and as Chair of both the Nominations Committee and Remuneration Committee on the same date. The search process for his successor commenced in February 2020.

In May 2020 the Committee supported the Chairman's proposal that Andy Martin become Acting Deputy Chairman in the interim period before a permanent successor was appointed, which was approved by the Board of John Lewis Partnership Trust Limited on 21 May 2020.

The Committee oversaw the appointment of the new Deputy Chairman. This included reviewing the role profile and identifying the experience, skills and capabilities required. A substantial long list of candidates was reviewed by the Chair of the Committee and the Chairman against the role profile to create a short list of potential candidates for interview. Candidates were subsequently interviewed by all the members of the Committee as well as the third Elected Director of the Partnership Board (who was not a member of the Committee), the two Independent Directors and the Executive Director, People.

The Chairman and the Committee recommended to the Board of John Lewis Partnership Trust Limited on 1 December 2020 that Rita Clifton be appointed as Deputy Chairman and the Partnership Board agreed to her appointment as a Director on 10 December 2020. Rita Clifton joined the Partnership as Non-Executive Deputy Chairman on 1 February 2021.

### NON-EXECUTIVE DIRECTORS

Laura Wade-Gery's term of office as a Non-Executive Director was due to come to an end on 31 August 2020, but in order to retain continuity on the Board during the challenging period of the Covid-19 pandemic, she kindly agreed to extend her term of office until a successor was appointed, which was agreed by the Board on 25 March 2020.

The recruitment process to appoint a new Non-Executive Director commenced. The Committee considered the experience, skills and capabilities required on the Board to support the Partnership Plan. The Chair of the Committee and the Chairman interviewed a shortlist of candidates for the role of Non-Executive Director.

Following this the preferred candidates were interviewed by all the members of the Committee as well as the third Elected Director of the Partnership Board (who was not a member of the Committee) and the two Independent Directors.

The Chairman and the Committee recommended to the Partnership Board that Nish Kankiwala be appointed as a Non-Executive Director which was approved on 17 February 2021. Nish Kankiwala joined the Partnership Board on 12 April 2021. Laura Wade-Gery will be stepping down from the Partnership Board on 30 April 2021.

Since the year-end, Andy Martin, whose initial three-year term as a Non-Executive Director and Chair of the Audit and Risk Committee was due to expire on 30 June 2021, confirmed that he was willing to extend his term for a further three years commencing on 1 July 2021 until 30 June 2024 which was approved by the Partnership Board on 15 April 2021.

NON-EXECUTIVE MEMBERS OF THE AUDIT AND RISK COMMITTEE

The Partnership's Audit and Risk Committee has two Independent External Members, Zarin Patel and Sharon Rolston, who joined the Committee in March 2016. Their terms of office were due to expire on 30 April 2021. Zarin Patel has confirmed that she intends to step down on 30 April 2021. A search process has commenced to find a successor. Sharon Rolston confirmed that she was willing to extend her term for a further two years which was approved by the Partnership Board on 2 February 2021.

EXECUTIVE DIRECTORS

Following the Chairman's appointment on 4 February 2020, the Chairman identified that a review of the structure of the Executive Team was necessary to produce a single integrated Executive Team with clear accountabilities for each brand, recognising the strengths of the two brands working together, but also the distinctiveness of the customer base and the different rhythms of running a department store and a food business.

The Chairman reviewed with the Committee the composition of the Executive Team and the experience, skills and capabilities required to develop and deliver this transformation through the Partnership's strategy. During the year the Committee oversaw the selection and appointments to the Executive Team.

An external search was conducted for the position of Executive Director, Strategy & Commercial Development, and Nina Bhatia joined the Partnership in this role on 17 February 2020. An external search was also conducted for the positions of Executive Director, John Lewis and Executive Director, Waitrose. James Bailey joined the Partnership as Executive Director, Waitrose on 29 April 2020 and Pippa Wicks joined the Partnership as Executive Director, John Lewis on 3 August 2020.

An external search was conducted for the position of Executive Director, People to find a successor to Tracey Killen. Nikki Humphrey joined the Partnership as Executive Director, People on 1 October 2020.

A search was conducted to find a successor to Patrick Lewis, Executive Director, Finance which included both potential internal and external candidates. Bérangère Michel, formerly Executive Director, Customer Service was appointed Executive Director, Finance on 1 January 2021 and joined the Partnership Board on this date.

## 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, capabilities and experience were in place to deliver the Partnership's strategy and objectives.

There was a recognition that both the Partnership's succession planning and talent management needed to be strengthened to provide a strong internal talent pipeline, particularly in view of the new skills and capabilities required to deliver the outcomes of the Partnership Plan and the need to broaden the diversity of the leadership team. This will be a key area of focus for the Committee in 2021/22.

A capability review of all leadership roles was undertaken for Head Office Transformation (HOT) and informed the proposed leadership changes. For all other roles in the new head office structure, the HOT selection process took into account future capabilities and potential in order to help mitigate the risk of losing critical skills and talent.

## INDUCTION, TRAINING AND DEVELOPMENT

Following appointment, an induction programme is arranged for each Director to help them gain an understanding of our business, key issues, 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.

A comprehensive induction plan has been arranged for Rita Clifton and Nish Kankiwala, including one-to-one meetings with each of the existing Directors, the Company Secretary, members of the Executive Team, Independent Directors, the President of Partnership Council and other members of senior management. The plan also includes opportunities to meet members of operational teams at Partnership sites across the business including regional and national distribution centres and branch visits, and visits to key Partnership locations such as the Leckford Farm.

## COMMITTEE EFFECTIVENESS

During the year under review, an internal Board effectiveness review was conducted by the Company Secretary which included its Committees. For further information on the review please see page 69.

## DIVERSITY STATEMENT

The Partnership Board has adopted a Diversity Statement, as set out below, regarding the composition of the Partnership Board, the aims of which are supported by the Partnership's 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 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 Constitution, three members of the Partnership Board are elected by Partnership Council and their appointments are not subject to oversight by the 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 or ethnicity.

Further information on diversity and inclusion in the Partnership can be found on pages 19 to 20. At year-end, the gender diversity of the Partnership Board was 71.4% female, 28.6% male.

**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 Statement 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 and objective criteria in order to enhance the Board's overall effectiveness and, within this context, should have due regard for diversity of gender, social and ethnic backgrounds, cognitive and personal strengths.
- 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.
- Potential internal candidates for Board appointments 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 Nominations Committee monitors the structure, size and composition of the Board to ensure due regard is given to diversity.

On behalf of the Nominations Committee.

Andew Martin

ANDY MARTIN
Non-Executive Director and Interim Chair of the Nominations Committee

## REMUNERATION COMMITTEE REPORT

The Committee oversees how the Partnership's pay policy is applied to the Chairman, Executive Directors and other senior leaders who report to the Chairman. As an employee-owned business with over 80,000 Partners, it is also vital that we consider the broader approach to reward across the Partnership.

We are committed to ensuring that pay arrangements for the Chairman and Executive Directors are competitive and appropriate in the context of business performance, the external market and pay arrangements for other Partners, in line with the Partnership's pay policy.

During the year, the Committee placed particular focus on ensuring that remuneration arrangements for new appointments to the Executive Team were appropriate, reflecting our pay policy. The Committee also approved payments for a member of the Partnership Board and Executive Team leaving the Partnership.

In response to the Covid-19 crisis, the Committee noted voluntary temporary pay reductions for the Chairman, Executive Team, Non-Executive Directors and some senior leaders. The Elected Director members of the Committee also reviewed the fees for the Non-Executive Directors of the Partnership Board including the Deputy Chairman.

In addition, in line with market practice the Committee agreed changes to pension supplement arrangements to align pension value for senior Partners with that for other Partners. The Committee reviewed the *2020 Be Yourself. Always Report* which included the Partnership's statutory gender pay gap reporting, together with ethnicity pay gap data as part of a broader diversity report.

The Committee took a close interest in the legislative and best practice developments around senior remuneration. The Committee agreed to voluntarily report a CEO pay ratio for the first time this year in addition to our Rule 63 reporting (see page 98). We are not obliged to adopt all these changes but continue to consider the extent to which they are relevant to the Partnership to ensure our approach to pay remains fair and transparent.

Looking forward, the Committee will continue to focus on ensuring the Executive Team are rewarded appropriately for the work they do whilst also being mindful of broader Partnership pay and external developments. The Committee has noted the Partnership's renewed intent to review its overall approach to pay and benefits. The Committee will also review its Terms of Reference to ensure they reflect best practice.

### MEMBERSHIP AND COMPOSITION

The Remuneration Committee normally comprises two Non-Executive Directors and two Elected Directors. This provides a combination of members who are independent of executive management and conscious of Partners' interests.

Decisions can only be made by the Remuneration Committee when at least one Non-Executive Director and one Elected Director are present. However, the required quorum is two Elected Directors when considering

Non-Executive Directors' remuneration. No Committee member can take part in any discussion or decision regarding their own remuneration.

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

| | |
|---|---|
| **Laura Wade-Gery** | Interim Chair of the Committee and Non-Executive Director |
| **Rita Clifton** | Non-Executive Director |
| **Andy Martin** | Non-Executive Director |
| **Nicky Spurgeon** | Elected Director |
| **Becky Wollam** | Elected Director |

Andy Martin joined the Committee on 25 March 2020. Keith Williams ceased to be a member and Chair of the Committee on stepping down as Deputy Chairman and a Non-Executive Director on 15 April 2020. Laura Wade-Gery acted as Interim Chair of the Committee for the remainder of the year and will step down as a member and Interim Chair of the Committee on leaving the Partnership Board on 30 April 2021. Rita Clifton joined the Committee on 1 February 2021 and will succeed Laura Wade-Gery as Chair of the Committee on 1 May 2021.

The Committee met on eight occasions during the year under review. All meetings were attended by all members who were eligible to attend, with the exception of Laura Wade-Gery who sent her apologies to one meeting.

## ADVISORS

In carrying out its responsibilities, the Committee is advised by Willis Towers Watson as independent remuneration consultant. Willis Towers Watson provides the Committee with executive remuneration advice and external market assessments. It also provides the Partnership with talent and reward consulting services and the Partnership uses its job evaluation methodology, software and compensation data services.

The Committee was also supported during the year by the Executive Director, People and the Head of Reward & Performance. Both attended Committee meetings by invitation but were not present for any discussions that related directly to their own remuneration.

## ROLE OF THE COMMITTEE

The Committee is responsible for:

1. Ensuring that there is a formal and transparent process for developing and applying executive remuneration policy to enable the Partnership to attract, retain and motivate executive management without paying more than is necessary with reference to the market; and
2. Making recommendations to the Partnership Board regarding the Chairman's pay and considering the pay of individual Executive Directors and senior management who report to the Chairman.

In addition, the Elected Director members are responsible for:

3. Setting the fees for the Non-Executive Directors of the Partnership Board.

The full Terms of Reference for the Committee can be found at www.johnlewispartnership.co.uk but the Committee is currently in the process of reviewing its Terms of Reference.

## COMMITTEE EFFECTIVENESS

During the year under review, an internal Board effectiveness review was conducted by the Company Secretary which included its Committees. For further information on the review please see page 69.

## PAY POLICY

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.

The Partnership's pay policy is set out in Rules 61, 62 and 63 of the Constitution.

**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** 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** 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.

The pay policy is supported by the Pay Standard which sets out how pay rates and ranges are set across the Partnership, as well as details of other pay elements (for example: bonuses, premium payments and allowances), pay review and holiday pay.

Each role in the Partnership, including all Executive Team roles, has a pay range that is informed by the market for comparable roles or groups of roles in comparable organisations. Each Partner's pay rate is reviewed annually with reference to the Partner's performance and their position within the pay range for their role.

As an employee-owned business, the Partnership does not operate annual incentive plans as would typically be the case in comparable organisations. However, Partners who make a special contribution to the Partnership outside of their normal responsibilities or who deliver exceptional performance in their role may be recognised with a special contribution bonus award of up to 10% of base pay.

## CHAIRMAN'S PAY

The Remuneration Committee is responsible for making recommendations to the Partnership Board regarding the Chairman's pay. When considering its recommendation, the Committee takes into account:

| |
|---|
| The annual review of the Chairman's contribution, undertaken by the Deputy Chairman and Chair of the Remuneration Committee. This is conducted through an assessment of performance against objectives with input from members of the Partnership Board and Executive Team in order to attain a '360 degree' view; |
| The Partnership's overall performance in the year; |
| An external market assessment provided by Willis Towers Watson; |
| Rule 63 of the Partnership's Constitution; and |
| The pay review approach and level of pay increases awarded to other Partners. |

In this reporting year, the Committee did not make a recommendation for the 2020 pay review in respect of Sharon White. Her pay was set inclusive of pay review on her appointment as the Partnership's new Chairman with effect from 4 February 2020.

### EXECUTIVE TEAM PAY

The Remuneration Committee also approves the pay of other Executive Directors. The Committee considers the Chairman's pay recommendations and also takes into account external market assessments provided by Willis Towers Watson for these roles.

In the reporting year, the Committee approved pay arrangements for four Executive Team members appointed to new roles including three external appointments. The Committee also approved pay arrangements for one member of the Partnership Board and Executive Team leaving the Partnership. In addition, the Committee supported a voluntary 20% pay reduction for a period of three months for all members of the Executive Team, in response to the Covid-19 pandemic.

### PARTNERSHIP PAY

During the year, the Remuneration Committee was provided with information and context on pay across the Partnership. This included the approach and outcomes by Partnership level for the 2020 pay review and senior leadership appointments through Future Partnership.

### PENSION CHANGES

As reported last year, the Committee agreed to Partnership Council's Special Committee for Pensions' recommendation that pension value for senior Partners should align with that for other Partners. As a result, pension value for the majority of senior Partners reduced to 12%, with effect from 1 April 2020.

The Committee further agreed to erode the enhanced pension supplements received by a small number of senior Partners to 12% by December 2022.

The Committee also agreed that from 1 April 2020, pension value for senior external hires would reduce to 8%, increasing to 12% after three years' service in line with the arrangements for all new Partners. This change was implemented for all senior external hires from this date, including the new external appointments to the Executive Team.

### CEO PAY RATIO

Since last year, UK-quoted companies with over 250 employees have been required to publish their CEO pay ratio figure in their annual reports. Whilst this requirement does not extend to the Partnership, the Committee agreed to the inclusion of a CEO pay ratio for the Partnership as part of this report, on page 98, in order to align with external best practice.

The Committee considered which of the three permitted methodologies represented the most appropriate way to calculate the ratio. The Committee chose to use Option B which involves identifying Partners at the 25th, 50th and 75th percentiles using the most recent gender pay gap information. This methodology was chosen as it makes use of an existing readily available and robust dataset and did not require significant further analysis.

For many years, the Partnership has published its own version of a CEO pay ratio in relation to Rule 63 which is well known and understood by Partners. The Committee therefore agreed to retain the existing Rule 63 disclosure this year (see page 98), in addition to reporting the CEO pay ratio in line with the regulations.

## GENDER PAY GAP REPORTING

The Committee reviewed the contents of the Partnership's *2020 Be Yourself. Always Report.* This included the Partnership's statutory gender pay gap reporting and voluntarily included other Partner data including our ethnicity pay gap, age, promotions and health and wellbeing.

The Committee noted the commitments set out in the report to reduce the Partnership's gender pay gap, the key areas of focus for our diversity and inclusion plan and progress made since last year. Further details can be found on pages 19 to 20.

## OUTLOOK

During the coming year, the Committee will continue to focus on ensuring remuneration arrangements for the Chairman, Executive Directors and senior leaders who report to the Chairman remain relevant and competitive for the Partnership today.

The Committee will continue to monitor corporate governance developments and best practice relating to remuneration and how these should apply within the Partnership. The Committee will oversee any remuneration policy changes that are required and their application.

The Committee will provide input as necessary to any review of senior reward arrangements as part of the broader Partnership reward review. The Committee will also continue to review the Partnership's diversity reporting and observe further legislative changes.

The Committee intends to review its Terms of Reference with the intention of broadening its role and remit to include wider consideration of reward across the Partnership in line with corporate governance guidelines.

## REMUNERATION REPORT

All references to the Chairman below relate to arrangements for Sharon White unless otherwise stated. All references to Executive Directors refer to any Executive Director who served on the Partnership Board during any part of the year. For the avoidance of doubt, such references do not include any Executive Directors who did not serve on the Partnership Board during the year.

## HOW MUCH DO WE SPEND ON PAY?

In 2020/21, the Partnership spent £1,806.1m on employment and related costs (2019/20: £1,603.8m). This represented 16.8% (2019/20: 15.8%) of the Partnership's revenue.

£1,538.3m (2019/20: £1,506.0m) was spent on basic pay. No Partnership Bonus was awarded in respect of the 2020/21 year. For the 2019/20 year each eligible Partner received 2% of their gross pay as a Partnership Bonus at a total cost of £30.9m.

### WHAT WAS THE CHAIRMAN PAID IN 2020/21?

In the year under review, Sharon White's total reward was £1,067,000. She was not eligible to receive Partnership Bonus in respect of 2019/20. On joining the Partnership pension scheme, she received a matching contribution of 12% of pay. On subsequently opting out of the Partnership pension scheme, she received pension supplement of 12% of pay. The value of Charlie Mayfield's total reward, as Chairman in the 2019/20 year, was £1,433,000.

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

| | **2021 Sharon White £** | 2020 Charlie Mayfield £ |
|---|---|---|
| Pay | **947,000*** | 1,109,000 |
| Partnership Bonus | **0** | 22,000 |
| Pension | **115,000** | 288,000 |
| Cash value of benefits | **5,000** | 14,000 |
| **Total reward** | **1,067,000** | 1,433,000 |

* It should be noted that the Chairman's actual pay in the period reflects the 20% pay reduction taken for a period of three months as noted above and would otherwise have amounted to £990,000.

### WHAT WILL THE CHAIRMAN BE PAID IN 2021/22?

In line with the broader pay review restraint for senior leadership within the Partnership, the Committee made no recommendation to the Board in respect of the Chairman's pay and as such it remained unchanged at £990,000.

### RULE 63 AND CEO PAY RATIO

The Rule 63 calculation is based on basic pay earned during the reporting period. For the 2020/21 year, the highest paid Partner was the Chairman, Sharon White. At the end of the reporting period, the Chairman's pay was 52 times the average basic pay of non-management Partners calculated on an hourly basis.

Although Rule 63 only applies to basic pay, the Committee also considers the relationship between total reward, including pension benefit and other benefits but excluding Partnership Bonus, 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 Chairman's total reward was 42 times the average total reward, based on the criteria set out above.

| | **2021** | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|
| Rule 63: Basic pay only | **52** | 63 | 66 | 68 | 70 |
| Rule 63: Total reward excluding Partnership Bonus | **42** | 54 | 55 | 56 | 58 |

Both ratios are significantly lower than in 2020 primarily driven by the Chairman's lower total reward in comparison to her predecessor. The ratios are also impacted by an increase in the average pay of non-management Partners and the changes to the Partnership pension scheme that took effect in April 2020.

This year the Committee also agreed to report a CEO pay ratio in addition to Rule 63 as set out below.

| Year | Methodology | 25th percentile ratio | 50th percentile ratio | 75th percentile ratio |
|---|---|---|---|---|
| 2021 | Option B | 54 | 49 | 36 |

The ratio compares the Chairman's total reward as reported above to the total pay of Partners at the 25th, 50th and 75th percentiles, as identified using 2020 gender pay gap reporting data. Total pay for the purposes of the calculation includes ranking pay, Partnership Bonus and pension value.

It should be noted for the purposes of both the Rule 63 calculations and the CEO pay ratio that the Chairman's actual pay in the period reflects the 20% pay reduction taken for a period of three months as noted above.

### NON-EXECUTIVE DIRECTORS' FEES

Non-Executive Directors receive fixed annual fees, which are determined by the Elected Directors on behalf of the Committee and set at levels that reflect the Director's responsibilities and external market data. Fees were reviewed by the Elected Directors in 2020/21 and no changes were proposed.

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

### ELECTED DIRECTORS' PAY

Elected Directors' pay is determined by their respective roles and responsibilities in the Partnership. They do not receive any additional pay or benefits for serving on the Partnership Board. Their pay is therefore not considered by the Remuneration Committee or Partnership Board.

### WHAT ARE THE CHAIRMAN, EXECUTIVE DIRECTORS AND NON-EXECUTIVE DIRECTORS PAID?

The table below shows the total remuneration for the year, including Partnership Bonus and pension benefit, for all Directors who served on the Partnership Board during any part of the year, excluding the Elected Directors. The aggregate amount of remuneration paid to or receivable by Directors in respect of qualifying services for the year under review was £2,142,000 (2019/20: £5,362,000). The Chairman, Executive Directors and Elected Directors are also entitled to the same benefits as all other Partners, including Partnership discount, long leave and other subsidies.

**Chairman's, Executive Directors' and Non-Executive Directors' Total Remuneration**

| 2020/21 | | 2019/20 |
|---|---|---|
| 2 | £1 – £50,000 | 0 |
| 2 | £50,001 – £100,000 | 2 |
| 1 | £100,001 – £150,000 | 1 |
| 0 | £150,001 – £200,000 | 0 |
| 0 | £200,001 – £250,000 | 0 |
| 0 | £250,001 – £300,000 | 0 |
| 0 | £300,001 – £350,000 | 0 |
| 0 | £350,001 – £400,000 | 0 |
| 0 | £400,001 – £450,000 | 0 |
| 0 | £450,001 – £500,000 | 0 |
| 0 | £500,001 – £550,000 | 0 |
| 0 | £550,001 – £600,000 | 0 |
| 0 | £600,001 – £650,000 | 0 |
| 0 | £650,001 – £700,000 | 0 |
| 0 | £700,001 – £750,000 | 0 |
| 0 | £750,001 – £800,000 | 1 |
| 1 | £800,001 – £850,000 | 0 |
| 0 | £850,001 – £900,000 | 0 |
| 0 | £900,001 – £950,000 | 1 |
| 0 | £950,001 – £1,000,000 | 2 |
| 0 | £1,000,001 – £1,050,000 | 0 |
| 1 | £1,050,001 – £1,100,000 | 0 |
| 0 | £1,100,001 – £1,150,000 | 0 |
| 0 | £1,150,001 – £1,200,000 | 0 |
| 0 | £1,200,001 – £1,250,000 | 0 |
| 0 | £1,250,001 – £1,300,000 | 0 |
| 0 | £1,300,001 – £1,350,000 | 0 |
| 0 | £1,350,001 – £1,400,000 | 0 |
| 0 | £1,400,001 – £1,450,000 | 1 |
| **7** | **TOTAL** | **8** |

## WHAT ARE THE PENSION ARRANGEMENTS FOR EXECUTIVE DIRECTORS?

At year-end, the Chairman and the Executive Directors who served on the Partnership Board during the year had all ceased to accrue further benefits in the Partnership's pension scheme. In lieu of pension accrual for current service, each Director received a monthly pension supplement.

These supplements are cash payments that are equivalent in value to the Partnership's matching contribution that the individual would be entitled to if they were a member of the Partnership's defined contribution pension scheme. Two Executive Directors were in receipt of an enhanced pension supplement. As noted previously, these will erode over time to 12% by December 2022. For 2020/21, the total pension supplement paid to the Chairman and Executive Directors was £245,000 (2020: £1,021,000).

## WHAT IS THE DEFINED BENEFIT PENSION VALUE FOR EXECUTIVE DIRECTORS?

The table below shows the aggregate annual defined benefit pension entitlement from the age of 60 accrued at the end of the year, for the Executive Directors 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 £505,000 per annum for three individuals (2020: £763,000 per annum for five individuals). The accrued pension for the Executive Directors increases in line with price inflation, according to 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 the reporting year, no Executive Directors had any entitlement to temporary pensions (2020: £18,000 per annum for three individuals).

### Executive Directors' defined benefit pension entitlement

| 2020/21 | | 2019/20 |
|---|---|---|
| 0 | £1 – £50,000 | 0 |
| 1 | £50,001 – £100,000 | 2 |
| 1 | £100,001 – £150,000 | 1 |
| 0 | £150,001 – £200,000 | 1 |
| 0 | £200,001 – £250,000 | 0 |
| 0 | £250,001 – £300,000 | 0 |
| 1 | £300,001 – £350,000 | 1 |
| **3** | **TOTAL** | **5** |

## WHAT DEFINED BENEFIT PENSION WILL THE CHAIRMAN RECEIVE?

The Chairman has no defined benefit pension entitlement.

## APPOINTMENTS AND LEAVERS

### PAYMENTS TO FORMER DIRECTORS

Patrick Lewis ceased to be a Director of the Partnership Board and Executive Director, Finance on 31 December 2020 and will leave the Partnership on 30 June 2021 after a period of long leave. In connection with leaving the Partnership he will be paid £1,539,237 as payment in lieu of salary, car, pension and other benefits for the remainder of his contractual notice period, payment for loss of office and contributions towards his legal fees.

Rob Collins, formerly a Director of the Partnership Board and Managing Director, Waitrose until 23 January 2020 left the Partnership on 31 July 2020. As noted in the 2020 Report, in connection with leaving the Partnership, he was paid £892,362 in respect of the balance of his notice period, redundancy pay and contributions towards his legal fees. This amount was reported and accounted for in 2019/20 but is noted here again since payment was made in the 2020/21 year.

Paula Nickolds, formerly a Director of the Partnership Board and Managing Director, John Lewis until 23 January 2020 left the Partnership on 31 July 2020. As also noted in the 2020 Report, in connection with leaving the Partnership, she was paid £939,773 in respect of her notice period, contributions towards her legal fees and the provision of outplacement support. This amount was reported and accounted for in 2019/20 but is noted here again since payment was made in the 2020/21 year.

### CONTRACTUAL NOTICE PERIODS FOR EXECUTIVE DIRECTORS AND ELECTED DIRECTORS

No Directors' contract of employment contains a notice period of greater than one year. No contract contains a provision regarding compensation for early termination.

### EXTERNAL APPOINTMENTS

The Partnership recognises that Executive Directors may be invited to become Non-Executive Directors of other companies and that these appointments can broaden their knowledge and experience to the benefit of the Partnership. The Non-Executive Directorships policy was amended with effect from 1 April 2021 to allow Partners, including Executive Directors, to retain any fee from an external appointment. Details of external appointments for Executive Directors are included within the biographies from page 71.

## REPORTING REQUIREMENTS

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

As 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 that apply 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 97 and 101 is cross-referenced with note 2.8.3 of the financial statements and forms part of the audited financial statements.

On behalf of the Remuneration Committee.

Laura Wade-Gery

LAURA WADE-GERY

Non-Executive Director and Interim Chair of the Remuneration Committee

## PARTNERSHIP COUNCIL PRESIDENT'S REPORT

*2020 marked the first full year of the re-shaped Partnership Council President role, following the appointment of Chris Earnshaw in October 2019. The role has constitutional responsibility for "the independence, health and effectiveness of the Partnership's representative bodies" (Rule 89) and for supporting them "with the necessary practical arrangements to maximise their effectiveness." As part of this remit, Chris also leads the Partnership Democratic Engagement team.*

'2020 has been challenging across all areas of our business, including democracy. The impact of social restrictions across the Partnership challenged us to think differently about how and when we engage through formal democracy and the results have given us much to think about.

Our culture has inherently been based around a set of assumptions that formal democratic meetings take place in a defined location with members being physically present. Any representatives and members of the Board unable to do so have, in the past, been recorded as absent and unable to take part in any discussions; with regard to Partnership Council, this also extended to an exclusion from formal voting on constitutional matters, recommendations and elections. This year we have seen a move to virtual meetings and the results will have a lasting impact on how we approach democracy going forward.

We have seen democracy come to life, as it adapted to meet the needs of the business. More regular meetings not only led to better relationships with the Executive and senior leaders but also facilitated more live and 'in the moment' feedback, which was extremely valuable as we responded to the ever changing environment in which we were living.

Although a reliance on technology (and especially using a camera during meetings) does fill some of us with fear, we have learnt to embrace it and use it to our advantage, enabling us to join in from wherever we have been working across the country. We have also learnt that we cannot afford to stand still and, pandemic or not, we needed to continue developing the Partnership Plan and key elements of our business. Our democratic structure is our fundamental point of difference and Partner opinion has been at the heart of our progression as a business this year."
CHRIS EARNSHAW
Partner & Partnership Council President

In this report you will find an overview of our formal democratic channels, both from a governance perspective and on some of this year's main achievements and discussion points. Alongside this, we reflect on the work of the Partnership Democratic Engagement team, including how they have supported and driven improvements in Partner engagement.

## PARTNERSHIP COUNCIL

> "Through the creation of the Partnership Plan, we worked closely with Partnership Council, in particular through forming a dedicated sub-group of Council, with whom I and other members of the core team met monthly. Over the six months of the strategic review, I used this group extensively as a sounding board on many of the key elements of the Plan, and they played an important role in the work we did to define our approach to communicating the Plan across the business when we launched in October."
> **Nina Bhatia, Executive Director, Strategy and Commercial Development**

The purpose of Partnership Council is to represent Partner opinion to support the Chairman and the Executive Team to ensure that the Partnership's continuing experiment succeeds. In sharing responsibility for the Partnership's health with the Partnership Board and the Chairman, Partnership Council holds the Chairman to account for the progress of the Partnership. It discusses, influences and makes recommendations on the development of policy. It shares in making decisions about the governance of the Partnership.

Council representatives are elected for a three-year term and reflect the opinions of Partners across the Partnership; we currently have 58 Council seats and held ten by-elections during 2020/21. All Board Directors, including Non-Executive Directors, are members of Partnership Council and regularly attend meetings along with the Trustees of the Constitution and the Independent Directors. These are unique opportunities to enable Directors and Trustees to develop an understanding of Partners' views and to act upon them.

The Council has three vital decision-making powers:

- To elect: three Trustees of the Constitution, three Directors to the Partnership Board, four Trustees to serve as Directors of the John Lewis Partnership Pension Trust, and a number of other roles
- To change the Constitution, with the Chairman's agreement
- To dismiss the Chairman

Partnership Council held six formal meetings during 2020/21 (February, May, July, September, November 2020 and January 2021), two conferences (November 2020 and January 2021) and 16 additional meetings since March 2020 and throughout the pandemic. During the initial phases of the pandemic, the Council and Executive met weekly.

The next Council election will be held in October 2021; this term was extended by four months to allow time for the design of new constituencies following the outcome of the Head Office Transformation (HOT) programme and to allow Forums to be elected in the first half of 2021.

### HOLDING THE CHAIRMAN TO ACCOUNT

As usual in May 2020, the Council expressed its views on the progress of the Partnership but it could not formally hold the new Chairman to account (by voting) for the year prior to her joining. The Council instead took the opportunity to produce their first formal written response to the Annual Report and Accounts, which was published in the *Gazette's* Google Currents community. In this they noted where there had been good progress, what had not been so good and where they wanted the Executive Team to focus on in the year ahead. This format was particularly successful as it helped to shape the conversation with the Chairman at the May meeting and provided a clear view of Council's opinion.

**Partnership Council's feedback on the overall purpose of the Partnership Plan:**

- Finish the strategy work, develop a costed and deliverable plan
- Deliver it and ensure we have a sustainable business in the future
- Be clear, be decisive, be bold, be fast and keep involving Partners

For the September Holding to Account session, the Council chose not to vote on the Chairman's leadership of the Partnership, as the half year had been so unusually impacted by the pandemic. They decided instead to write an open letter to the Chairman, which was published in the *Gazette* (9 October 2020). In this they noted several particular factors which they intend to revisit with the Chairman at the year-end Holding to Account session in May 2021:

- Progress is expected on improving talent planning in the organisation, and on the long-promised review of "total reward".
- More clarity is needed on who is taking the high-level view on profitability, as an end-to-end process.
- As the business changes its strategy, can we still be sure our values and purpose are not being sacrificed for profit? That what makes us a Partnership becomes more important in this period when our financial returns are challenged.
- Progress is also expected with regard to Rule 41 and the Chairman's remit to develop the Partnership's distinctive character and democratic vitality.
- Details on who will take accountability if the Partnership Plan and the related major change programmes do not deliver.
- Council expected the Chairman to have reset expectations for the quality of leadership throughout the organisation. In a period of huge pressure and substantial change, leaders at all levels will help Partners understand, process and deliver change, will unblock the organisation to deliver profit, and will ultimately give Partners a reason to believe in the Partnership.

"By next May Councillors expect to have confidence in you that we will see that difference coming through for our Partners, for our customers and in our profit figures."
**Partnership Council letter to the Chairman, September 2020**

## FOCUS GROUPS

Through its Focus Groups, sub and sprint groups, Partnership Council is able to work in more detail on key areas in which it wishes to influence senior leaders and policy and support the Council to fulfil its responsibilities as a governing authority. The work of the Council and the Focus Groups is coordinated by the Steering Committee, who organise the work of the Council.

### PARTNER FOCUS GROUP

The Partner Focus Group aims to support the business in enhancing the Partner experience.

"2020/21 was a mammoth year and in each conversation we focussed on becoming a trusted critical friend to the People and wider Executive Teams. We saw early engagement from them when Covid-19 meant uncertainty hit the Partnership with John Lewis shops closed, and Waitrose shops and our supply chain stepping up to new heights of performance. We influenced the decisions around free PDR offering, Partner recognition during the first lockdown, increased Waitrose discount and we formally requested a review of resourcing challenges at the end of last year. This is not to mention the numerous times we talked about the

transition to a new HR platform, Pay for Performance, Total Reward and talent & progression - all of which we are keen to see addressed through the upcoming Partner Plan."
**Sarah Schuh, Partner Focus Group Member**

DIVERSITY AND INCLUSION FOCUS GROUP

The Diversity and Inclusion Focus Group supports the Partnership in achieving its aim of becoming the UK's most inclusive business, reflecting and connecting with the diverse communities that we serve.

"The Diversity and Inclusion Focus Group has had a busy year. The group tested and provided feedback for the new Diversity and Inclusion training material before it was released to Partners. We have been working closely with the Partnership Networks to share voice, determine collaborative actions and support them in increasing their visibility and Partners' awareness. We are also challenging how best to 'measure' leadership intent and spirit in engaging with diversity and inclusion conversations."
**David Packard, Diversity and Inclusion Focus Group Member**

FINANCE FOCUS GROUP

The Finance Focus Group works closely with our Finance teams to bring a Partner perspective to how we best manage and communicate our finances.

"The Finance Focus Group played an important role as a sounding board on some key decision areas during 2020/21. These have included providing feedback and challenges around the decision to pause paying a bonus until newly set targets are reached and influencing how we can help Partners feel rewarded, by influencing the extension of increased discount and free PDRs. We are also always keen to ensure that we communicate these decisions out to the Partnership so that Partners understand the rationale as well as the decision itself."
**Antoinette Wood, Finance Focus Group Chair**

WELLBEING AND FINANCIAL ASSISTANCE FOCUS GROUP

The Wellbeing and Financial Assistance Focus Group oversees the provision of support to Partners in circumstances of financial hardship. This is not always through the provision of grants or loans: the Partner Support team, which sits within the People Directorate, also assists with advice or signposting on budgeting and similar matters.

Nevertheless, in 2020/21 the Focus Group agreed provision of support to 723 claims: 256 cases related to support for loss of income through illness (£144,590 awarded, of which £3,117 was offered in the form of a recoverable loan); 465 cases related to hardship (£279,870 awarded, of which £181,257 was offered in the form of a recoverable loan); and 2 cases were from Partners seeking assistance with long leave plans (£8,800 was offered in the form of a recoverable loan).

The Focus Group also determines the discretionary awards of Benefits in Retirement and Benefits of Long Service in redundancy. In addition, Council funds were used to pay leaving gifts to Partners with more than ten years' service and wedding gifts. These amounted to £515,990 in 2020/21.

The group is looking forward to playing its part in the Benefits Review, particularly the Benefits in Retirement policy.

CUSTOMER AND DIGITAL FOCUS GROUP

"The Customer and Digital Focus Group was newly formed in October 2020, and we are excited about the opportunity this gives us to champion customer opinion through Partners' voices. Ultimately we will seek to shape business decisions on new and existing propositions and services arising from the Partnership Plan. Working with the two brand Executive Directors (James Bailey and Pippa Wicks) and the Chief Information Officer (Mike Sackman), we will discuss, influence and make recommendations on the development of customer propositions, digital sales channels and technology supporting sales and customer facing services."
**Dan James, Customer and Digital Focus Group Chair**

PARTNERSHIP PLAN SUB-GROUP

"The Partnership Plan group's ongoing engagement with senior stakeholders has evolved into an 'open door' relationship, ensuring momentum is maintained to deliver the critical elements of the Plan. We have been probing and curious as a group, providing reflective and honest feedback, specifically about the need to land the Plan at pace. The group has agitated in the space around communication, which should be simple, clear and jargon free. We have sense checked the landing of strategic priorities in 2021 and the governance that sits behind these."
**Martin Nicholls, Partnership Plan Sub-Group Member**

MEMBERSHIP SPRINT GROUP

"The Partnership Plan sets out the ambition of partnering with other businesses to provide business resilience and generate growth. The Council sprint group on Membership was formed in November 2020, to assess the implications of partnering in relation to protecting and enhancing the Partnership's co-ownership model.

We have already considered establishing guardrails for the scale and nature of franchising agreements, enhanced standards and expectations for third parties, and the value of membership. Next we will be looking at how our co-ownership can evolve, initially through testing the existing co-ownership principles against scenarios for different commercial models.

By addressing the key issues and being confident of the right approach, we should be well placed to achieve growth consistent with our principles through combining our unique strengths with the capabilities of others."
**Mandy Bagnall, Membership Sprint Group Member**

CONSTITUENCY SUB-GROUP

"The Constituency sub-group is working closely with the Partnership Democratic Team to prepare for the 2021-24 Forum elections. Our ambition is to make democracy more accessible for Partners by reviewing constituency structures and election methods.

A number of trials are taking place at the moment to support the final shape and ways of working for Forums. These include subject-led Forums, Night Shift Forums and shared seats to enable greater representation. The group is helping to test thinking and governance around these."
**Jay Hawkins, Constituency Sub-Group Member**

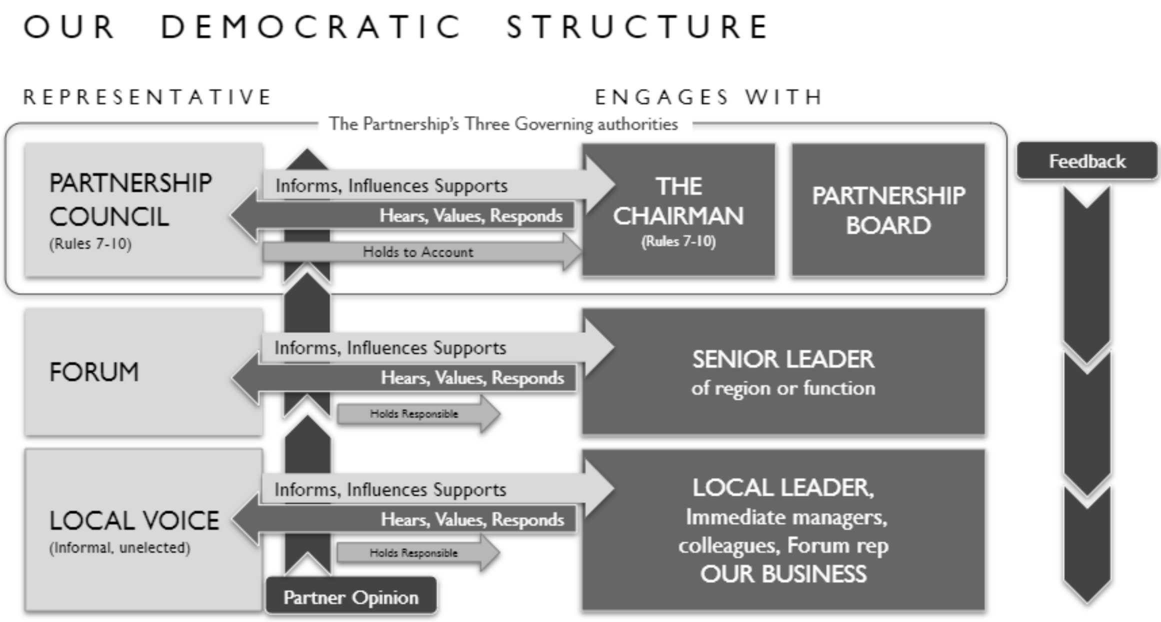
As well as discussions around the business' response to the pandemic (safeguarding; furloughing; reward and recognition), other key Council topics have included Black Lives Matter, PartnerVoice liberation and resourcing.

**BLACK LIVES MATTER**

A diverse Council is not guaranteed by our election method alone. To better understand the disparity of experience and build tangible actions, the Council were joined at their July meeting by seven black Partners whose experiences have helped build understanding in this area. As a result of this conversation, there are longer-term decisions being taken to ensure we hear more from diverse and unique voices, which will inform how we set up our next term of Partnership Council and Forum constituencies.

**PARTNERVOICE LIBERATION**

PartnerVoice liberation trials have been taking place across the Partnership since 2019 and, following numerous discussions about the successes, learnings and practicalities of this, Council voted to formally liberate PartnerVoice in September 2020. The impact of this decision is significant, as it not only affects every single Partner in the business but also signalled a trust in leaders to use their autonomy and judgement to bring the principles of democracy alive at the most local level. In effect, Council has removed the rigidity of 'process' and instead given Partners the freedom to determine how best they wish to influence and shape the business they work in.




**REVIEW OF RESOURCING**

Following a discussion and vote at the November Council meeting, the Council made a recommendation to the Chairman that an independent review be commissioned into resourcing, for the period between September to December 2020. Specifically, Council requested for the business to identify the root causes and the impact on business performance for those units unable to recruit sufficient resources during this time. The results of the review and any lessons learnt are expected to be available before the end of April 2021.

## FORUM

Forum is our second formal layer of democracy. Forum representatives are elected for a three-year term and reflect the opinions of the Partners they represent. Senior leaders attend regional Forum meetings, in order to develop an understanding of the views of Partners locally and to act upon them. Partnership Councillors also attend Forum meetings, so that they may hear the views of Partners.

A variety of Forum experiments took place throughout 2020. Express Forums and Informal Representation enabled us to align with agility to the needs of the Partnership and cover representatives away from the business during the pandemic. Full-day, quarterly Forums were replaced with an 'express' virtual format, which gained traction and delivered a far more regular rhythm of conversation than the business was used to. This regularity kept leaders abreast of how Partner opinion changed as the situation and the Partnership's response progressed. This included the provision of personal protective equipment, supporting vulnerable customers and helping John Lewis stores prepare a re-engagement strategy in each shop. This approach continues, with the length and frequency being set to suit each region, community or business area.

Informal Night Shift Forums were set up in two Waitrose communities in response to opinion coming through from Partners on the need for this. An Informal Head Office Forum was set up to support cross functional conversation, regardless of structure limitations and working location. A Pop-up Forum took place for John Lewis in January 2021, to review Christmas from a brand-specific point of view.

## PARTNERSHIP DEMOCRATIC ENGAGEMENT

### DEMOCRATIC VITALITY

The Democracy Coach team have conducted quarterly assessments on the democratic health of every business unit/area since 2017, which can be used to identify areas of focus and support Council's Rule 41 considerations, when holding the Chairman to account. During the latter part of 2020, these independent assessments have been integrated into Selling and Service metrics which signalled for the first time that Democratic Vitality is an integral, non-negotiable part of our business. During 2021/22, it is expected that the Partnership Democratic Engagement team will assess how these will also evolve in other business areas.

### GATHERING VOICE TOOL

The Partnership Democratic Engagement team focused their energies and resources on gathering and sharing Partner sentiment with the Executive and Covid-19 Silver Group in 'real time' this year; at the height of the pandemic this was happening daily and has now settled to a weekly rhythm. Close working with the Partner Communications team built the richest possible picture during the pandemic, which gave weight to the opinion coming through democratic and social media channels and helped to identify new and emerging opinions such as the clear recommendation to increase Partner discount, key lines being reserved for NHS workers and pay for shielding Partners.

## FUTURE DEMOCRACY

Democracy is our differentiating competitive advantage in an ever toughening climate. The President's role should optimise Partner voice, opinion, knowledge and power, reflecting the imperative of change, though effective formal democratic structures. In support of this, the 'Future Democracy' project restarted in July 2020, looking at the organisational steps needed to better integrate and activate democratic vitality within the Partnership, including how democratic vitality is supported and the set-up for formal democracy, with a specific focus on hearing diverse and unique voices. The project is intended to be concluded during 2021.

## JOURNALISM

There are a number of ways that Partner opinion is voiced and taken into account in decision-making in all levels of the Partnership. The Partnership fosters lively correspondence in its journalism and any Partner may write, anonymously if they wish, to express their opinions on any topic through the open system of journalism in the weekly *Gazette*, without fear of repercussions. This is safeguarded in the Constitution. A letter to the *Gazette* must be published, with any comments from the appropriate member of management, within 21 days.

## DEMOCRACY IN 2021/22

There has never been a more important time to draw on the ideas and experiences of our Partners, as we navigate our way out of the pandemic. The conclusion of the Future Democracy project will set the stage for a much stronger Partner experience, where everyone's opinion is utilised in service of our purpose, the Partnership Plan and our democratic principles.

We will elect new representatives for our Forums and Partnership Council, and all Partners are encouraged to embrace their new found freedom of expression through the liberation of PartnerVoice. The work of our Council groups will continue to drive forward both the customer and Partner experiences and through these, we will be able to look more closely at, and help to shape, many aspects of the Partnership Plan.

CHRIS EARNSHAW
Partner & President of Partnership Council

## DIRECTORS' REPORT

The Directors' Report for John Lewis Partnership plc ('the Partnership' or 'the Company') for the year ended 30 January 2021 comprises pages 61 to 118 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 414C(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 -** pages 4 to 7, 21 to 23 and 28 to 37
- **Risk management -** pages 48 to 56
- **Employee engagement -** pages 15 to 16 and pages 103 to 110
- **Engagement with suppliers, customers and others -** pages 9 to 10 and 28 to 33
- **Equal opportunities, diversity and inclusion -** pages 19 to 20, as well as pages 91 to 92
- **Research and development -** pages 21 to 40

In accordance with the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended by the Companies (Miscellaneous Reporting) Regulations 2018), the Company's statement on engagement with, and having due regard to, the interests of key stakeholders is contained within the Section 172(1) statement in the Group Strategic Report on pages 41 to 47.

The Partnership's statements on corporate governance can be found in this Governance section of this Annual Report and Accounts on pages 61 to 118. This includes the Audit and Risk Committee Report, the Nominations Committee Report and the Remuneration Committee Report.

For more details on the progress the Partnership is making with its ethics and sustainability aims, for the latest Modern Slavery Statement and for more detailed non-financial performance information, please visit www.johnlewispartnership.co.uk/csr

## THE PARTNERSHIP'S CORPORATE GOVERNANCE STATEMENT

Following the revision of the UK Corporate Governance Code (the Code) and the publication of the Wates Principles, and in light of full reviews of its own governance arrangements, the Board agreed in 2018/19 that the Partnership would cease voluntarily reporting against the Code or any other formal corporate governance code, because it is governed by its own Constitution. The Constitution is broadly consistent with the Wates Principles. A full explanation of the Partnership's governance is provided in this Governance section of this Annual Report and Accounts on pages 61 to 118. However, we continue to use the Code as a benchmark against which to measure the continued relevance of the Constitution. Upholding good standards of corporate governance has always been, and will always be, part of the foundations for the Partnership's model.

The Partnership's model addresses key areas added to the revised Code: that a company's culture should promote integrity and openness, value diversity and be responsive to the views of shareholders and wider stakeholders; and that company boards should ensure there are mechanisms in place for effective engagement with the views of the wider workforce - an approach which the Partnership's Founder, John Spedan Lewis, put at the core of the Partnership's model over 100 years ago.

WHAT IS THE CODE?

The Code sets out standards of good practice on board composition and development, remuneration, shareholder relations, accountability and audit. It is published by the Financial Reporting Council (FRC). The latest edition of the Code was published in July 2018 and became mandatory for accounting periods starting on or after 1 January 2020. However, the Code only applies to companies with a 'premium listing' on a UK stock market and it is therefore not mandatory for the Partnership.

WHAT ARE THE WATES PRINCIPLES?

Not every large company is listed on a stock market and has to follow the Code. Those that are not are referred to as 'privately held' companies. In response to concerns about responsible business practices in some of these companies, the law was changed in 2018 to introduce new reporting requirements for large privately held companies. The Wates Corporate Governance Principles for Large Private Companies are designed to provide companies with a framework against which they may choose to report.

Both the Wates Principles and the Code are available to view at www.frc.org.uk

## PRINCIPAL ACTIVITY

The Partnership's principal activity is retailing, with the main trading operations being the John Lewis and Waitrose brands: John Lewis operates in a number of different formats including John Lewis stores, online (Johnlewis.com), financial services, in-home services, and sourcing offices in Gurgaon, India and Kwun Tong, Hong Kong; Waitrose operates supermarkets and convenience shops, including shops which operate under licence in the Middle East, online (Waitrose.com and specialist sites for wine, plants and flowers) 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 and Elected Directors of the Company, as employees of John Lewis plc, are 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 other subsidiaries.

## CAPITAL STRUCTURE

At 30 January 2021, the Partnership had in issue 612,000 deferred ordinary shares of £1 each and 104,169,594 share incentive plan (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 other subsidiaries within the Partnership. The total issued share capital of the Partnership was £104,781,594 at the year-end (2020: £104,781,594).

## DIVIDENDS AND PARTNERSHIP BONUS

No dividends were paid on the deferred ordinary shares (2020: £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 instead to recommend the payment of Partnership Bonus to eligible employees. The Board decided on 4 March 2021 not to award a Partnership Bonus for the financial year 2020/21.

Partners benefit from employee ownership tax relief, which allows them to receive the first £3,600 of their Partnership Bonus free of Income Tax. National Insurance Contributions (NICs) however are still due.

The Partnership also 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. Dividends on SIP shares (issued in connection with BonusSave) during the year under review were £221,000 (2020: £299,000).

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. Details of SIP shares can be found in note 5.5 to the consolidated financial statements.

## CONFLICTS OF INTEREST

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 from page 71. 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 any third party indemnity between each Director and the Company, as granted in accordance with the Company's Articles of Association.

## STREAMLINED ENERGY AND CARBON REPORTING

The Partnership continues its commitment to reducing the energy consumption and the carbon impact that our operations have on the physical environment and, in October 2020, we brought forward our net zero carbon target across our operations by 15 years, to 2035. We've also committed to reducing our absolute energy use by 25% in ten years from a 2018 baseline, and continue to significantly invest in sustainable energy sources and energy efficiency programmes.

Since 2017, the Partnership has purchased Renewable Energy Guarantees of Origin (REGO) certified renewable energy. In 2020, 97% of electricity consumption across our physical estate was from REGO certified renewable sources (Scope 2 Market-based). We are working with our landlords to convert the remaining 3%.

We recognise the need to look beyond our own direct operations in order to understand and reduce indirect emissions, including within our supply chains. Starting with our agricultural supply chains, in October 2020 we set a bold new target to only source from net zero carbon farms in the UK by 2035.[17]

[17] This target will be achieved collectively by UK farms providing protein and fresh ingredients in Waitrose own-brand products.

This section of the Director's Report discloses our operational energy consumption, carbon footprint, and energy efficiency initiatives from January 2020 to December 2020 in line with the UK Government's Streamlined Energy and Carbon Reporting (SECR) regulation.

## METHODOLOGY

The Partnership reports on all of the Greenhouse Gas (GHG) emission sources as required under the Streamlined Energy and Carbon Reporting (SECR) legislation. The methodology used to calculate our GHG emissions and energy use is the GHG Protocol Corporate Accounting and Reporting Standard (revised edition), using the operational control approach on reporting boundaries.

The data has been calculated using BEIS 2020 emission factors for all carbon streams, with the exception of certain refrigerants, market-based renewable electricity, and emission sources associated with our Leckford Farm, which are taken from industrial and academic sources. All emissions and energy usage is UK based apart from a small percentage of GHG scope 3 business travel. The intensity metric that the Partnership uses for normalising emissions for annual comparison is tCO2e per £million sales.

This year KPMG LLP has issued an unqualified opinion over the selected data highlighted in this table with an asterisk (*) using the assurance standards ISAE (UK) 3000 and ISAE 3410. KPMG LLP's limited assurance statement and the reporting criteria that we used as the basis of preparing the selected data, the 'John Lewis Partnership's Basis of Reporting' are both available at www.johnlewispartnership.co.uk/csr

## THE PARTNERSHIP CARBON EMISSIONS AND ENERGY CONSUMPTION

| **Global GHG emissions data**[18] | **2020** | **2019** | **2018 baseline** |
|---|---|---|---|
| **Scope 1 (tonnes CO2e)**[19]<br>Combustion of gas and fuel for transport purposes, refrigeration | 141,078* | 156,755 | 168,029 |
| **Scope 2 (tonnes CO2e)**[20]<br>Electricity purchased, heat and steam generated for own use<br>– Location-based<br>– Market-based | <br><br>130,352*<br>5,817* | <br><br>160,018<br>8,121 | <br><br>182,978<br>7,352 |
| **Scope 3 (tonnes CO2e)**[21]<br>Offsite water treatment, business travel, waste to landfill and transmission and distribution losses from purchased electricity | 31,534* | 40,478 | 44,373 |
| **Intensity metric (tonnes CO2e per £m sales)**<br>– Location-based<br>– Market-based | <br>25.5<br>15.0 | <br>30.9<br>17.7 | <br>N/A[22]<br>N/A |

[18] Figures presented are for each approximate calendar year.

[19] Scope 1: Emissions associated with our direct activities, such as heating our shops and offices and running our fleet of trucks, our agricultural emissions and company cars.

[20] Scope 2: Emissions from the electricity we purchase. 'Location-based' represents the GHG intensity of the grids where we have sites and 'Market-based' reflects the emissions for the electricity we have purchased.

[21] Scope 3: Emissions from our indirect activities under our operational control or operations influences e.g. business travel that isn't in company-owned cars.

[22] In February 2020 the Partnership created a new sales measure known as total trading sales (see note 2.1 for more details). The Partnership only restated this measure for 2019/20, therefore our 2018 'Location-based' and 'Market-based' intensity metrics are not included in this table as the total trading sales which we will use to calculate our intensity metrics going forward are not available for this period.

| **Energy usage** | **2020** | **2019** | **2018 baseline** |
|---|---|---|---|
| **Partnership energy consumption**<br>Total energy consumed (electricity, gas and transport) (kWh)<br>- Electricity<br>- Gas<br>- Transport | <br>1,142,282,360<br>555,536,097<br>243,672,698<br>343,073,565 | <br>1,234,662,932<br>619,994,602<br>275,471,536<br>339,196,794 | <br>1,280,410,028<br>639,096,177<br>284,809,768<br>356,504,083 |
| **Partnership electricity renewable** %<br>Total electricity which is renewable % | 97.4% | 97.2% | 97.7% |

In 2020, the Partnership continued to reduce its overall carbon emissions and energy consumption. The Covid-19 pandemic, which forced the closure of John Lewis shops, and during which many Partners worked from home, was a contributing factor. In comparison, due to the surge in e-commerce home deliveries, particularly by Waitrose (as a result of more online shopping and expected growth due to the departure from Ocado), energy usage across the Partnership's transport fleet increased in 2020.

ENERGY EFFICIENCY

Despite the impact of Covid-19 resulting in a number of John Lewis and Waitrose temporary shop closures, in 2020 we continued to progress well with further investment in energy efficiency measures across our physical estate to drive notable savings against our energy reduction targets. These include:

Buildings

- To date, the latest generation LED lighting with integrated occupancy control has been retrofitted into 32 Waitrose shops, 9 John Lewis shops, and three non-trade buildings. The scope of these projects replaces all the conventional lighting throughout each site. Overall the savings are expected to be in excess of 14,750,000 kWh per year.
- We have made further investments in electronically commutated (EC) fan technology in our Heating, Ventilation and Air Conditioning (HVAC) systems with an improved control strategy to further improve system efficiency. In 2020 we have deployed EC fan upgrades into 7 John Lewis and 11 Waitrose shops and one non-trade building. The expected electricity saving across the 19 sites is estimated to be 2,500,000 kWh per year or in excess of 35%.
- We continue to deploy the pioneering 'Air Door' technology which lessens hot and cold air infiltration into a building, thereby reducing energy consumption required to regulate temperatures. We have installed 'Air Doors' in four further shops this year and continue to monitor the benefits these bring to our shops.
- We developed a 'store of the future programme', which includes digital twins of several of our stores, enabling us to virtually model the effects of engineering and energy efficiency measures. This insight will become invaluable when looking at new technologies and, in turn, enable us to trial efficiency measures virtually.

Refrigeration

- We continue to trial innovative energy efficient refrigeration with developments to frozen food cabinets and cold room efficacy. Using advanced Computational Fluid Dynamics (CFD) analysis we have refined the case design to improve chilled air flow, significantly improving their energy efficiency.

- An additional eight Waitrose shops received a refrigeration upgrade this year. This involved a full replacement of conventional Hydrofluorocarbon (HFC) based refrigeration systems to a low GWP water cooled alternative and an upgrade to the latest Next Generation Refrigeration (NGR) case which has been developed using advanced Computational Fluid Dynamics (CFD) and provides significant energy savings versus conventional open cases.
- Following the successful deployment of ECO Blade™ in 273 Waitrose stores, we have further developed this technology to retrofit onto fruit and refrigerated vegetable (FRV) cases. This aligns with our commitment to improve refrigeration efficiency and associated carbon emissions. Starting in February 2021, ECO Blades are being retrofitted onto 211 branch FRV cases and are predicted to deliver further 1,771,055 kWh in electricity savings per year and improve the temperature control of each case.

For more information on the Partnership's Ethics and Sustainability Strategy including climate action visit www.johnlewispartnership.co.uk/csr

## 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, who was a Director of the Company during the year under review until his resignation on 31 December 2020, has the benefit of this indemnity in relation to his term as Trustee from August 2009 to September 2015.

## 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 19 to 20 in the Group Strategic Report and the Nominations Committee Report on pages 91 to 92 for more information on the Diversity and Inclusion Policy and the Board Diversity Statement in respect of diversity on the Partnership Board.

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

Waitrose is subject to the Order and the GSCoP. Please see pages 85 to 87 of the Audit and Risk Committee Report for more information on compliance with GSCOP and the Order.

## 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 188 onwards, include further information on our use of financial instruments.

## RETIREMENT BY ROTATION

The Partnership does not operate a system of retirement by rotation or annual election or re-election at three-year intervals by shareholders.

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 Partnership Council (see page 65). These meetings are also attended by Partnership Board Directors. If Partnership Council judges that the Chairman has failed to fulfil, or is no longer a suitable person to fulfil, the responsibilities of their office, it may pass a 'Resolution upon the Constitution' to dismiss the Chairman.

The Elected Directors are appointed or re-appointed in accordance with the outcome of a vote of Partnership Council. The next election is expected to take place during 2021.

## 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 at 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. Refer to pages 125 to 128 for further detail, in particular the assessment by the Directors of the impact on the Partnership of the Covid-19 pandemic.

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 4 to 60.

## VIABILITY STATEMENT

The Directors have assessed the prospects of the Company over a three-year period to January 2024. This has taken into account the business model, strategic aims, risk appetite, and principal risks and uncertainties, along with the Company's current financial position. Based on this assessment, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the three-year period under review. See pages 57 to 60 for the Partnership's full Viability Statement.

### EVENTS AFTER THE BALANCE SHEET DATE

Since 30 January 2021, there have been two 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.

### COMPANY SECRETARY

Peter Simpson was appointed Company Secretary with effect from 31 January 2018.

### ANNUAL GENERAL MEETING (AGM)

The Partnership's 2021 AGM will be 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
Partner & Company Secretary
John Lewis Partnership plc
21 April 2021