



EMERGING STRONGER

JOHN LEWIS PARTNERSHIP PLC
ANNUAL REPORT AND ACCOUNTS 2021



JOHN LEWIS
& PARTNERS

JOHN LEWIS
PARTNERSHIP

WAITROSE
& PARTNERS

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FIND OUT MORE

For more information on the progress we are making against our Ethics and Sustainability Strategy and to read our latest Modern Slavery Statement, visit www.johnlewispartnership.co.uk/csr

More detailed, non-financial performance information can also be found at www.johnlewispartnership.co.uk

STRATEGIC REPORT

Message from the Chairman

EMERGING STRONGER

Dear Partner

The past year has been one of the most challenging in the Partnership's history. The worst of times brings out the best in people and I could not be more proud of the commitment and dedication of Partners, in the most unimaginably difficult circumstances. We have come through the pandemic stronger and that is because we are a Partnership.

It's a privilege to be a Partner in the UK's largest employee-owned business. Employee ownership means we pull together in the good times - and in the tougher moments. You have shown extraordinary agility, creativity and adaptability as the Partnership has worked so hard to keep our customers fed and cared for through lockdowns.

Your safety and the safety of our customers have been paramount throughout the pandemic and remain so. We were one of the first businesses to introduce social distancing - ahead of it becoming law - and an early adopter of rapid testing for Partners at scale. We are investing more in mental health support for Partners, conscious of the toll the last year has taken. As a Partnership, it is even more important to us that in the tough times we also reach out to those in our communities with the greatest needs.

The climate emergency presents an even greater challenge than the pandemic, and we believe now is the time to accelerate efforts to improve sustainability. We are not perfect but we are trying hard. We became a signatory of HRH The Prince of Wales' Terra Carta earth charter in February 2021. In the same month, Waitrose topped Greenpeace's annual league table as the best supermarket in tackling single use plastics, thanks in part to our Unpacked initiative. We continue to champion animal welfare standards, becoming the first retailer in the world to measure the emotional wellbeing of farm animals using a specialist mobile app.

OUR FINANCIAL PERFORMANCE

In a difficult year, the Partnership recorded a Loss before tax of £(517)m, compared to a Profit before tax of £146m in the previous year. This is the result of substantial exceptional costs of £(648)m, mainly the write down in the value of John Lewis shops owing to the pronounced shift to online, as well as restructuring and redundancy costs from store closures and changes to our head office. John Lewis shops are now held on our balance sheet at almost half the value they were before this year's and last year's write downs. Before the pandemic we judged that £6 in every £10 spent online with John Lewis was driven by our shops. This has fallen to £3 in every £10.

Our Profit before exceptionals was £131m. While this was up £61m on the previous year, the Partnership would have made a loss before exceptionals if it weren't for crisis-related support from the government. We were helped by support from the government of £190m, which was made up of business rates relief and furlough support (the latter claimed only to July 2020). Government funding has been used for the purpose it was designed for - to protect the business - and was critical to cover the direct operational costs relating to Covid-19 and the substantial hit to trading operating profit. The business rates relief has helped to keep us running and avoid more severe restructuring of the Partnership, which would have put more jobs at risk at a time when the high street is already under pressure. We are not out of the crisis yet and the economic environment remains

extremely uncertain. Therefore, our current intention is to accept the business rates relief made available from April to June 2021, but we will keep this under review.

Trading operating profit was significantly challenged as the improvement seen in Waitrose, in part helped by the closure of the hospitality industry, was insufficient to cover the substantial decline in John Lewis as 'non-essential' physical retailing closed temporarily. However, we improved our cost base with pension costs reducing by around £55m following the closure of the Partnership's defined benefit pension scheme in April 2020. There was also an almost £25m reduction in the depreciation of John Lewis shops - i.e. less wear and tear - owing to their significantly reduced value in our accounts through the exceptional write down.

We entered this year with our financial performance already challenged - profits and Partnership bonus having fallen for the past three years. We are having to take very difficult decisions to return the business to a path of sufficient profit of £400m by 2025/26. Last year we closed eight John Lewis stores and seven Waitrose stores that were loss making, and we are in the process of reducing the cost of our head office by 20%. We have seen limited operational impact from Brexit so far owing to our advance preparations and the Brexit trade deal.

With a challenging external environment and difficult decisions as a Partnership, I could not be more proud of Partners. You have responded with exceptional agility - providing new services to customers, whose satisfaction with both brands has risen year on year.

Thanking Partners

In recognition of Partners' hard work, we introduced free food on site and raised the Waitrose shopping discount to 25% during the three lockdowns. We also made thank you payments to all non-management Partners and first level managers who worked in April and May 2020. The total cost was around £55m.

We wish we were in a position to pay a bonus and it was a very difficult decision not to. The Partnership Board believed that to do so would have held back our ability to protect the business in very difficult times and to lay the foundations to return to sustainable profit.

We are committed to restarting bonus as soon as our profits (before exceptionals) reach £150m on a sustainable basis and our debt ratio is below four times, and to paying the voluntary real living wage when profits rise to £200m.

THE YEAR AHEAD

We now have a five-year Partnership Plan. The first priority is to reduce our costs and reinvest the proceeds in improved customer service to ensure that John Lewis and Waitrose remain the go-to brands for quality, value and sustainability, with greater ease and convenience. With retail margins declining and the Partnership wishing to return more benefit to Partners, customers and communities, we are aiming that, by 2030, 40% of our profits will come from areas outside retail, namely financial services, housing and outdoor living.

The outlook is uniquely uncertain as the country charts its exit from lockdown. No one has a crystal ball to predict the strength and pace of the recovery - or the future course of the virus. Our priority is to make sure that the Partnership is well placed to serve our customers, however they want to shop with us. We are expecting working from home to be at higher levels than before the crisis as more people work a 'hybrid' of home and office.

Many customers will have accumulated savings over the past year, having been less able to spend on holidays and going out. This pent up demand might be spent shopping or on the experiences that they have been deprived of in the past year. Equally, with unemployment and inflation both forecast to rise, our customers may be more hesitant about spending and more cost conscious.

Funding the Plan

We managed cash tightly through the year and intentionally slowed investment when the crisis hit to preserve cash. We also obtained new medium term bank loans of £150m, and raised £136m from the sale and leaseback of 11 Waitrose shops.

Consequently, our liquidity as at 30 January 2021 was abnormally high with £1.5bn cash plus bank facilities of £500m. The cash balances will be required to help meet our obligations - we carry £2.1bn of total net debts (including pensions and leases), with £575m of borrowings due to be repaid in the next four years. They will also provide us with a buffer to withstand material volatility in trading. Managing cash prudently is particularly important for the Partnership as we cannot raise money from equity capital markets by design of our structure.

We are targeting a £300m a year cost reduction by 2022/23. Our cash position and focus on cost will allow us to fund our critical turnaround - to secure and grow the Partnership for the benefit of current and future generations of customers and Partners. We expect our liquidity levels to normalise over the medium term as we invest in our Plan and repay borrowings and we will continue to manage cash tightly.

Growth plans

We plan to invest £800m in 2021/22 to support our turnaround, approximately 40% higher than recent years. Given this raised level of investment, we expect our financial results - including liquidity, debt ratio and profit before exceptionals - to worsen in 2021/22 and then improve in later years. Investments include:

- digital investment across both brands, at a significantly higher level than recent years
- improvements in our store estate
- updating major category propositions such as Home, and refreshing financial services products
- new capacity at our John Lewis Magna Park distribution site to handle higher volume of sales
- restructuring to reduce costs

We will provide an update later in the year as to how we are ensuring best value for John Lewis customers as we finalise our review of Never Knowingly Undersold, informed by intensive customer research.

Future of John Lewis stores

As spending shifts online we want to ensure our stores reflect how customers want to shop - 'right space, right place'. Our shops will always be important and we are proud of our presence on the high street across the country. They provide a sensory experience that online cannot, supported by the expert advice of Partners. Both brands will remain a blend of stores and online.

We've undertaken substantial research into how shopping habits vary in different parts of the country and between online and in store. Customers tell us they want to shop with John Lewis closer to home in more convenient locations and they want our stores to be more enticing. We will reshape our store estate over the five years of the Partnership Plan towards:

- **Destination stores:** showcasing our inspiring products - displaying great design with more space given over to experiences and services that cannot be found anywhere else.

- **Smaller service stores:** new formats of smaller, more local shops with the very best of John Lewis.
- **Bringing our brands closer together:** we are trialling the introduction of John Lewis shopping areas in Waitrose stores in Godalming, Horley, Wallingford, Lincoln and Lymington; the early signs are positive. If successful, we will roll out to a significant number of our 331 Waitrose shops. Our plan is for all the general merchandise in Waitrose shops to be sourced from John Lewis.
- **Even greater convenience for customers:** improved Click & Collect service in Waitrose stores and more local collection points through third parties like the Co-op.

All our John Lewis stores need to be exciting places to shop, more reflective of the tastes and interests of local customers. This will require investment and we are working closely with landlords and local authorities. We are keen to play our part in the revitalisation of the high street.

Hard as it is, there is no getting away from the fact that some areas can no longer profitably sustain a John Lewis store and last month we announced the proposed closure of eight shops. This includes four 'At Home' shops in Ashford, Basingstoke, Chester and Tunbridge Wells and four department stores in Aberdeen, Peterborough, Sheffield and York. We will now enter into consultation with affected Partners and should we proceed, we will make every effort to find alternative roles in the Partnership for as many Partners as possible.

Closing a store is one of the hardest decisions we can make as a Partnership. We are acutely sensitive to the impact on our Partners, customers, and communities, particularly at a time when retail and our high streets are undergoing major structural change. We will do everything we can to lessen the impact and will continue to provide community funds to support local areas.

Last month we also confirmed that we have reached an agreement with XPO Logistics to operate our Waitrose distribution centre in Leyland, Lancashire, on our behalf. Leyland remains key to our operations; however, the site remains significantly underused and we have been discussing potential solutions with Partners since last summer. The decision safeguards Leyland's future and secures employment for 436 Waitrose Partners who will transfer to XPO under the Transfer of Undertakings Protection of Employment (TUPE) regulations.

We are going through the greatest scale of change in the Partnership's 156-year history. As employee-owners, we share the responsibility of securing the Partnership for future generations of customers and Partners. Difficult decisions taken now will hopefully set the course for those next generations.

I know I am asking so much of Partners. Retail is changing fast around us. And the Partnership is adapting just as fast. What won't change are the principles and values in which the Partnership is rooted. We have withstood our toughest test and emerged stronger. The strength of the Partnership has seen us successfully navigate the pandemic and will see us to a successful future.

Pages 4 to 60 comprise the Group Strategic Report, which was approved by the Partnership Board on 21 April 2021.



SHARON WHITE

Partner & Chairman

John Lewis Partnership plc

21 April 2021

Who we are

OUR PURPOSE

Our Founder, John Spedan Lewis, established the John Lewis Partnership to be a better way of doing business, driving positive change in society. We follow the Principles and Rules set out in our Constitution, which defines the Partnership's role in society and our responsibilities to Partners, customers, suppliers and the communities in which we operate (see our Purpose and Principles on page 63).

We are driven to make a difference to people's lives and create positive social change. Our definition of success is not just commercial: our Constitution requires us to make 'sufficient' not 'maximum' profit and that's why we are focused on reinvesting our profits back into our Partners, our business and the communities we serve.

We know we're not perfect but we are working hard. As an organisation with a strong heritage in being purpose-led, it's critical we continue to build on our history and ensure our purpose is clear, responds to the world our Partners and customers live in today, builds a compelling vision for the future and drives decisions and actions for our business.

As part of our five-year Partnership Plan, which we launched in October 2020, we had an exciting opportunity to update our ambition as a business. This has driven our commercial decisions and is helping shape our employment practices. It influences the services we offer to customers and how we work with new commercial partners.

It sees us, for instance, taking firmer action on pay, working conditions, diversity and inclusion and providing support to our suppliers during the pandemic. For example, in Waitrose we kept our fish, cheese and meat counters open so that we could continue supporting our British farmers and producers.

Our purpose has also shaped our biggest ever Partnership campaign - Give A Little Love - which we launched at Christmas, to help to make a significant difference to families in need, generating over £3m for FareShare and Home-Start. We have now pledged a further £2m.

By working together, our Partnership purpose can achieve great things.

At a glance

OUR YEAR

We have used the most challenging year in the Partnership's modern history to lay the foundations for growth. Partners have pulled together in the most extraordinary way and really been there for each other and our customers when they needed us most. Here are some of our highlights from the past year...

- Waitrose.com has grown fourfold since February 2020, now taking around 240,000 orders a week, and stands as a £1bn sales business. This expansion was supported by the opening of a new customer fulfilment centre in Enfield last May, and the extension of online picking and delivery. We also trebled our 'Rapid' delivery service within the first month of lockdown. This has all made Waitrose.com the fastest growing online retailer, growing at more than double the market rate, according to Kantar.
- JohnLewis.com has grown significantly, up 73%, and this year was three quarters of the brand's sales, from 40% before the crisis. Services previously only available in store, such as nursery, home interiors advice, wine tasting and cookery courses, went online, with Partners supporting customers in a personal way via Zoom and apps. A Guinness World Record was broken with the largest ever virtual beauty event masterclass with Charlotte Tilbury.
- One of the benefits of being a Partnership with two brands is that more than 4,500 Partners from John Lewis worked at Waitrose during the various lockdowns, helping to keep the nation fed.
- Launched an on-demand grocery trial with Deliveroo, attracting younger new customers, where 3.5m households across 40 Waitrose shops have access to 650 Waitrose products, delivered in 30 minutes.
- Thirty new fashion and beauty brands have been launched in store and online in John Lewis, with a further 50 being introduced, many of them independent and British. We also successfully trialled a new furniture rental service with Fat Llama.
- Click & Collect is now available at over 900 locations, nearly 400 of which were added in nine weeks, up from 458 last year. This includes John Lewis and Waitrose shops and selected Booths and Co-op shops. Purchases from Boden, Sweaty Betty and Nespresso can also now be picked up through our network.
- John Lewis achieved its highest ever net promoter score of 70, up 4 points year on year, with many more customers recommending the brand than not. And Waitrose's customer satisfaction score rose 5.5 percentage points to 69%.
- We were among the first UK businesses to pilot and roll out rapid lateral flow Covid-19 testing for our Partners, working with the Department of Health and Social Care. We have repurposed space at our head office in Bracknell into a vaccination centre run by the NHS where 35,000 people have been vaccinated up to the beginning of April 2021.
- We brought forward our ambition for our entire operations to be net zero carbon by 15 years to 2035. We also opened our first on-site biomethane gas filling station for our Waitrose heavy goods vehicles at our Bracknell Distribution Centre and added two more at our Milton Keynes distribution hub. Made from food waste and food processing waste materials rather than diesel, biomethane reduces CO2

emissions by 80%. Our biomethane investment was recognised by the 2020 Motor Transport Awards, winning the Low Carbon Award.

- John Lewis continued the roll out of its free supplier engagement programme, Better Jobs, bringing the total number of UK supplier completions of the survey to 49, and over 2,600 employee responses have been collected. Now trialling with suppliers in China, it replaces traditional ethical audits and aims to create more rewarding and enriching jobs for workers.
- We reopened our textiles factory, Herbert Parkinson, during the first lockdown, to make 12,000 medical scrubs for free for the NHS, plus thousands of reusable face masks for Partners. John Lewis also donated fabric to community groups sewing further hospital scrubs. We also delivered almost 2,000 care packages to over 500 NHS hospitals and mental health trusts, which included 110,000 much-needed non-clinical essentials and gifts to NHS staff.
- Waitrose set up a new programme with FareShare, Farm to Family, becoming the first UK supermarket to take surplus food straight from our largest suppliers and farms to the plates of those in need. Waitrose also became a member of the Child Food Poverty Task Force led by footballer Marcus Rashford. John Lewis also donated nearly 5,000 items of warm clothing to Home-Start to distribute to families.
- Waitrose received *The Grocer* magazine's Store of the Week award 18 times and was named Supermarket of the Year by Which? in recognition of our response to Covid-19. John Lewis was named the number one brand in the UK for the fourth consecutive year in YouGov's Brand Rankings survey.
- Tracy Whitfield, Supermarket Assistant at Waitrose Bishop's Stortford, and Philip Costan, Product Technologist at our John Lewis head office, were crowned ultimate winners of the first-ever One Partnership Awards. They beat more than 130 other Partners, who'd been nominated by colleagues for outstanding performance.
- Waitrose Supermarket Assistant, Anisa Omar, became a British *Vogue* cover star after the magazine broke the tradition of featuring their usual A-list celebrities and supermodels, and instead devoted their July 2020 issue to honouring key workers.
- Two Partner advisory groups were set up to support diversity and inclusion: the Black Partner Advisory Group, which acts as a consultative body and sounding board to test ideas and contribute to improving the experiences of Black Partners, and the Part-Time Partner Advisory Group, which improves progression and development for part-time Partners, and addresses issues around cultural bias, pay and performance.
- We launched for the first time, a single, concrete, five-year Plan for the Partnership, so that we can create a thriving Partnership, loved by customers and Partners in years to come.

At a glance

OUR FINANCIAL PERFORMANCE

In March 2020 we launched our Strategic Review and after seven months of work, in October 2020 we announced our five-year Partnership Plan (see pages 21 to 23 and 28 to 37). As a result, new key performance indicators (KPIs) are still in the process of being embedded and have not been in place for the year to January 2021. We have therefore focused below on the financial KPIs as these remain consistent measures of the performance of the Partnership. From 2021/22 new non-financial KPIs and metrics will be reported on to support the monitoring of progress against our Plan. Although new KPIs are not yet embedded, we already monitor a number of non-financial measures, these include but are not limited to:

- Net promoter score and customer satisfaction Page 9
- Diversity and inclusion measures Pages 19 to 20
- Ethics and sustainability metrics and commitments Pages 36 to 37 and *2020/21 Ethics & Sustainability Progress Report*
- Democratic vitality Page 109

A glossary of financial and non-financial terms is included on pages 220 to 228.

	Post IFRS 16		Pre IFRS 16 ¹		
	2021 ²	2020	2019	2018 ^{3,4}	2017 ³
Financial Performance					
Revenue (£bn)	10.8	10.2	10.3	10.2	10.0
Borrowings (£m)	903.5	762.6	1,047.2	936.8	966.9
Liquidity (£bn)	2.0	1.4	1.5	1.3	1.2
(Loss)/profit before tax (£m)	(517.2)	146.4	117.4	107.5	452.2
Profit before PB, tax and exceptional items (£m)	130.8	69.9 ⁵	160.0	292.8	370.4
Financial KPIs					
Debt Ratio	3.4 times	3.9 times	4.3 times	4.3 times	4.0 times
Return On Invested Capital (ROIC)	6.7%	5.8%	7.3%	9.1%	10.1%
Profit per average FTE (£)	3,500	3,500	5,000	6,900	6,900

¹ The definitions for 2018/19 and all preceding years are before IFRS 16. IFRS 16 accounted for 0.8 percentage points of the decline in ROIC and £900 of the decline in Profit per average FTE on transition in 2019/20.

² 2020/21 is a 53-week year and is reported on that basis. 2020/21 results have benefitted from an additional week's trade compared to 2019/20. The impact on profit before PB, tax and exceptional items is small.

³ Restated to include above market reward.

⁴ Restated for the impact of IFRS 15.

⁵ Restated to reflect the adoption of IFRS 16. Last year we reported alternative performance measures before IFRS 16 and our 2019/20 profit before PB, tax, exceptionals and IFRS 16 was £123m.

PROFITABILITY

Our loss before tax, which is after exceptionals, was £(517.2)m. This compares to a profit before tax of £146.4m the previous year. Exceptional costs totalled £(648.0)m (2019/20: exceptional income of £107.4m), principally relating to:

- Restructuring and redundancy costs from store closures and our Head Office Transformation (HOT) programme.
- The write down in value of John Lewis stores. We first reported this at the half year and there has been no significant change since then. Given the pronounced shift to digital, we reassessed how much shops contribute to whether our customers buy online with us or not. Before the pandemic we believed that shops contributed around £6 of every £10 spent online but we now think that figure is £3. John Lewis shops are now held on our balance sheet at almost half the value they were before the write downs were recognised in 2019/20 and 2020/21. For further details on exceptionals see note 2.5.

Before exceptionals, the Partnership made a profit of £131m in 2020/21, which was up £61m on the previous year. Without £190m of government support, we would have made a loss before exceptionals. Government support covered the direct operational costs of the pandemic and the substantial hit to trading operating profit, with the impact of the closure of our department stores, and the weaker margins in John Lewis only partly offset by Johnlewis.com sales growth and the improvement in Waitrose. Furthermore, around £55m of the year on year profit improvement was the result of lower pension costs following the closure of our defined benefit pension scheme in April 2020; around £25m was from lower depreciation costs because of the write down of the value of John Lewis shops.

DEBT RATIO

The strength of our cash position has improved our debt ratio - how much we owe as a proportion of the cash we generate each year - to 3.4 times from 3.9 times last year. We expect this to reverse in 2021/22 as we invest in our turnaround before returning to an improving trajectory the following year. In the medium term we continue to target a debt ratio of around three times.

RETURN ON INVESTED CAPITAL (ROIC) %

The Partnership's ROIC improved from 5.8% to 6.7%, entirely driven by the reduced level of invested capital. This is primarily due to the exceptional impairment of John Lewis shops, the lower level of investment as we slowed this down to preserve cash, store closures and the temporary favourable working capital position.

PROFIT PER AVERAGE FULL-TIME EQUIVALENT (FTE) PARTNER £

Profit before Partnership Bonus, tax and exceptionals was up year-on-year, but after tax and adjusted for above market reward (namely the reduced pension benefit), it was lower. However, this reduction was offset by lower average FTE Partners. As a consequence, Profit per average FTE Partner was in line with last year, at £3,500.

LIQUIDITY

We have managed cash tightly through the year, given both the uncertainty and volatility of trade and our inability to raise funds from issuing shares because we are employee-owned. In addition, we obtained new medium term bank loans of £150m and raised £136m from the sale and leaseback of 11 Waitrose shops.

We also deliberately slowed investment in the early months of 2020 to preserve cash, and our ability to spend was anyway limited by the practical impact of the pandemic. Consequently, our liquidity as at 30 January 2021 was unusually high with £1.5bn cash plus bank facilities of £500m. This cash position is required to help meet our obligations - we carry £2.1bn of total net debts (including pension and leases), with £575m of borrowings due to be repaid in the next four years (see note 7.1.2). It also ensures that there is adequate funding available to withstand material volatility in trading and to allow us to invest in turning around the business.

How we are different

OUR PARTNERSHIP BUSINESS MODEL

The John Lewis Partnership is the UK's largest employee-owned business. Founded on being a better way of doing business, the Partnership champions equality, wellbeing and sustainable living for the good of customers, Partners, suppliers and communities.

HOW OUR BUSINESS MODEL WORKS	PARTNERSHIP PLAN LINK	IN OUR WORDS	
<p>OUR PARTNERSHIP Our Founder, John Spedan Lewis, established the John Lewis Partnership to be a Partnership for positive change. We are driven to make a difference to people's lives, creating positive, social change. Our Constitution contains Principles and Rules for how we, as Partners and co-owners of this business, run the Partnership through knowledge and power. Our Constitution states that we are required to make 'sufficient' not 'maximum' profit and that's why we reinvest our profits back into our Partners, our business and the communities we serve.</p>	<p>Profit Knowledge Power</p>	<p>A PARTNERSHIP FOR POSITIVE CHANGE As an organisation with such a strong heritage in being purpose-led, that was founded on being a better way of doing business, it was critical that as we developed our five-year Partnership Plan last year, we continued to build on this history but also update it to make it relevant for today's world. As a result, we are focusing on three key areas - championing equality, wellbeing and sustainable living, for the good of customers, Partners, suppliers and society. Our purpose drives our commercial decisions and shapes our employment practices. It influences the services we offer to customers and how we work with other businesses.</p>	<p>"Focusing on our purpose meant re-engineering the mechanics of how our business operates, defining what success means to us, what metrics are used to measure progress, how the Executive Team and leaders are held to account on progress, and how resources are allocated to ensure purpose is considered alongside normal financial metrics of any business. Probably the most visible sign of our renewed sense of purpose being at the heart of everything we do, has been Give A Little Love." SARAH GILLARD Partner & Director of Special Projects</p>
<p>OUR RESOURCES We have over 80,000 Partners, 331 Waitrose shops, 42 John Lewis shops plus one outlet, 34 customer delivery hubs and distribution sites, five Partnership hotels, two international offices, four Waitrose cookery schools,</p>	<p>Designing and sourcing Inspiring experiences Unique products Growing and</p>	<p>LEAN, SIMPLE, FAST To make the most out of the resources we have, we are simplifying how we work, taking out duplication and cost and giving more freedom to frontline Partners to do what's best for customers. We are creating a simpler, pacier Partnership that</p>	<p>"For the future sustainability of the Partnership, we have to lower our costs and become more profitable so we can afford to invest in Partners and in our customers. That's why we've had to make tough</p>

<p>two customer contact centres, one soft furnishings factory, one heritage centre, one Waitrose farm, one specialist plant nursery and one content production hub. These resources all implement our Partnership business model on a daily basis and help us design and source, create inspiring experiences and unique products, grow and create products, sell and distribute products and provide customer insight.</p>	<p>creating Selling Distributing</p>	<p>can execute the Partnership Plan, reducing spend on the goods we buy, improving operational efficiency and simplifying our processes.</p>	<p>decisions, creating a new operating model. A slimmer, more agile head office, which is more in service of our customer-facing Partners, has been an example of that.” CLAIRE YOUNG Partner & Director of Operating Model and Global Process</p>
<p>OUR STAKEHOLDERS The value and impact of our business and the decisions we make for all our stakeholders are important to us. Further information on how we empower our Partners, create retail that customers love, work with our lenders and other businesses to help us grow, support our producers and suppliers and the communities and environments we operate in is on page 41 to 47.</p>	<p>Partners Customers Environment Lenders Producers and suppliers Communities</p>	<p>RETAIL CUSTOMERS LOVE, INSPIRATIONAL NEW SERVICES, PARTNERSHIPS FOR GROWTH Our ambition is to be the UK’s go-to brands for customers who want quality, value and sustainability. To do this we will enable customers to shop the way they want with expert advice, brilliantly edited choices and truly memorable experiences through ‘retail customers love’. To create inspirational new services we will have trusted new propositions that allow us to play a bigger role in customers’ lives. And for partnerships for growth we are accelerating our growth by combining our unique strengths with the capabilities of others.</p>	<p>“Our Partnership Plan is bold in order to grow our business and get us much closer to our customers. We’ll offer the best products and customer service on the high street and online. We’re creating new inspirational services for customers where strong ethical values and peace of mind matter, like reusing and recycling products, personal savings and rented housing. Our plans will firmly establish Waitrose and John Lewis as the go-to brands for customers that care about quality, value, and sustainability.” NINA BHATIA Partner & Executive Director, Strategy & Commercial Development</p>

How we are different

OUR CULTURE

The inherent strength and difference of the John Lewis Partnership is our community of over 80,000 Partners. As employee-owners, we all have a share in our business - sharing the rewards and responsibilities, when times are good and when times are challenging. We have a collective commitment to go above and beyond for each other and our customers and we have shown in the past year that we can achieve so much through dedication and innovation. More than 4,500 Partners from John Lewis worked at Waitrose during the various lockdowns, helping to keep the nation fed and services previously only available in-store like nursery, home interiors advice, wine tasting and cookery courses, went online.

Being employee-owned, we operate using unique democratic principles, with all Partners sharing power. Our first democratic Council was set up over 100 years ago and today our Partnership Council and Forums enable Partners of all levels and experience, to participate in decision-making, challenge management on performance and have a say in how the business is run. We have 637 Partners who have been formally elected via a democratic process to act as representatives, feeding into our three governing authorities - the Chairman, Partnership Board and Partnership Council - which govern the Partnership. See pages 103 to 110 in the Governance section for more details.

Today, it's more important than ever we use our democracy effectively, enabling Partner opinion to make the Partnership more successful. One example of this in action is when we announced in March 2020 that we were undertaking a Strategic Review, which became our five-year Partnership Plan and launched in October 2020. Partners were encouraged to share their views through an internal strategic review hub which we created on our intranet, via various surveys and listening groups. Overall, over 12,000 Partners provided input, with almost 450 ideas submitted. Without Partners' support we wouldn't have been able to identify the five key priority areas to secure and grow our business. More information on our Partnership Plan is on pages 21 to 23 and 28 to 37.

PARTNER VALUES

The Partnership has always had clear business values, which are set out in Principles 2 to 7 of our Constitution. We also have a set of five personal values that were created by Partners for Partners, to explain what it means to be a Partner and what makes a great one. It has never been more important that we support one another with care and compassion and live by our values.

Do right - We act with integrity and use our judgement to do the right thing.

All or nothing - We put everything we have into everything we do.

Give more than you take - We put more in, so everyone gets more out.

Be Yourself. Always - We're quirky, proud and at our best when we are free to be ourselves.

We not me - When we work together, anything is possible.

HEAR FROM OUR PARTNERS

“As a co-owner, being a Partner matters more now than ever before. I understand I need to play my part to make a huge difference on the service we deliver and sales we make. Hoping for the best is not going to make a difference; we need to go out there and make things happen. I like to say to my team that, despite the competition, we have an advantage: the brand’s reputation.”

KHALED HUSSAIN

Partner & John Lewis Oxford Street Team Manager

“I’ve only been a Partner for a year, but it already feels like being part of a family and I think that’s wonderful. I wanted to work for a company that was renowned, not only for their products, but for the service they provide, and that’s the Partnership. I feel fortunate to work with a small dedicated team as to me, the team ethos means being a Partner more than anything else. Within the Partnership at the moment, there’s a large amount of uncertainty – I do understand that, for a number of Partners, that is going to feel difficult. We’ve changed and we need to see what that is going to bring.”

HELEN WARD

Partner & Waitrose Clapham Common Supermarket Assistant

Partnership for good

SUPPORTING OUR PARTNERS AND COMMUNITIES

It is not enough that we become a sustainable business; our Partners and the communities we operate within must be at the heart of everything we do.

PARTNER HEALTH AND WELLBEING

We've been investing in Partners' health and wellbeing since 1929 - 19 years before the NHS - when we introduced free in-house health and medical services to all our Partners. Today, this continues through our Partnership Health Services team and over £20m is invested annually.

During the pandemic it's been even more important to keep Partners safe, fit and healthy and we expanded the visibility of our health and wellbeing services, introducing some remote delivery options when face-to-face delivery was no longer possible.

This year, we trialled new areas of support such as creating an EatWell FeelWell campaign, a My Resilience health check-up tool, a diabetes screening pilot and became one of the first UK businesses to roll out rapid lateral flow Covid-19 testing for our Partners. We also provided:

1,311 physiotherapy sessions*

5,850+ psychological therapy sessions

451 People Managers participated in mental health awareness training

10,600+ Partners have downloaded the Unmind app and can also now share the benefits by giving free access to a friend or family member with over 270 signed up

11,000+ Partners referred to Partnership Health Services as a self-referral or management referral

933 Partners volunteer as Wellbeing Champions

24 Partnership clubs and societies, ranging from sailing to singing, cycling to photography, with over 8,700 Partners signed up as members

5 Partnership hotels for Partners and their family and friends to use at a specially subsidised rate

16,700+ calls to our in-house Partner Support helpline

£420,000 given in financial assistance to Partners through grants and interest-free loans

*Physiotherapy sessions were fewer than last year due to being unable to deliver face-to-face appointments because of Covid-19.

PARTNER PAY AND REWARD

We want to reward our Partners as much as we can afford. We wish we were in a position to pay a bonus in March 2021 and it was a very difficult decision not to. The Partnership Board believed that to do so would have held back our ability to protect the business in very difficult times and to lay the foundations to return to sustainable profit. We are committed to restarting bonus as soon as our profits (before exceptionals) reach £150m on a sustainable basis and our debt ratio is below four times. We will also pay the voluntary real living wage when profits rise to £200m.

In recognition of Partners' hard work this past year, we introduced free food on site and raised the Waitrose shopping discount to 25% during the three lockdowns. We also made thank you payments to all non-management Partners and first level managers who worked in April and May 2020. The total cost was around £55m¹.

In the 2020/21 financial year, our average hourly rate of base pay for all non-management Partners was £9.90, 14% above the National Living Wage (NLW) of £8.72 (for those aged 25 years and over). We review Partner pay annually each April and have done so again this year. We have prioritised our lowest paid Partners to make sure they earn a decent wage for good performance.

HELPING COMMUNITIES IN NEED

We have donated almost £3m² to communities in need and gave £500,000 via a new fund called 'Your Partners Through It All Community Fund', where Partners nominate local charities to receive a donation. We also made a £395,000 donation shared between Age UK, FareShare, the Trussell Trust, Grocery Aid, Kitchen Social and the Retail Trust. We also unveiled a Partnership Community Investment Fund to support local communities impacted by our shop closures.

In 2020/21 the Partnership donated more than £400,000 to the John Lewis & Partners Foundation, an independent charity. The Foundation used this money with its reserves to continue its support for UK and overseas charities with which it already works, primarily in relation to their responses to the pandemic. It meant, for example, that the Baytree Centre in south London was able to continue its women's education work thanks to 'in kind' donations of technology.

We have also been supporting the world's most vulnerable workers in our supply chain throughout the pandemic. Through the Waitrose & Partners Foundation we provided £200,000, helping more than 100,000 workers with sanitation kits, food parcels and communicating the need for social distancing.

To support the NHS, our Waitrose shops protected 'hard to find' and essential products exclusively for NHS workers and provided a priority checkout service. Thousands of essential item care packages were delivered to NHS hospitals and mental health trusts and we provided accommodation to on-call NHS workers at our Leckford Estate in Hampshire, which is normally reserved for Partners. To raise money for NHS Charities Together we sold own-brand products such as leather Rainbow Trainers, face masks, limited edition china mugs and soft toy bears following our Design Your Super Bear competition.

¹ Includes the total cost increase in Partner discount compared to 15% discount rate before the crisis.

² £1m was donated through Give A Little Love.

OUR DIVERSITY AND INCLUSION PLAN

The Partnership was formed almost 100 years ago with the principles of humanity and equality for all at its very heart. We know that as we stand where we are today, we have work to do to keep this alive. It needs relentless focus and leadership over many years but we are prepared to take bold action. That's why we are developing a new Partnership-wide diversity and inclusion plan.

Our diversity and inclusion plan has to be agile and start with our purpose. It needs to link to our commitment to be among the UK's most inclusive businesses - for our Partners and customers - reflecting and connecting with the diverse communities that we serve. Like many around the world, we were shocked by the death of George Floyd and it was a sign of the Partnership's values that we were able to have an open and honest debate with Partners about his death and the wider impact it had on each of us individually and how we operate as a business.

Our plan is informed by data and customer and Partner opinion and led by Executive Director, People, Nikki Humphrey. It is receiving input from our seven internal diversity networks - Gender Equality, Unity, LinkAges, Pride in the Partnership, Ability, Faith and Belief, and Working Parents - as well as the diversity and inclusion Focus Group of Partnership Council and a third party specialist. We expect to publish our plan this spring but key areas of focus include:

- **Part-time working.** We launched a Part-Time Advisory Group in 2020 to support part-time Partners and help them progress in our business. We have updated our flexible working policy and plan to create a job share bank, continue to review our recruitment processes and improve access and prioritisation of communication so part-time Partners can keep up to date more easily.
- **Supporting ethnic minorities.** Formed last year, the Black Partner Advisory Group has made significant progress in the way we support ethnic minority Partners. Examples include creating a reverse mentoring scheme, updating our existing challenging bias mandatory e-learning module for all Partners to complete and creating a 'It's not ok' film.
- **Care experienced people.** Within the Partnership Plan we have called out our commitment to improving social mobility, with a focus on care experienced people. We will help people to build their employability skills and support them to become job ready for a career in the Partnership or another employer that aligns with their aspirations.
- **Voluntary Real Living Wage.** We will pay all Partners aged 18 and older the voluntary Real Living Wage when we reach over £200m profit. This is different to the legally stipulated National Living Wage, which we already pay.

PARTNER DIVERSITY

At the end of the financial year, gender and ethnicity (based on 95.2% of Partners who self-declared), by Partnership level:

LEVEL	FEMALE %	MALE %	ETHNIC MINORITIES %**	WHITE %
1-4*	45.0%	55.0%	4.5%	92.5%
5	49.0%	51.0%	5.1%	93.5%
6	53.9%	46.1%	8.1%	91.0%
7	54.7%	45.3%	9.7%	88.6%
8	51.5%	48.5%	10.6%	88.5%
9	46.1%	53.9%	12.7%	85.3%
10	57.9%	42.1%	15.7%	78.7%
TOTAL	56.3%	43.7%	14.7%	80.5%

*At the end of the financial year, our Executive Team consisted of five females (71.4%) and two males (28.6%) and our Partnership Board consisted of five females (71.4%) and two males (28.6%).

**At the end of the financial year, our Executive Team consisted of four white members (57.1%) and three (42.9%) from an ethnic minority background and our Partnership Board consisted of five white members (71.4%) and two (28.6%) from an ethnic minority background.

WHAT DO OUR LEVELS MEAN?

Job levelling enables different jobs to be measured based on their relative scale, impact and size and allows us to compare job levels in all different industry sectors in our business. We look at every individual role and not the person in the role to determine a level from 1 to 10 and consider the impact it has on the organisational structure. This allows Partners to see what roles they might be qualified for in other parts of the business, offering a benefit to career development and progression.

LEVEL	JOB ROLE
1	Chairman and Executive Team member
2 and 3	Director
4	Head of department or head of branch
5 and 6	Senior leader or senior specialist
7, 8 and 9	Specialist or junior management
10	Partner entry roles

DID YOU KNOW?

You can read more about our wider commitments and progress on diversity and inclusion in our *2020 Be Yourself. Always Report* which is available at www.johnlewispartnership.co.uk/work/Reports-and-statements.html

Working together

OUR PARTNERSHIP PLAN

Knowing our customers and what we can do more of to make them love shopping with us is so important. We need to look at things through our customers' eyes at all times and with shopping habits evolving so fast, understanding the modern-day shopper is vital.

With this in mind and with a new Chairman in place, we announced at our full-year results on 5 March 2020, our intention to undertake a strategic review which later became our Partnership Plan. Our Plan aims to reverse our profit decline and return the Partnership to growth so that we can invest more in our customers and Partners.

We consulted our Partners, around 8,000 customers, more than 100 suppliers, charities and non-governmental organisations to understand what matters most to them, and where our business can have the biggest impact. Following seven months' work, we launched a single concrete five-year Partnership-wide Plan in October 2020.

A PARTNERSHIP FOR POSITIVE CHANGE

Championing equality, wellbeing and sustainable living, for the good of customers, Partners, suppliers and society.

RETAIL CUSTOMERS LOVE

Customers shopping the way they want with expert advice, edited choices and memorable experiences.

INSPIRATIONAL NEW SERVICES

Trusted new propositions that allow us to play a bigger role in customers' lives.

PARTNERSHIPS FOR GROWTH

Accelerated growth by combining our unique strengths with the capabilities of others.

LEAN, SIMPLE, FAST

A lower cost, far simpler business that creates more pace and freedom for Partners and more cash for growth.

A THRIVING PARTNERSHIP, LOVED BY PARTNERS AND CUSTOMERS

Our ambition is to be the UK's go-to brands for customers who want quality, value and sustainability. The Plan has two phases and runs from the beginning of this financial year (February 2021) to the end of the financial year ending January 2026:

Years 1 to 2 (February 2021 - January 2023) - Recover profit and lay foundations for growth

Years 3 to 5 (February 2023 - January 2026) - Accelerate change, reshape and grow

£1bn will be invested between modernising our shop estate and transforming online. We aim to make £300m of annual cost savings by 2022 and reach £200m profit by end of year 2 and £400m by end of year 5.

NON-FINANCIAL REPORTING STATEMENT

This section of the Strategic Report constitutes the Partnership's Group Non-Financial Information Statement, produced in accordance with sections 414CA and 414CB of the Companies Act 2006. The information listed is incorporated by cross-reference and the table below, and the information it refers to, is intended to help our

Partners and other stakeholders understand the Partnership’s position on key non-financial matters. By ‘non-financial information’ we mean quantitative and qualitative information on the strategies, policies or activities we pursue towards our business, environmental and social goals. In reporting this, we focus on the aspects that are most material to our business, our Partners and other stakeholders. This builds on our existing reporting, such as on ethics and sustainability. Read more at www.johnlewispartnership.co.uk/csr

REPORTING REQUIREMENT	HOW WE MANAGE THESE ISSUES: POLICIES, STANDARDS, RISKS AND ADDITIONAL INFORMATION
Environmental matters	<ul style="list-style-type: none"> ● Our Ethics and Sustainability Strategy on page 36 ● Task Force on Climate-related Financial Disclosures on page 38 ● S172(l) Statement (Communities and the Environment) on pages 46 to 47 ● Streamlined Energy and Carbon Reporting on pages 113 to 116 ● <i>2020/21 Ethics & Sustainability Progress Report</i> and other ethics and sustainability reports, statements, policies and further information available at www.johnlewispartnership.co.uk/csr
Employees	<ul style="list-style-type: none"> ● Our culture on page 15 ● Supporting our Partners and communities on page 17 ● Our diversity and inclusion plan on page 19 ● S172(l) statement (Partners) on pages 43 to 44 ● Partnership Council President’s Report on page 103, including Partnership Democratic Engagement 109 to 110 ● Equal opportunities, diversity and inclusion on page 116 ● Board Diversity Statement on page 92
Human rights	<ul style="list-style-type: none"> ● S172(l) statement (Producers and suppliers, including our Responsible Sourcing Code of Practice (RSCOP)) on pages 45 to 46 ● Our latest Modern Slavery Statement and <i>2020/21 Ethics & Sustainability Progress Report</i> and other reports, statements and policies available at www.johnlewispartnership.co.uk/csr
Social matters	<ul style="list-style-type: none"> ● Our Ethics and Sustainability Strategy on page 36 ● Market context and key trends shaping retail on page 24 ● <i>2020/21 Ethics & Sustainability Progress Report</i> and other reports, statements, policies and further information available at www.johnlewispartnership.co.uk/csr
Anti-corruption and anti-bribery	<ul style="list-style-type: none"> ● Anti-bribery and corruption on page 33
Policy embedding, due diligence and outcomes	<ul style="list-style-type: none"> ● Throughout this report and <i>2020/21 Ethics & Sustainability Progress Report</i> and other reports, statements, policies and further information available at www.johnlewispartnership.co.uk/csr ● Task Force on Climate-related Financial Disclosures on page 38 ● Managing our risks on pages 48 to 60 ● Audit and Risk Committee Report on page 75
Description of principal risks and impact of business activity	<ul style="list-style-type: none"> ● Our principal risks and uncertainties set out in Managing our risks section on pages 49 to 55

Description of our business model	<ul style="list-style-type: none"> ● Our Partnership business model on pages 13 to 14 ● Our Partnership Plan on pages 21 to 23 and 28 to 37
Non-financial key performance indicators (KPIs)	<ul style="list-style-type: none"> ● Throughout this report and <i>2020/21 Ethics & Sustainability Progress Report</i> and other ethics and sustainability reports, statements, policies and further information available at www.johnlewispartnership.co.uk/csr ● In addition, see page 11 for reference to the development of our new KPIs.

MARKET CONTEXT AND KEY TRENDS SHAPING RETAIL

The retail industry has changed dramatically since the start of the pandemic, becoming unrecognisable from our previous trading year of 2019/20. The closure of all but the most essential services, followed by successive waves of restrictions and further lockdowns, accelerated trends, bringing new customer behaviours into play.

IMPACT OF COVID-19 ON CONSUMER BEHAVIOUR

The global pandemic has transformed every aspect of our lives: how we shop, live, communicate, socialise and work. We've reconfigured our living spaces to become offices, schools, gyms and entertainment centres, upgrading technology and updating furnishings and accessories, while switching to loungewear 24/7.

Lack of hospitality has driven volume growth in grocery, with families eating meals at home rather than eating out. Online delivery has become a core part of both general merchandise and food sales.

The pandemic has greatly accelerated the shift to online sales. Trends that might in normal times have taken five years to transpire have happened in five months. Household names have been lost to the high street and are now online only.

What does this mean for the Partnership?

John Lewis began the crisis as a 60:40 bricks and mortar:online retailer. That ratio has more than reversed. The crisis has also led significantly higher numbers of people to get comfortable buying food online - out of necessity. At the start of the financial year, online accounted for 5% of Waitrose sales; it is now 20% with the average across the year being 14%.

What people bought in John Lewis changed compared to a normal year. In John Lewis, overall margins decreased because of the change in sales mix, as profit margins on the categories and products that sold well - especially technology, which was the biggest winner - were lower than those that sold less well like fashion.

We expect most of these trends to reverse as we move out of lockdown, with people buying less tech and more fashion and home furnishings. Once a laptop has been purchased for home working or home schooling, it is unlikely that another will be needed for a while.

The channel shift online has meant higher fulfilment costs. Most online orders have been for home delivery as opposed to Click & Collect (the latter is cheaper to fulfil), reflecting widescale working from home, people's desire not to go out or inability to do so because of self-isolation. We would expect to see higher levels of working from home sustained compared to before the crisis as more people choose to adopt flexible working between home and office on a permanent basis.

In Waitrose, it's not only what people shopped during the pandemic that has changed but how they shop. In line with the rest of the market, we have seen customers condense their shopping into fewer visits, with bigger shops and fewer top-up shops.

While there is clearly uncertainty over the extent to which the shift to online shopping will endure, we are expecting much of the shift online to be permanent and are adapting the business accordingly.

THE ECONOMY

GDP plummeted in Q2 2020 by 20.4%³ after the first full month of lockdown - the largest quarterly drop on record. PwC estimates that UK GDP for 2020 shrank by 11%⁴. It is expected that GDP will not reach pre-pandemic levels until the middle of 2022 according to the Office for Budget Responsibility⁵. The Bank of England expects the UK's Covid-19 vaccination programme to drive a rapid rebound of the economy later this year, while UK households saved money at a record rate during lockdown. Household savings as a proportion of household disposable income rose from 9.6% in Q1 2020 to 29.1% in Q2 2020⁶ - the highest since records began.

What does this mean for the Partnership?

Despite optimism that a recovery is on the horizon, the UK economy's route out of the pandemic remains unclear. Inflation and interest rates over the next few months will have a significant impact on the attractiveness of saving versus consumer spending and this will impact both shop footfall and online demand.

Grocery's tremendous growth in 2020 means the sector will be facing tough comparatives throughout 2021, and it is likely some of the in-store volume growth the Partnership and other grocers have seen may reduce permanently.

In the future, the Government may also need to recoup some of the financial support they have provided throughout the pandemic through additional taxation.

EMPLOYMENT

According to the Office for Budget Responsibility, it expects unemployment to peak at 6.5% by the end of this year⁷, lower than previously thought due to the extension to the furlough scheme until the end of September 2021. The British Retail Consortium predicted in 2016 that retail employment would fall over the next decade⁸, and while there may be some improvement once the pandemic is over, it is likely that this has simply accelerated an overall trend⁹.

What does this mean for the Partnership?

Growing unemployment and GDP well behind 2019 levels is likely to mean reduced spending power for many consumers. The Partnership has also sadly had to reduce its total Partner population and during the financial

³ ONS GDP quarterly estimate, UK, April - June 2020,

www.ons.gov.uk/economy/grossdomesticproductgdp/bulletins/gdpfirstquarterlyestimateuk/apriltojune2020

⁴ PwC Economic Update, January 2021, www.pwc.co.uk/services/economics/insights/uk-economic-update-covid-19/january-2021.html

⁵ Economic and fiscal outlook - March 2021 <https://obr.uk/efo/economic-and-fiscal-outlook-march-2021/>

⁶ ONS, Coronavirus and its impact on the UK Institutional Sector Accounts,

www.ons.gov.uk/economy/nationalaccounts/uksectoraccounts/articles/coronavirusanditsimpactontheukinstitutionalsectoraccounts/quarter2aprtojune2020

⁷ Economic and fiscal outlook - March 2021 <https://obr.uk/efo/economic-and-fiscal-outlook-march-2021/>

⁸ British Retail Consortium, Retail 2020, Fewer But Better Jobs, February 2016,

<https://britishdestinations.files.wordpress.com/2013/10/2016-retail-2020-fewer-but-better-jobs.pdf>

⁹ British Retail Consortium, Economic Briefing Report, February 2021, <https://brc.org.uk/media/677082/ebr202102.pdf>

year, almost 1,800 Partners left the business due to redundancy. Sadly, more Partners will also leave the business in 2021.

BREXIT

Having left the EU on 31 January 2020, the UK was in a transition period until 31 December 2020 throughout which it continued to negotiate a new trade deal with the EU as well as rolling forward existing bilateral trade agreements with non-EU countries. The EU-UK Trade and Cooperation Agreement was agreed on 24 December 2020 and widespread product shortages, and direct tariff impacts, were mainly avoided. Some disruption at the borders has occurred, predominantly due to post-Brexit customs and documentation requirements and an increase in Covid-19 infections which resulted in lorry drivers requiring testing at various ports. The UK continues to seek further trade deals with non-EU countries.

What does this mean for the Partnership?

We have been preparing for the UK's exit from the EU for some time and put in place various measures such as building stock up to help manage the impact at the end of the transition period. We welcome the EU-UK Trade and Cooperation Agreement, which has helped to mitigate most of the import tariffs which would have occurred in the event of no deal. With the easement periods for some import checks and documentation expected to come to an end over the coming months, we support efforts to streamline the process and reduce non-tariff frictions.

RETAIL CHANGES

Even before Covid-19, the retail sector was suffering. Empty retail space was on the rise, footfall in decline and the sector was grappling with a seismic shift in customer behaviour. The crisis has only accelerated these trends, with thousands of shops forced to close. Research from the Local Data Company for PwC indicates that over 17,500 retail chain outlets closed in 2020, on average 48 a day¹⁰. The Centre for Retail Research estimates that 182,564 retail jobs have been lost up to 31 December 2020 and expects a further 200,000 jobs to go in the first half of 2021¹¹. Overall shop vacancy rates for the UK reached 13.7% and footfall, already in slow decline as online eroded traffic to physical stores, fell an overall 46.1% compared to the previous year.

Retailers who diversified, or had a strong online presence, adapted better to the forced closure of non-essential shops during the pandemic. Those who had little or no online operation struggled.

What does this mean for the Partnership?

Given the significant shift to online shopping in recent years and our belief that this trend will not materially reverse, we can unfortunately no longer profitably sustain a large John Lewis store in some locations where we do not have enough customers. This has resulted in our announcement in March 2021 to propose the closure of eight John Lewis shops. These shops were also financially challenged prior to the pandemic.

Further investment will be made in our online operations for both Waitrose and John Lewis so we can continue making it easy and convenient for customers to shop with us for products as well as booking appointments and services. However a possible introduction of a future online sales tax by the Treasury, which could form part of a much wider review looking at business rates, could increase the overall tax burden on the retail sector, not

¹⁰ PwC, Store Openings and Closures - 2021, www.pwc.co.uk/industries/retail-consumer/insights/store-openings-and-closures.html

¹¹ Centre for Retail Research, The Crisis in Retailing: Closures and Job Losses, www.retailresearch.org/retail-crisis.html

reduce it, and have a negative effect. Modern retail is multi-channel with online and physical retail complementing one another and this would be a tax on a growing part of the retail industry, penalising more efficient or innovative businesses. It could also mean that this extra tax cost is passed onto consumers. The retail sector accounts for 5% of the economy, but pays 10% of all business taxes and 25% of all business rates.

ETHICS AND SUSTAINABILITY

Consumers continue to rank sustainability as one of their top priorities, after value and price, with Mintel reporting that 26% of consumers saw the environment as a key priority despite the outbreak of Covid-19¹². Covid-19 has had both positive and negative impacts on the environment, with travel restrictions sharply curtailing the average consumer's carbon footprint and having significant improvements on air quality. However, keeping people safe has meant more plastic packaging and waste has been generated. Investigations into labour violations in Leicester factories and cotton farms in China, threw questions of supply chain ethics into focus, eroding trust and increasing consumer desire for end-to-end product transparency.

What does this mean for the Partnership?

Our new Ethics and Sustainability Strategy will be key to delivering the business vision of being a Partnership for positive change, continuing to respect the interests of people and the planet touched by our business. Key focus areas of our Ethics and Sustainability Strategy include circularity and waste, people in supply chains, agriculture, aquaculture and raw material sourcing. Further details can be found on pages 36 to 37.

¹² Mintel, British Lifestyles November 2020, page 47.

RETAIL CUSTOMERS LOVE

Customer insight helped us build our Partnership Plan. We asked customers about their lives, their interests, their families, what matters to them and specifically when shopping for non-food items. Some of the customers we interviewed were familiar with our brand and shopped with us in the past year, whereas others had either not shopped with us before or not shopped with us recently.

OUR VISION

“For Waitrose, our ambition is to be the ultimate destination for food and drink in the UK. We are strengthening our range, availability and value for money. We are also making more products available through convenience routes via new trial partnerships, refreshing our shops, bringing the best John Lewis products into Waitrose and continuing to lead in sustainable ‘field to fork’ ethical food chains. We will also continue to grow Waitrose.com.”

JAMES BAILEY

Partner & Executive Director, Waitrose

“Our aim is that John Lewis will be the go-to brand for quality, value, style and sustainability, providing customers with more convenience and a great service experience. We are a place where customers can find a carefully edited selection of products and services, designed for all life’s moments big and small, suited to their style, with Partners acting as their trusted advisors. We seek to be the number one destination retailer for Home products and Baby Care and Children’s products, and our financial services offer is growing in areas where trust really matters. We continue to support customers wherever, whenever and however they choose to shop with us. As part of this, alongside investment in online, we are rebalancing our store estate to make sure that we have the right space in the right place, reflecting how customers want to shop with us.”

PIPPA WICKS

Partner & Executive Director, John Lewis

BETTER TOGETHER

One benefit of being one Partnership with two brands is that more than 4,500 Partners from John Lewis were redeployed to Waitrose during the various lockdowns to help keep the nation fed. Some Partners have enjoyed the experience so much they have decided to permanently work in Waitrose.

“I was asked, as a Partnership driver, if I’d think about helping Waitrose out. I did my driver assessment later that week and was redeployed on the Monday. Honestly, I’m not sure I would look back. I like being outside, and seeing customers in their environment is fantastic. It is hard work as you have to get all the totes on the back of the van but, once you’re on the road, so long as you look at the schedule and plan ahead, you’re your own boss. At first, I was nervous going over to the driver team, as I didn’t want to step on anyone’s toes, but they made me feel welcome. Everyone is so friendly here that it only took me a couple of weeks to feel part of the team. Waitrose is always on the go, 24 hours a day, so you can find the role and hours to suit you.”

MARTIN BURROWS

Partner & former Operations Manager at John Lewis Peterborough and now Customer Delivery Team for Waitrose Peterborough

We have also been trialling the introduction of John Lewis shopping areas in five Waitrose stores - Godalming, Horley, Wallingford, Lincoln and Lymington, with the early signs positive. If successful, we will roll out to a

significant number of our 331 Waitrose shops. We also plan for all general merchandise in Waitrose shops to be sourced from John Lewis.

RIGHT SPACE, RIGHT PLACE

As spending shifts online we want to ensure our John Lewis stores reflect how customers want to shop - 'right space, right place'. Our shops will always be important and we are proud of our presence on the high street across the country. They provide a sensory experience that online cannot, supported by the expert advice of Partners. Both brands will remain a blend of stores and online and we will reshape our store estate over the five years of the Partnership Plan in the following ways:

- **Greater convenience:** More local and convenient shops nationwide
- **Destination stores:** Showcase inspiring products and unique experiences
- **Enhanced Click & Collect:** Expanding our network
- **Smaller service stores:** Featuring the very best of John Lewis
- **Bringing our brands closer together:** Trials of John Lewis in Waitrose
- **Rebalance:** Some areas unable to profitably sustain a large store

WAITROSE.COM

Waitrose.com orders increased fourfold since February 2020, now delivering 240,000 orders a week, and stands as a £1bn sales business. This has been supported by the opening of a new Waitrose Customer Fulfilment Centre in Enfield in May 2020, which was designed with the capacity to fulfil 13,500 orders per week and surpassed capacity in 2020/21, with the support of around 850 Partners. In September, we also reduced the minimum customer spend for an online delivery from £60 to £40.

"It's fair to say it was a Herculean effort across many teams in preparation for the opening and to have played a part in that was a great experience. The Enfield team have worked tirelessly through such unprecedented times, reacting, embracing and evolving to ensure we remain on track to serve our customers."

PAUL SHANKS

Partner & General Manager, Waitrose Enfield Customer Fulfilment Centre

NEW BRANDS

We launched 30 new fashion and beauty brands in-store and online and a further 50 are currently being introduced, many of them independent and British. With the popularity of athleisurewear, top brands included Adidas by Stella McCartney, Sweaty Betty, Hush and Calvin Klein Performance. Last month brands such as Mango and Banana Republic joined. In Beauty, Olaplex joined alongside luxury beauty technology from MZ Skin, Foreo, Dermaflash and BeGlow.

In Waitrose, we launched a new Holistic Living range, bringing together a number of different health-focused products, including a certified gut health range, to help our customers live a more balanced lifestyle. Waitrose Duchy Organic was also relaunched and now features over 300 food and drink products.

VALUE

In Waitrose we reduced prices on almost 200 popular own-label products, including meat, fruit and vegetables and cleaning products, with prices lowered by an average of more than 15%. While lowering prices, we're maintaining the quality, high welfare and ethical sourcing that we're renowned for, so shoppers can spend less without compromising.

In John Lewis, we have been reviewing our pricing and a new pricing approach is underway. We will also provide an update later this year on our review of Never Knowingly Undersold, informed by intensive customer research.

VIRTUAL SERVICES

Services - previously only available in store like nursery, home interiors advice, wine tasting and cookery courses - went online. In John Lewis, more than 11,000 virtual appointments, covering nursery, home design and personal styling were delivered. In addition, we hosted over 1,400 virtual events, covering everything from crafting to wellbeing, reaching over 158,000 households.

Customers were also treated to online video tutorials such as how to dress their Christmas tree. We launched a new augmented reality (AR) function on the John Lewis app, allowing users to scan their desired space for a Christmas tree and 'place' the tree decorated or undecorated in their room.

Across selected John Lewis and Waitrose shops, we have also been trialling a virtual queuing system to help keep customers and Partners safe throughout the pandemic.

INVESTING IN JOHN LEWIS CUSTOMER SERVICE

We are also fixing and improving customers' experiences across our contact centres, website, technology aftersales, returns and delivery and installations. A total of £8m was spent on additional customer service resources, including nearly £2m on self-service technology making it easier and quicker for customers to find answers to their questions. We have also enabled customers to cancel, track and change the date and time of orders and provide guest customers access to the same self-serve tracking features as those with a John Lewis account.

DID YOU KNOW?

Waitrose South Harrow Partner, Alice Leonard, Waitrose Exeter Partner, Richard Dinnis and Waitrose Belgravia Partner, Ross Borthwick have all been shortlisted as Frontline Heroes at the Retail Week Awards 2021, with John Lewis's Virtual Britain also nominated for The Customer Experience Award. The nominations highlight how they all helped vulnerable and shielding customers get groceries, supported local community projects and looked after NHS key workers during lockdown.

"I can't take all the credit, it was a huge team effort to pick, pack and deliver food to those who needed it most."

ROSS BORTHWICK

Partner & Waitrose Belgravia Branch Manager

And Waitrose Beaconsfield Partner, Alex Osei Bonsu, was recognised in the Queen's Birthday Honours List. Alex joined a host of retail frontline workers who were recognised and awarded a British Empire Medal for their response to Covid-19 and going above and beyond in their communities. Throughout the pandemic, Waitrose Beaconsfield and The Christian Eye Foundation, which Alex runs, helped get crucial deliveries to the elderly and vulnerable in the local area.

"It's really amazing and something that I never thought would happen. Through being a delivery driver during the pandemic, I feel that I have been able to support my local community more than ever before. Both myself and my family are so happy that I have been awarded this honour."

ALEX OSEI BONSU

Partner & Delivery Driver, Waitrose Beaconsfield

INSPIRATIONAL NEW SERVICES

We are focused on developing in areas where we are trusted and can fulfil customers' needs by making a difference to their lives and the planet. At the launch of the Partnership Plan we aimed to commit £400m investment in new areas, envisaging that by 2030, 40% of profits will come from higher margin activities outside retail - namely financial services, housing and outdoor living.

FINANCIAL SERVICES

We have a long-standing successful business offering customers financial products, including the Partnership credit card, insurance and foreign currency exchange. Financial services had a mixed year. Foreign exchange obviously suffered as a result of severe restrictions on overseas travel. Spend on the Partnership Card was also squeezed. Set against that, sales of car and pet insurance have both risen.

Financial product	2020/21 performance
Partnership Card	Customer spend down (18)%
Home insurance	Customer policies down (4)%
Car insurance	Customer policies up 17%
Pet insurance	Customer policies up 16%
Foreign exchange	Customer transactions down (85)%

We will be investing significantly in financial services as part of our Partnership Plan ambition to grow profitability beyond retail. We have taken some important first steps and in February 2021 launched an innovative home insurance product that gives customers more flexibility and choice, and a new interest free retail credit product.

PRIVATE HOUSING

A key area of focus of our Partnership Plan is to develop private housing and we continue to explore the suitability of sites and will submit planning applications this year. We are already a landlord at three residential sites. On the Leckford Estate in Hampshire, we have houses leased to third parties or to our farm workers at affordable rents. We also have flats above John Lewis Welwyn Garden City and flats above our Waitrose shop at Red Houses in Jersey which are privately rented.

OUTDOOR LIVING

We are continuing to explore the experience we already have in outdoor living and horticulture and how we join up Waitrose garden products, our Leckford Estate and Waitrose Farm, John Lewis outdoor living furniture, and landscaping services at Longstock to launch online, in-store and as services. We are considering new partnerships and acquisitions to help us develop our aspirations further.

PARTNERSHIPS FOR GROWTH

We are combining our unique strengths with others and will partner with, or invest in, businesses that respect our ethos and bring capabilities we do not have to help us reach new customers. All suppliers have to adhere to our Responsible Sourcing Code of Practice and we choose our partnerships based on five principles:

- Be led by customers, creating opportunities to address a specific need, or enable access to new customers
- Bring capabilities or resources we don't have and can't easily replicate
- Respect and enhance our purpose, selecting organisations that share our ambitions and values, and bring long-term benefits to the John Lewis Partnership
- Create relationships where we can work together to address societal, community or environmental challenges
- Engage positively to extend our reach and use our position to influence for good

HOME INSURANCE

Following a new partnership with Munich Re Digital Partners, ICE InsureTech, Sedgwick and the Hood Group, we launched an innovative home insurance product. The new home insurance offers greater flexibility and choice so customers only pay for what they need, picking and choosing what's covered. It ensures existing customers on our new product are offered the same or better price than new customers on renewal and policies can change with no additional fees as lifestyles change.

RETAIL CREDIT

A new partnership with BNP Paribas means for the first time we can offer customers interest free retail credit across all our channels, via our call centres, online, as well as shops. This means customers will have access to credit for even more products and greater visibility of their account online and can sign up for at least £1,000 of credit with a maximum of £25,000 for 12 months. Credit for fitted rooms such as kitchens and bathrooms will amount to up to £35,000, with no arrangement fees or hidden extras.

FURNITURE RENTAL

As part of our Partnership Plan and Ethics and Sustainability Strategy, we are developing sustainable rental and recycle options for our customers. Last August we announced the launch of a furniture rental scheme in partnership with Fat Llama. The scheme allows customers to rent John Lewis products including desks, chairs, dining tables and sofas for three, six or twelve months and have the option to buy at any time. We now plan to expand this offering.

“Attitudes towards renting items and the sharing economy have dramatically shifted in recent years, and we know that renting and reselling items and recycling them is a growing priority for our customers. Renting furniture will give more customers access to high-quality furniture, as well as the latest designs.”

JOHNATHAN MARSH

Partner & Director of John Lewis Home

RAPID GROCERY DELIVERY

Our trial with Deliveroo in 40 Waitrose shops - through which customers can order over 650 products, delivered in as little as 30 minutes - has helped us to attract younger shoppers, many of whom are new to Waitrose. We also tripled our 'Waitrose Rapid' delivery service within the first month of lockdown, offering up to 25 products for delivery within two hours and 7,000 delivery slots per week.

CLICK & COLLECT

We also plan to expand our John Lewis Click & Collect network which is currently available in over 900 locations, including almost all our Waitrose shops. We currently partner with the Co-op and Booths to offer our customers additional locations for collections and returns which are convenient for them and plan to increase the number of customer touchpoints, exploring opportunities for more Click & Collect partnerships. We have already opened our network allowing Boden, Sweaty Betty and Nespresso purchases to use Click & Collect.

PAYMENT PRACTICES TO OUR SUPPLIERS

In line with government requirements, we publicly report our payment practices to our suppliers. The report and previous submissions are available at www.johnlewispartnership.co.uk/financials/financial-results.html

In summary, at Waitrose we pay our smallest suppliers on seven day terms and the average payment length for all Waitrose suppliers is 38 days. For all John Lewis suppliers, it is 41 days.

ANTI-BRIBERY AND CORRUPTION

The Partnership does not condone bribery or tax evasion in any form and manages risks in respect of bribery, corruption and offences under the Bribery Act 2010 and Criminal Finances Act 2017 through policies, standards, guidance and mandatory training. We have a policy on Anti-Bribery and Corruption (ABC) and Gifts and Hospitality and in 2020 the policy was reviewed with an updated version published in November 2020.

The policy is clear that the Partnership is committed to preventing bribery in all forms and prohibits Partners and other personnel from making, offering or accepting bribes. Facilitation payments are also prohibited, and gifts and hospitality are permitted only where the requirements of the policy are followed. Charitable donations are permitted only where requirements of the Charitable Giving Standard are met. The policy also states that the Partnership does not make political donations.

The Partnership is also committed to ensuring our third party suppliers adhere to our policies and relevant legislation, through stringent supplier assurance processes. As part of the 2020 review of ABC compliance, we are also in the process of updating the Gifts and Hospitality Register alongside new guidance materials to make compliance obligations even clearer for Partners.

Our Partnership Plan

LEAN, SIMPLE, FAST

To deliver our Partnership Plan we will work differently and aim to save £300m per year by 2022. We will do this by creating a simpler, pacier Partnership that can execute the Plan, reduce spend on the goods we buy, improve operational efficiency and simplify our processes and provide Partners with more decision-making freedom and flexible ways of working.

CHANGES TO OUR OPERATING MODEL

A key part of our efficiency plan is to create an agile and flexible Partnership that is even closer to customers and frontline Partners. We have shown through the pandemic how well we can work at pace, and we want this to continue. This phase of efficiency improvements builds on changes begun in October 2019 and we are reducing the size of our head office operations by up to 1,500 roles. We will do this by simplifying how we work and delayering our structures.

Following a comprehensive review of existing IT and Change capabilities and to enable the Partnership to respond quicker to the digital expectations of customers and better support our Partnership Plan, a new Technology and Change function was created. Reconfigured to include Architecture, Technology, Infrastructure, Security and Change, 178 non-customer facing Partners transferred to Wipro who are helping to deliver technology infrastructure services such as cloud hosting, networks, end user compute and an internal help desk for all Partners. A further 92 non-customer facing Partners transferred to Capgemini, to support our technology systems and business processes for trading, supply chain, finance and personnel.

SHOP CLOSURES

As a result of the pandemic, we were forced to close our John Lewis shops for the first time in our history on 23 March 2020. Once restrictions were eased to allow non-essential retail to open, we took the sad and tough decision to not reopen eight stores that were loss making. This included two of the smallest in our estate - travel hub shops at Heathrow and St Pancras, four At Home shops in Croydon, Newbury, Swindon and Tamworth and two full size department stores in Birmingham and Watford. Additionally in March 2021, we announced proposals to close a further eight John Lewis shops. We also closed seven Waitrose shops in Helensburgh, Four Oaks, Waterlooville, Caldicot, Ipswich Corn Exchange, Shrewsbury and Wolverhampton.

IMPAIRMENTS

In light of changing customer behaviours, with more customers now shopping purely online, we reassessed how much our shops contribute to whether our customers buy online with us or not. Before the pandemic, we believed shops contributed around £6 of every £10 spent online. We now think that figure is, on average, around £3. John Lewis shops are now held on our balance sheet at almost half the value they were before this year's and last year's write downs. The decrease in our shop assets has had a significant impact on our net assets, which are now more than 25% lower than at January 2019.

PROPERTY INITIATIVES

In line with our standard approach, we continued to keep our property estate under review. In 2020, we undertook sale and leasebacks of 11 Waitrose shops, raising £136m. We now own the freehold of around a third

of Waitrose shops and four John Lewis shops. We also own the freehold of some of our head office and distribution sites, Leckford farm estate and four Partnership hotels, which Partners and their families can enjoy at a specially subsidised rate.

CONTRIBUTING TO THE UK TAX SYSTEM

This year the Partnership paid taxes of £238m and collected £794m. This is broken down by:

TAXES PAID BY THE JOHN LEWIS PARTNERSHIP	TAXES COLLECTED BY THE JOHN LEWIS PARTNERSHIP
£10m Customs duty	£90m Partners' National insurance contributions
£18m Fuel duty	£154m Partners' pay as you earn (PAYE)
£5m Climate change levy	£288m Net VAT
£60m Business rates*	£262m Excise duty
£115m Employer National Insurance Contributions	
£13m Corporation tax	
£9m Other taxes	
£8m Apprenticeship levy ¹³	
£238m total	£794m total

*The Partnership was helped by crisis-related support from the Government. In our financial year up to 30 January 2021 we received £135m of business rates relief on eligible properties, with John Lewis receiving £50m and Waitrose receiving £85m. Without this support the Partnership would have made a loss before exceptional and government funding has been used for the purpose it was designed for - to protect the business - and was critical to cover the direct operational costs relating to Covid-19 and the substantial hit to trading profit due to the pandemic. Business rates relief has helped us avoid more severe restructuring of the Partnership, which would have put more jobs at risk at a time when the high street is already under pressure.

Our approach to tax can be found at www.johnlewispartnership.co.uk/financials/financial-results.html

REDUCING WASTE

Waitrose was recognised for single-use plastic reduction, taking the top spot in Greenpeace's annual league table for the second year in a row. The report shows Waitrose has the lowest plastic use per unit among UK supermarkets and praised our refillable Unpacked trial, which allows customers to shop packaging-free on selected lines at pilot shops. Waitrose is now one of the first national supermarkets to integrate refillable items into regular aisles. In John Lewis, since the roll-out of BeautyCycle in late 2019, more than 46,000 customers have made use of the programme, diverting over 230,000 hard-to-recycle beauty packaging empties from landfill.

¹³ Before the draw down of funds of £4m

OUR ETHICS AND SUSTAINABILITY STRATEGY

We seek to be a Partnership for positive change, championing equality, sustainability and wellbeing. Building strong relationships with people inside and outside of our business is key to delivering our vision for ethics and sustainability and long-term business success. We respect the interests of people touched by our business - our Partners, customers, suppliers and wider communities. It is important we listen and respond to their concerns, are honest in our expectations and fair in how we communicate our performance.

In 2020 we completed a full review of our Ethics and Sustainability Strategy. The Partnership takes an integrated approach to being a more sustainable, ethical business. Focusing on six areas, each is critical if we are to protect the planet and respect and support the interests of all those touched by our business.

<p>People in supply chains Protecting the rights of workers in our supply chain and championing worker voice</p>	<p>Agriculture, aquaculture, fisheries and raw material sourcing Guaranteeing a fair deal for producers, and supporting them to farm with nature</p>	<p>Circularity and waste Designing with circularity in mind and eradicating waste</p>
<p>Climate action Reducing greenhouse gas emissions in operations and supply chain</p>	<p>Health, nutrition and wellbeing Enabling customers to lead a healthy and happy life</p>	<p>Social impact Sense of connection and giving back through communities and charitable causes</p>

Alongside our five-year Partnership Plan, we also launched several new ethics and sustainability commitments:

- We brought forward our ambition to be net zero carbon across our entire operations by 2035. This will be supported by removing fossil fuels across our entire transport fleet by 2030. All our heavy goods vehicles will also be converted to biomethane gas, which is made of food waste, by 2028.
- Waitrose will ensure greenhouse gas emissions from our UK farms are net zero by 2035.
- We will halve food waste in Waitrose's supply chains, and help halve our customers' food waste by 2030.
- All product categories¹⁴ in John Lewis will have a 'buy back' or 'take back' solution by 2025.
- All key raw materials in our own-brand products will be from sustainable or recycled sources by 2025.
- We will develop sustainable rental and resale options for our John Lewis customers.

ETHICS AND SUSTAINABILITY GOVERNANCE

In February 2020, the Corporate Responsibility Group was replaced with a new Ethics and Sustainability Committee, chaired by the Chairman. During the year, the Ethics and Sustainability Committee focused on ethics and sustainability as a core element of the Partnership's purpose and embedding this into the Partnership Plan. It is anticipated that the Committee will play a key role in ensuring that the ambitions and commitments set in the areas of ethics and sustainability are embedded into all strategic outcomes, the brand plans for Waitrose and John

¹⁴ Product categories: Home Furnishings, Home Accessories, Gift Cook & Dine, Technology, Menswear, Womenswear, Beauty, Childrenswear

Lewis, and that progress is rigorously tracked against performance to ensure the Partnership delivers visible and impactful initiatives and positions that resonate with customers and Partners.

Read more about our Ethics and Sustainability Strategy and performance in our *2020/21 Ethics and Sustainability Progress Report* or at www.johnlewispartnership.co.uk/csr

Tackling climate change

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

Climate change is the single greatest challenge facing our planet today. We fully support the Task Force on Climate-related Financial Disclosures (TCFD) and its recommendations and are committed to assessing the impacts of climate risks and opportunities across our operations, physical estate and supply chains. This year, we have focused on establishing our internal process to manage climate risks, opportunities and reporting structure which we plan to further enhance and improve as we evolve along the TCFD journey. We aim to provide full disclosure on the Partnership's climate risks and opportunities via the TCFD framework by April 2022.

GOVERNANCE

During the financial year, climate-related risks and opportunities were managed by operational teams as part of their day-to-day activities in delivering the Partnership's current strategy. Any significant matters would be escalated via the Ethics and Sustainability Committee to the Executive Team's leadership teams and to the Board, if required.

The Ethics and Sustainability Committee, chaired by the Partnership Chairman Sharon White, met four times in the year. The Committee reports to the Partnership's Executive Team who in turn report to the Partnership Board (see page 66). Further details on the number of Partnership Board meetings during the 2020/21 financial year can be found on pages 69 to 70.

Climate change is included within the Partnership's principal 'External Environment' and 'Ethics and Sustainability' risks. Quarterly review and challenge of the Partnership's principal risks are performed by the Executive Team and actions taken are reported to the Audit and Risk Committee and the Partnership Board. For more details on the 2020/21 Partnership risk governance structure see page 49.

LOOKING FORWARD

We are currently reviewing the governance of climate-related risks and opportunities to ensure the Board is able to fully consider these while setting the Partnership's strategy and overseeing major decisions such as capital expenditures and other investments. It will also enable the Board to consider climate-related issues when reviewing and guiding strategy, major plans of action and risk management policies in general.

RISK MANAGEMENT

Climate change risk is considered within two of the Partnership's principal risks: 'External Environment' and 'Ethics and Sustainability' on page 49.

The 'External Environment' principal risk is concerned with changes in the external environment that can impact delivery of strategic objectives or business operations. Climate change is included within the 'External Environment' principal risk to recognise the growing impacts of climate change, climate risks and the transition to a lower-carbon economy.

The 'Ethics and Sustainability' principal risk recognises the risk that could arise from a failure to live up to our ethics and sustainability ambition, given the importance of ethics and sustainability in delivering the Partnership

proposition goals, and its prominence within the Partnership Plan. Climate change is included within the 'Ethics and Sustainability' principal risk to recognise the Partnership's impact of our own operations on climate change.

Climate change is also outlined as an emerging risk on page 56 to recognise the growing impact of climate change on our business. Principal risks are assessed and managed in line with the Partnership risk framework as detailed on pages 48 to 56.

LOOKING FORWARD

In 2021, we will perform detailed assessments of climate-related risks and opportunities for the Partnership and will conduct scenario analysis in line with the TCFD recommendations. Any specific risk identified will be assessed and considered alongside other risks using the established Partnership risk management framework and assessment criteria as detailed on pages 48 to 56.

STRATEGY

Addressing our climate risks and opportunities has so far been embedded in our Climate Action Strategy which forms part of our overarching Ethics and Sustainability Strategy. This has increased our knowledge of the climate risks and opportunities faced by the Partnership across our own operations and supply chain and has meant that we continue to invest in measures to mitigate the Partnership's climate change impact, including carbon reduction and energy efficiency programmes. See our *2020/21 Ethics and Sustainability Progress Report* for more detail.

LOOKING FORWARD

In 2021, as part of our Climate Action Strategy, the Partnership will undertake detailed assessments to identify our short, medium and long-term climate risks and opportunities. The Partnership will conduct scenario analysis to strategically evaluate the business implications of these key climate-related risks and opportunities enabling us to design mitigation actions for the future.

METRICS AND TARGETS

The Partnership continues its commitment to reducing its carbon emissions and energy consumption. In 2020, we brought forward our target for our entire operations to be net zero carbon by 15 years to 2035. We have also committed to reducing our absolute energy use by 25% in 10 years from a 2018 baseline and continue to invest in energy efficiency and sustainable energy sources across our operations. More on our targets and performance against each can be found in our *2020/21 Ethics and Sustainability Progress Report*.

The Partnership discloses its operational energy consumption, carbon footprint and energy efficiency initiatives each year in line with the Streamlined Energy and Carbon Reporting (SECR) regulation (see pages 113 to 116). The methodology used to calculate our Greenhouse Gas (GHG) emissions and energy use is the GHG Protocol Corporate Accounting and Reporting Standard (revised edition), using the operational control approach on reporting boundaries.

LOOKING FORWARD

We already measure a number of indirect emissions across multiple categories and continue to look to increase the scope of data we collect. We recognise the need and will continue to look beyond our own direct operations and understand and reduce indirect emissions, such as emissions produced by associated companies that work with us as part of our value chain. Starting with our agricultural supply chains we have committed to ensure net zero greenhouse gas emissions from our UK farms supplying own-brand products by 2035.

In 2021 we aim to conduct scenario analysis to strategically evaluate the business implications of the Partnership's climate risks and opportunities. This exercise will help us create any additional metrics and targets required to manage these risks and opportunities.

PROMOTING THE SUCCESS OF THE PARTNERSHIP - SECTION 172(1) STATEMENT

WHAT IS SECTION 172(1) AND WHY ARE WE REPORTING ON IT?

This section, along with all other pages referred to here, forms the Partnership's Section 172(1) statement setting out how the Directors have, in performing their duties over the course of the year, had regard to the matters set out in Section 172(1) (a) to (f) of the Companies Act 2006 ('the Companies Act')¹⁵. Large companies must publish a statement setting out how their Directors have complied with Section 172(1) of the Companies Act. This law requires Directors to act in the way they consider would be most likely to promote the success of the company for the benefit of its members as a whole and in doing so have regard (amongst other matters) to:

- (a) the likely long-term consequences of decisions;
- (b) the interests of the company's employees;
- (c) the need to foster the company's business relationships with suppliers, customers and others;
- (d) the impact of the company's operations on the community and the environment;
- (e) the desirability of the company maintaining a reputation for high standards of business conduct; and
- (f) the need to act fairly as between the company's members.

The Directors on the Partnership Board are bound by their duties under the Companies Act. Describing how these duties have been discharged, particularly with regards to their duty to promote the success of the Company for the benefit of its members as a whole, is the central purpose of this Group Strategic Report. In this report we describe how the Partnership, led by the Executive Team and overseen by the Directors on the Partnership Board, has, in particular, responded to the challenges of the Covid-19 pandemic and developed and launched the Partnership's new strategy - the Partnership Plan. And how in doing so balancing the needs, expectations and impacts on Partners, customers, the communities in which we operate and other stakeholders, as well as the impact of our operations on the environment was of central importance.

Considering the needs and expectations of our stakeholders in key business decisions is inherent in our way of doing business because it is enshrined in our written Constitution - a framework that defines the Partnership's Principles and the way it should operate - and is therefore fundamental to our long-term sustainability and ability to thrive as a sustainable, purpose-led business. You will therefore find more information about engagement with stakeholders, building relationships powered by our Principles, considering the likely long-term consequences of decisions and safeguarding our reputation, integrated throughout this Annual Report and Accounts.

WHO ARE OUR 'MEMBERS'?

Where the Companies Act uses the term 'members', this refers to the owners of a company. This is different to the way we describe Partners as members of the Partnership. The Partnership is owned in Trust for the benefit of its members, otherwise known as our Partners. Power is shared between three governing authorities: the Chairman, Partnership Board and Partnership Council. The shared aim of the three governing authorities is to

¹⁵ 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), this section, together with those pages incorporated by reference, also constitutes the Partnership's statements on engagement with, and having due regard to, the interest of our customers, Partners, suppliers and other key stakeholders.

safeguard the Partnership's future, to enhance its prosperity and to ensure its integrity. For more information on how the Partnership is governed, see the Governance Report on pages 61 to 118.

Our Partners are represented by Partnership Council, which shares responsibility for the Partnership's health with the Partnership Board and the Chairman. It discusses, influences and makes recommendations on the development of policy and shares in making decisions about the governance of the Partnership.

OUR PURPOSE AND VALUES

The purpose and values of the Partnership are set out in the Principles of its Constitution. The role of the Partnership Board is to ensure that the Partnership's decision-making is consistent with its Principles. These Principles are set out on page 63 and are consistent with the requirements of Section 172(1) in that they say how the Partnership should operate and how it should conduct its relationships with our Partners (our members and employees), customers, suppliers and other stakeholders and the communities in which the Partnership operates. Every Partner is required to act in accordance with the Partnership's Constitution and this equally applies to the Directors of the Partnership Board in their decision-making.

DECISION-MAKING AT THE BOARD

The responsibilities of the Partnership Board are set out in our Constitution and described in the Governance Report on pages 61 to 118. All matters upon which the Partnership Board is required, under the Partnership's governance arrangements, to reach a decision, are presented at Board meetings. Supporting papers setting out to the Directors the relevant key facts are also provided. These papers set out the background and reasons for any proposal and the associated costs, benefits and risks. The papers also describe any potential impacts and risks for our customers, Partners and other stakeholders including our suppliers, the community and environment and how they are to be managed. The Directors take all these factors into account before making a final decision which they believe is in the best interests of the Partnership and Partners. More information is provided below on how the Directors on the Partnership Board apply the principles of Section 172(1) in carrying out their role and in their decision-making.

LONG TERM SUSTAINABILITY

Our Constitution requires us to make sufficient profit to sustain the Partnership's commercial vitality. This is balanced against the needs of our customers, Partners, other stakeholders and the community to ensure we are conducting all our business relationships with integrity. The Constitution mandates the Partnership Board – alongside the Chairman and Partnership Council – to safeguard the Partnership's future, to enhance its prosperity and to ensure its integrity. The long-term sustainability of the Partnership is at the forefront of decision-making, particularly in response to the challenging conditions in retail over the past three years and those facing all of us as a result of the Covid-19 pandemic, and has been central to the development of the Partnership Plan.

WHO ARE THE PARTNERSHIP'S KEY STAKEHOLDERS?

Effective engagement with our stakeholders is vitally important. Our key stakeholders first and foremost are our Partners. Partners work in service of our customers and they are at the heart of our purpose. We are also focused on responding to the needs of, and building long-term relationships with, our customers. We work closely with our producers and suppliers who we purchase goods and services from, and the communities and the environments in which we operate. With a continued focus on ethics and sustainability, engagement with

campaign groups and non-governmental organisations is also key. We have financial stakeholders, including relationship banks and holders of John Lewis plc financial bonds.

The Covid-19 pandemic has had a significant impact on all of the Partnership’s stakeholders since it emerged in early 2020. Balancing the needs and expectations of our stakeholders has never been a more important or challenging task and every area of the Partnership has responded to help to keep our customers and Partners safe, protect our business and manage the expectations of different stakeholders.

This past year, our stakeholders have been pivotal in helping us develop our five-year Partnership Plan which we began in March 2020 and launched in October 2020. Over 12,000 Partners provided input, with almost 450 ideas submitted. Around 8,000 customers also contributed, alongside over 100 suppliers and community groups. As the Partnership Plan sets out, a relentless focus on the customer and on service is crucial to the success of both brands, which in turn requires the voice of frontline Partners to continue to be more and more influential.

On the following pages we have described our key stakeholders, an overview of their interests, ways in which the Partnership Board engages and acts with regard to these groups when taking its key strategic decisions, and some key highlights of stakeholder engagement in the Partnership from the year under review:

Stakeholder	How do we engage?	Key highlights from 2020/21
<p>Partners - Our Partners are central in the differentiation of our business. Our Founder, John Spedan Lewis, talked about not just sharing profit but also sharing both knowledge and power. The Constitution empowers all Partners to shape the future of the Partnership. Hearing Partner opinion and ensuring this is taken into account in decision-making is intrinsic to our employee ownership model and our long-term sustainability and success.</p> <p>Properly incorporating Partner views into Board decision-making is recognised as essential to the future of the Partnership as a modern, sustainable, purpose-led business.</p> <p>FURTHER READING:</p> <ul style="list-style-type: none"> - Our culture on page 15 - Supporting our Partners and communities, pages 17 to 18 - Our diversity and inclusion plan, pages 19 to 20 	<p>The Directors engage with Partners in many different ways. Our Constitution formalises some of this engagement by having three Partners as Directors on the Partnership Board who approach Partnership Board decisions and proposals from their perspective as Partners, contributing to decision-making through their knowledge and experience from working within the Partnership. All members of the Partnership Board are also members of the Partnership Council.</p> <p>Other ways in which Partners are provided with knowledge, Partners’ views can be heard, and Directors take account of the views of Partners include:</p> <p>Sharing knowledge and journalism - Partners receive</p>	<p>We held for the first time, numerous virtual ‘In Conversation’ sessions with the Executive Team for all Partners to attend, and launched a podcast series and organised various Executive Team vlogs to be uploaded to the Partner intranet. We also brought <i>Connections</i> magazine in-house to bring it closer to the business. Aimed at retired Partners, it was relaunched and redesigned by the <i>Gazette</i> team.</p> <p>Partners were consulted and provided ideas and feedback throughout the development of the Partnership Plan. For example, the prioritisation of outdoor living under ‘retail customers love’ was a strongly supported suggestion on the Partnership intranet hub on which Partners were able to submit their proposals. Consideration of Partners’ views and impacts of aspects of the Plan on Partners were fundamental in shaping it. This was also critical for the Partnership</p>

<ul style="list-style-type: none"> - Partnership Board, pages 67 to 70 - Equal opportunities, diversity and inclusion on page 116 - Partnership Council President's Report on page 103, including Partnership Democratic Engagement pages 109 to 110 - Whistleblowing, page 87 	<p>updates on the Partnership's performance from regular dialogue with management, email updates, podcasts, vlogs, the Partnership's intranet and through our weekly independent <i>Gazette</i> magazine which has run for 102 years.</p> <p>Your Voice and Partner Forums - enable Partner opinion to be regularly heard, through survey opinion tools and meetings where Partner representatives are specially elected to represent Partners' views. They provide data and insights into the cultural and commercial health of the Partnership.</p>	<p>Board, as part of balancing all stakeholder interests and impacts of the proposal, in considering the Plan for adoption.</p>
<p>Customers - We believe in creating exceptional service from an ethical brand that our customers can trust. Our Partners support this by providing specialist expertise and personalised advice.</p> <p><u>FURTHER READING:</u></p> <ul style="list-style-type: none"> - Market review - Market context and key trends shaping retail, pages 24 to 27 - Our Partnership Plan - Retail customers love, pages 28 to 30 	<p>Our customer research team is the voice of the customer, understanding how customers and potential customers think and feel. We gather their experiences and expectations through surveys, face-to-face research, customer feedback to Partners and contact centres and external data sources.</p> <p>Regular customer reports are produced for management and Directors for Partnership Board meetings, tracking and reviewing emerging trends and why they are occurring, as well as measuring the business response and feeding in data to support strategic initiatives and decision-making.</p> <p>During the year, the Directors considered customer interests, behaviour and expectations both now and in the future in the development and approval</p>	<p>To develop our Partnership Plan we spoke to around 8,000 customers to gather their opinions on the Partnership's future. This research was critical in shaping the resulting customer strategy in the Plan and we have subsequently completed similar pieces of customer research for both the grocery and financial services markets to inform the strategy for Waitrose and Financial Services.</p> <p>Also as part of the Partnership Plan, extensive research was conducted with customers and Partners to shape the Partnership's overarching purpose, with ambitions to champion equality, wellbeing and sustainable living, for the good of customers, Partners, suppliers and society.</p> <p>In 2020, Directors received reports on customers' views around shopping in stores which, alongside insight provided by Partners in shops, helped inform</p>

	of the final form of the Partnership Plan.	decision-making on shop reopenings for John Lewis, and safety measures for customers across both brands.
<p>Producers and suppliers - A strong, trusted and transparent supply chain is integral to our success as a retailer. We take a responsible and ethical approach to selling products, sourcing raw materials and ensuring our supply chain partners are treated fairly. The Partnership works with a diverse range of over 600 suppliers from 50 countries. The strength of our supplier relationships allow us to source high quality, responsibly produced products and services for our customers.</p> <p><u>FURTHER READING:</u></p> <ul style="list-style-type: none"> - Our Ethics and Sustainability Strategy on page 36 - Waitrose's compliance with the Groceries Supply Code of Practice, pages 85 to 87 - Anti-bribery and corruption, page 33 - Payment practices, page 33 - See our Modern Slavery Statement at www.johnlewispartnership.co.uk/csr 	<p>The Board monitors the relationships with the Partnership's suppliers in a number of ways including: through the review by its Audit and Risk Committee of compliance with the Groceries Supply Code of Practice; reports by the Executive Director, Finance on the Partnership's payment practices in line with government requirements; and the steps the Partnership is taking to meet its ethics and sustainability goals, protect the human rights of those who grow, pick, pack or make our products and prevent modern slavery and human trafficking in its business and supply chains through the Ethics and Sustainability Committee (ESC). More information about the ESC can be found on page 36.</p> <p>Our Responsible Sourcing Code of Practice (RSCOP) sets out our expectations of all suppliers on issues such as pay, working hours, child labour, worker rights and representation. The Partnership engages with suppliers to manage and mitigate risk in our supply chains through a number of programmes and advocacy work. For more details visit: www.johnlewispartnership.co.uk/csr</p>	<p>Recognising the need to support suppliers throughout the pandemic, the Partnership responded in a number of ways including: providing health and safety guidance in factories, supporting the management of stock revision requirements and payment for raw material commitments and finished products. We have also given financial support to farming bodies and charities in the UK and continued to support British farmers, sourcing all our beef, chicken, pork, fresh milk and eggs from British producers and 100% British lamb all year from the summer of 2021.</p> <p>We kept our meat, fish and cheese service counters open throughout the pandemic, taking additional stock from British producers providing a much-needed lifeline for suppliers that may otherwise not have had a path to market during the Government mandated lockdown.</p> <p>Wanting to drive more meaningful and sustainable positive behaviour change in its supply base, John Lewis continued the roll-out of a free supplier engagement programme called Better Jobs, bringing the total number of UK supplier completions of the survey since launch to 49, and over 2,600 employee responses have been collected. Now trialling with 15 suppliers in China, it replaces traditional ethical audits and aims to create more rewarding and enriching jobs.</p>

		<p>In September 2020, Waitrose participated in Fairtrade’s consultation which proposed a move towards a living wage for all workers at Fairtrade-certified plantations worldwide. From July 2021, a new Fairtrade Base Wage will result in higher wages for thousands of workers, helping them to meet their basic needs.</p> <p>For more details see our <i>2020/21 Ethics & Sustainability Progress Report</i> and latest Modern Slavery Statement at: www.johnlewispartnership.co.uk/csr</p>
<p>Communities and the environment - We seek to be a Partnership for positive change - to our customers, Partners and the communities in which we operate. We must minimise the impact our operations may have on the natural environment, source any raw materials we do use more sustainably and farm with nature.</p> <p>FURTHER READING:</p> <ul style="list-style-type: none"> - Supporting our Partners and communities on page 17 - Reducing waste on page 35 - Our Ethics and Sustainability Strategy on page 36 - Task Force on Climate-related Financial Disclosures, pages 38 to 40 - Streamlined Energy and Carbon Reporting on pages 113 to 116 - For more on how the Partnership engages with communities and limits its impact on the physical environment, read our latest <i>2020/21 Ethics and Sustainability Progress Report</i> via 	<p>The Directors consider the interests of the communities in which the Partnership operates and potential impacts on the environment as part of business cases and projects proposed for consideration.</p> <p>Safeguarding the relationships we have established with the communities we serve is an important factor in the Board’s discussions and has helped shape the Partnership Plan, and in particular, the decision during the year to close eight John Lewis stores and seven Waitrose stores that were loss making. The Board recognises that shop closures are a sensitive, albeit necessary step. Careful management of this process and acknowledging that the closure of these stores may have an impact on the communities in which they are located, was an area of focus for the Board.</p> <p>Partners are encouraged to support their local communities through volunteering opportunities</p>	<p>Our Give A Little Love campaign was launched and generated over £3m for vulnerable families supported through two charities - FareShare and Home-Start.</p> <p>Through our “Community Matters” scheme, John Lewis and Waitrose shops have played and continue to play a pivotal role in our communities. Building on this framework, discretionary community funds were provided for each relevant local Waitrose and John Lewis shop to continue to support community initiatives and a Community Investment Fund was created to distribute funds to charities working in communities that would no longer be served by our shops following the decision during the year to close eight John Lewis stores and seven Waitrose stores. The decision on which charities to fund was taken by a panel which included shop-based Partners.</p> <p>In November we launched our new ten year Agricultural Strategy which includes supporting farmers to farm with nature, enhancing biodiversity, and playing our part in regenerating</p>

<p>www.johnlewispartnership.co.uk/csr</p>	<p>with charity partners and the Partnership continues to support programmes which contribute to societal causes.</p> <p>The Partnership has also put a number of programmes and performance measures in place to reduce its impact on the physical environment.</p>	<p>the natural resources we rely on.</p> <p>We set a new target to ensure greenhouse gas emissions from our UK farms are net zero by 2035 and brought forward our net zero carbon target across our entire operations by 15 years to 2035.</p>
<p>Lenders - This includes our relationship banks and holders of John Lewis plc bonds.</p>	<p>Through our website, we share details on our performance, and our Treasury and Corporate Finance team provide further detail as needed. We invite them to join our financial updates and announcements, which gives them an opportunity to hear and engage with the Executive Team.</p>	<p>Lenders were invited to four virtual calls and presentations hosted by our Executive Team.</p> <p>In addition to this activity, the Head of Treasury & Corporate Finance also held one-to-one meetings with various relationship banks and bondholders throughout the year.</p>
<p>HM Government and regulatory bodies and trade associations</p>	<p>We submit responses to consultation papers, attend Select Committees and lobby on issues that could affect the retail sector.</p>	<p>Through membership of the British Retail Consortium we have focused on Brexit, reviewing business rates and Covid-19.</p>

MAINTAINING A REPUTATION FOR HIGH STANDARDS OF BUSINESS CONDUCT

The Partnership's reputation for its standard of business conduct is a key driver of customer perception of our brands. Accordingly, all Partners are expected to contribute to the maintenance of high standards of business conduct, and the Constitution provides our framework for all Partners to do this. It includes specific Rules for Partners relating to maintaining honesty, fairness, courtesy and promptness in their business conduct. In addition, our personal values set out how we expect Partners to behave - see page 15. The Partnership Board's Audit and Risk Committee oversees how the business manages compliance and, during the year, this has continued to be an area of focus due to the changing nature of the external regulatory environment and impacts of the Covid-19 pandemic. Further information is provided in the risk and uncertainties section on pages 48 to 60 and the Audit and Risk Committee Report on pages 75 to 87.

ACTING FAIRLY AS BETWEEN THE COMPANY'S MEMBERS (PARTNERS)

The Partnership is held in Trust for the benefit of both its current and future Partners, and their interests are at the forefront of Board decision-making.

MANAGING OUR RISKS

“The last year has been an unprecedented period where effective risk management has been fundamental to helping us protect and support the Partnership, our customers, Partners and communities, and positions us well in our decision-making as we look towards future challenges and opportunities.”

JULIE GOODERHAM

Partner & Director of Internal Audit & Risk

OUR APPROACH

Risk is inherent in both our operations, and the decisions we make in pursuit of the Partnership’s goals. The Partnership Board is responsible for the nature and extent of the risks that we are willing to take. It does this by setting a risk appetite, which is derived from our Constitution, and takes into consideration the acceptable level of risk across strategic, operational, financial and regulatory risks faced by the Partnership. Our appetite provides direction and boundaries for consistent, measured, risk-aware decision-making throughout the Partnership. For example, we will take more risk in pursuit of our strategic objectives to drive our business forward and less risk in the delivery of our day-to-day operations.

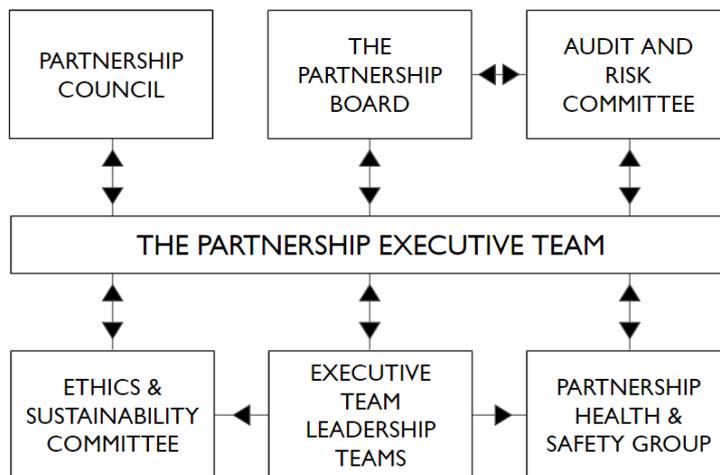
We implement a structured approach to risk management, designed to identify, manage, monitor and communicate risks consistently through our governance structure and take advantage of opportunities across the Partnership. All Partners should be aware of risks in their area of responsibility and manage those risks in their day-to-day activities.

Monitoring of our principal risks supports Directors’ assessment of the long-term viability of the Partnership. The downside scenarios over our financial Plan are based on the potential financial impact and likelihood of the risks occurring. Further details on the approach taken to assess the longer-term viability of the Partnership is on pages 57 to 60. The Partnership Board has undertaken an assessment, with the support of the Executive Team and the Audit and Risk Committee, of the principal risks to the Partnership in relation to achieving our goals and to potential future performance. See pages 49 to 55.

GOVERNANCE

The risk management governance structure, in place for the year under review, is illustrated below. It was launched in February 2020 in response to our changing business structure at that time. The change in governance and approach has driven more connected risk conversations that take less of our time and focus more keenly on the areas of most value to the Partnership. The Executive Team operates the risk framework supported by their Senior Leadership Teams, who collectively challenge our direction, decision-making and monitor the progress of mitigating activity in reducing significant risk. Our small team of risk specialists provide risk-related insight and challenge to decision-making; and report across the governance structure. For further details about key roles and responsibilities, please see the Audit and Risk Committee Report on pages 75 to 87.

RISK MANAGEMENT GOVERNANCE STRUCTURE



PRINCIPAL RISKS AND UNCERTAINTIES

Our principal risks are those that have been assessed as high or very high risk in the pursuit of our strategy when considering the potential impact and likelihood of occurrence. We assess the potential impact should the risk materialise and the likelihood of its occurrence. Oversight and monitoring takes place formally on a quarterly basis.

Our principal risks are:

- 1) External Environment
- 2) Proposition
- 3) Partner Differentiation
- 4) Information Security
- 5) Liquidity
- 6) Change Delivery
- 7) Customer Experience
- 8) Regulatory Non-Compliance
- 9) Ethics and Sustainability
- 10) Partner Wellbeing

WHAT'S CHANGED SINCE LAST YEAR?

Covid-19 has significantly impacted all of our lives, personally and professionally, and has fundamentally changed the way we live, work, shop and interact. It's changed what our customers want, and when and how they shop, further exacerbating the shift to digital that was already in play. It's further enhanced our focus on customers, communities, ethics and sustainability. These external factors, combined with our most significant response, a new Partnership-wide strategy, and the resultant structural change has led us to rethink our top risk profile over the period and subsequently our focus in managing risk. The resultant material changes to our risk profile over the reporting period are:

- The inclusion of 'Ethics and Sustainability' as a principal risk due to its increasing importance to both society as a whole and our Partnership Plan;
- Management of 'Partner Wellbeing' as a principal risk in recognition of the demands that the pandemic has placed on our Partners both in work and in society as a whole;

- An increase in ‘Customer Experience’ risk in light of the changing needs and demands of our customers and the acceleration in the shift to online;
- Our ‘Liquidity’ risk increased in the year directly as a result of the pandemic and has been proactively managed back to a position of no change year on year; and
- Likewise, other key risks specifically impacted by the pandemic, such as ‘Change Delivery’, ‘Information Security’, ‘Proposition’ and ‘Regulatory Non-Compliance’ have been managed to stable or improved positions year on year despite working through the impact of the challenges presented by the pandemic.

These are set out in more detail in the table below.

MANAGING OUR PARTNERSHIP RISKS

Our new strategy is our most significant response to the external risk environment, where a range of existing, evolving and new emerging risks are driving reduced margins in traditional retail. Effective operationalisation of our strategy is our single most important mitigation.

I EXTERNAL ENVIRONMENT (No movement)		
<i>The previously reported Operating Model Strain risk has been included within External Environment risk, recognising that the changing external socio-economic pressures are the root cause of the strain in many parts of the Partnership.</i>		
Risk	Mitigations in place	Action taken and planned
<p>External environment changes impact delivery of business-as-usual (BAU) operations or strategic objectives.</p> <p>Key causes and consequences Reduced margins in traditional retail, Covid-19, Brexit, government policy changes, regulatory changes, climate change, social movements and a weakened economy.</p>	<ul style="list-style-type: none"> • Horizon scanning for indicators of change. • Monitoring of business and market performance by the leadership and Executive Team. • Regular review of the potential impacts and opportunities of Brexit and Covid-19 to course correct by leadership supported by the crisis management response team. • Business Continuity framework in place. 	<ul style="list-style-type: none"> • Partnership Plan launch and proposed new operating model. • Ongoing delivery of the Partnership Plan. • Ongoing crisis response, see page 55. • Assess and report climate change risks as per the TCFD framework including scenario analysis to assess key climate-related physical and transition risks. See page 38. • Supporting vulnerable communities, in line with our strategic objective to be a force for positive change, including work with Home-Start and FareShare charities through our Give A Little Love campaign. See also our <i>2020/21 Ethics and Sustainability Progress Report</i>.

2 PROPOSITION (Decreased)		
<p>Risk</p> <p>Failure to deliver profitable, market-leading propositions to inspire our customers and maintain competitive advantage.</p> <p>Key causes and consequences</p> <p>Lack of clarity on customer strategy, service ambition, investment prioritisation and/or availability, and competitor disruption could negatively impact the customer proposition and its competitiveness.</p>	<p>Mitigations in place</p> <ul style="list-style-type: none"> • Continuing to secure value for all of our customers through our price matching commitments. • Regular strategic risk review and monitoring by leadership and the Executive Team. • Regular strategy implementation, customer and performance metrics evaluation. 	<p>Action taken and planned</p> <ul style="list-style-type: none"> • Differentiation in online services and experiences, such as virtual online styling, the My John Lewis events, Waitrose Cookery School and through new partnerships such as furniture rental. • Continued differentiation on products such as Waitrose No.1 and new or exclusive brands and products in John Lewis, as well as a broadening financial services product range, such as providing customer credit. • Significant expansion of Waitrose online capacity. • Better together - unlocking further value between our brands. • Customer segmentation refresh, including focus on targeted John Lewis customer archetypes. • Growth strategy across Home and Nursery, with Technology a central part of our offer.
3 PARTNER DIFFERENTIATION (New) <i>The previously reported Ownership Model Strain risk has been reviewed in detail and removed.</i>		
<p>Risk</p> <p>The responsibilities and benefits of membership are not sufficiently felt and experienced by Partners and/or do not drive a distinctive and better business in service of our purpose.</p> <p>Key causes and consequences</p> <p>Lack of clarity, understanding and knowledge of responsibilities and rewards of being a Partner, as well as not delivering against the expectations</p>	<p>Mitigations in place</p> <ul style="list-style-type: none"> • Partnership values. • Earning membership. • Partner handbook. • The Constitution. • Democracy structure and channels, including Council and Forum. • Leadership engagement and communications through specific change via democracy channels. 	<p>Action taken and planned</p> <ul style="list-style-type: none"> • New Partner strategy development and delivery. • Articulation and clarity of the Partnership's purpose. • Performance management. • Raising lowest rates of pay to voluntary Real Living Wage. • Total review of reward including ensuring pay differential between levels.

<p>of membership could lead to Partners not feeling a differentiated experience.</p>		
<p>4 INFORMATION SECURITY (No movement)</p>		
<p>Risk Loss of key customer, Partner and/or commercially sensitive data leading to financial, regulatory, legal, operational and reputational issues.</p> <p>Key causes and consequences External and internal threats, malicious software variants, theft/inappropriate use of data, increased remote working due to the pandemic resulting in loss of data, business disruption, reputational damage, unforeseen costs and regulatory consequences.</p>	<p>Mitigations in place</p> <ul style="list-style-type: none"> ● Information Security and Data Protection Policy, Standards, controls and monitoring. ● Partner training. ● Robust network security monitoring and regular testing to assess network or system vulnerabilities. ● Security impact assessments undertaken for projects to ensure compliance with security standards. ● Security Operations Centre monitoring and responding to threats. 	<p>Action taken and planned</p> <ul style="list-style-type: none"> ● Programme of security enhancements to the systems and controls that hold Partner, customer and business data to improve resilience, through the programme of IT Security investment. ● Improvements to prevent, detect and respond to external cyber attacks. ● Information Security Improvement campaigns. ● Further mature cyber security capability.
<p>5 LIQUIDITY (New) <i>Previously reported as Pension Obligations risk.</i></p>		
<p>Risk Insufficient cash when needed to support operating cash flows, pay our debts or invest for the future.</p> <p>Key causes and consequences Trading results volatility/decline, inability to secure new funding or refinance existing arrangements, increase in pension deficit, acceleration of debt and/or poor liquidity planning leads to insufficient cash available to pay debts as they fall due or to invest in the Partnership Plan.</p>	<p>Mitigations in place</p> <ul style="list-style-type: none"> ● Treasury Standard and controls. ● Pension risk and funding strategy. ● Regular review and monitoring of: liquidity and covenant position, Treasury minimum targets, investment and operational delivery, and pension valuation assumptions through internal and external monitoring. ● Monitoring of monthly performance review by the Executive Team. 	<p>Action taken and planned</p> <ul style="list-style-type: none"> ● Partnership Plan funding review. ● Refinancing. ● Pension long term derisking framework agreed. ● Triennial valuation completed. ● Closed the defined benefit section of the pension scheme. ● Partnership Plan performance tracking. ● One-to-one and group meetings with financial stakeholders. ● Covid-19 response - see page 55 ('Protecting Partnership finances' section below).

6 CHANGE DELIVERY (Decreased)		
<p>Risk Change does not realise the desired benefits and drives unforeseen cost and consequences.</p> <p>Key causes and consequences Business, operating model and change complexity combined with the volume and pace of change could result in increased costs, disruption to trade and a poor customer and Partner experience.</p>	<p>Mitigations in place</p> <ul style="list-style-type: none"> • Change management toolkit, reporting and governance. • Outcome delivery accountability. 	<p>Action taken and planned</p> <ul style="list-style-type: none"> • Implementation of the new change governance and assurance structure to support Partnership Plan delivery. • Embed and mature Partnership change framework, tools and reporting to support decision-making. • Align portfolio and change processes. • Develop portfolio transformation reporting and tracking.
7 CUSTOMER EXPERIENCE (New)		
<p>Risk Customers do not receive differentiated, excellent customer service across touchpoints.</p> <p>Key causes and consequences Systems, data, processes, third parties and Partner-related issues impact service quality and convenience in store and online resulting in declining customer loyalty.</p>	<p>Mitigations in place</p> <ul style="list-style-type: none"> • Service principles and standards. • Branch Operational Procedures. • Partner training. • Service agreements with third parties. • Regular 'Customer Voice' meeting. • Customer insight data and KPIs. 	<p>Action taken and planned</p> <ul style="list-style-type: none"> • Prioritisation of safety and service of customers through Covid-19 with social distancing measures, priority shopping for the elderly, disabled, vulnerable and NHS customers, and increased online delivery availability. See page 55. • Customer Voice Group and Customer Experience Cross Functional Task Force established. • Customer pain points improvement projects. • Culture of Service including school of service and service principles.
8 REGULATORY NON-COMPLIANCE (No movement)		
<p>Risk Failure to comply with key regulatory requirements.</p> <p>Key causes and consequences Lack of awareness, understanding or control of key regulatory requirements</p>	<p>Mitigations in place</p> <ul style="list-style-type: none"> • Policies and standards. • Partner training and monitoring of completion. • Clear Executive accountability for key regulatory areas including for 	<p>Action taken and planned</p> <ul style="list-style-type: none"> • Data owners continue to work with Information Security teams to develop and deliver data protection priorities.

<p>could cause legal, reputational and/or financial damage which, depending on scale, could cause major trading impacts.</p>	<p>personal data security and privacy across the Partnership.</p> <ul style="list-style-type: none"> • Horizon scanning of new/changing regulation and potential Partnership impact and response. 	<ul style="list-style-type: none"> • New HR system to support improved functionality for HR compliance. • Continue to embed and strengthen new supplier assurance processes and systems. • High risk regulatory assurance provision.
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9 ETHICS AND SUSTAINABILITY (New)

Recognising its importance in delivering on our proposition goals and prominence within the Partnership Plan.

<p>Risk</p> <p>Failure to live up to our ethics and sustainability ambition.</p> <p>Key causes and consequences</p> <p>Central to the Partnership Plan and our purpose, rising stakeholder expectations, broad and complex supply chains and the need to invest in systems, processes, data and people. Falling short could cause reputational damage through loss of trust, with knock-on effects on trading performance.</p>	<p>Mitigations in place</p> <ul style="list-style-type: none"> • Ethics and Sustainability Committee chaired by the Chairman and attended by other members of the Executive. • Responsible Sourcing Code of Practice. • Factory audits programme. • Product certification standards and targets. • Traceability systems. • Dedicated agricultural supply chains in key product categories. 	<p>Action taken and planned</p> <ul style="list-style-type: none"> • Partnership Ethics and Sustainability Strategy embedded in the Partnership Plan. • Customer propositions such as the Waitrose & Partners Foundation, Unpacked and BeautyCycle. • Continue to improve visibility, monitoring and ethical compliance of the supply chain. • Governance and ways of working review. • Invest in sustainable propositions. • Improve communication and engagement with ethics and sustainability activity. • 2035 net zero carbon roadmap and investment plan. • Climate change scenario analysis to define targets. See page 39.
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10 PARTNER WELLBEING (New)

Reflecting the current internal and external pressures on Partners' wellbeing, fatigue and engagement.

<p>Risk</p> <p>Partners' sense of wellbeing is threatened by societal and organisational uncertainty and change.</p> <p>Key causes and consequences</p> <p>Pressure on Partners relating to the pandemic through health and broader</p>	<p>Mitigations in place</p> <ul style="list-style-type: none"> • Wellbeing support services such as Partner Support, Partnership Health Services, Personnel Policy and Advice, Covid-19 and HOT intranet sites and Unmind. 	<p>Action taken and planned</p> <ul style="list-style-type: none"> • Further understanding through Partner surveys. • Increase Partner engagement in psychological self-help tools like Unmind.
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<p>wellbeing, alongside significant internal change in response to the evolving retail market and low utilisation of support available leads to deterioration in Partner wellbeing, increased absence, loss of talent and failure to deliver the Partnership Plan.</p>	<ul style="list-style-type: none"> • Mental health awareness training for People Managers. 	<ul style="list-style-type: none"> • Simplify existing wellbeing information and improve accessibility. • Increase awareness and reach through <i>Five Ways to Wellbeing</i> framework and Wellbeing Champions.
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COVID-19

Due to the significance of Covid-19, a summary of the key impacts and how we have managed these over the period are detailed below.

Safety first: Our crisis response team has been in place throughout the year and continues to be operational, working to a ‘safety first’ posture at all times. Throughout the year extra precautionary measures have been introduced in our stores including limiting the number of customers in store, prioritising access for our elderly, disabled, vulnerable and NHS customers, dedicated marshals to monitor social distancing, screens at checkouts, protective equipment, cashless payments, wearing appropriate face coverings and shopping alone being encouraged. Social distancing measures and protective equipment are also in place across our supply chain and offices. The Partnership will continue to follow our national public health bodies’ guidance to implement contingency mitigations as appropriate and do the best possible for our customers, Partners and community groups. The safety and wellbeing of our Partners and customers continues to be our top priority. In addition, the Partnership has supported the UK Government in developing pioneering workplace rapid flow testing, initially rolling this out in our supply chain and now across our stores. We are supporting the vaccine roll out, with our Bracknell sports and leisure centre being used by the NHS.

Securing our supply chain and operations to feed the nation: Our supply chain has been under immense pressure to meet consumer demand, both in store and online. We continue to support our suppliers, add resilience to our distribution network and prioritise the most important goods to serve our customers, whilst not compromising on our sourcing principles. Our John Lewis department stores have been temporarily closed several times during the year and the Partners supporting these shops were, where possible, redeployed to support areas of greatest need across the Waitrose supply chain, shops and online operations in order to support feeding the nation.

Protecting Partnership finances: With the repeated temporary closure of John Lewis department stores and the impact of social distancing safety measures in Waitrose stores, a number of steps have been taken to maintain sufficient liquidity including reducing capital and investment expenditure, deferring or cancelling discretionary spend such as marketing, and negotiating financing arrangements (taking out medium term bank loans totalling £150m, extending the term on our revolving credit facilities, as well as negotiating a more favourable financial covenant package). Also see the Viability Statement on page 57. In addition, the joint HM Treasury and Bank of England Covid Corporate Financing Facility, business rates holiday and wages support have been critical to maintain liquidity through this volatile period.

BREXIT

During the year, the Partnership prepared for a worst-case, no-deal scenario ahead of the end of the transition period on 31 December 2020 as this would have caused the greatest disruption to Partners, customers and trade. Contingency plans were regularly reviewed and, to the extent required, mobilised ahead of 31 December 2020 for our key areas of Brexit risk: clearing customs, currency exposure, access to EU labour and tariffs.

The risk of delays in supply chain due to challenges in clearing customs was partially mitigated by high Christmas stock levels, additional resource to process customs declarations and alternative sourcing. Currency exposure on the depreciation of Sterling, creating a rise in cost of goods, was managed through the Partnership's currency hedging programme. The labour risk was mitigated by providing support to EEA Partners seeking settled and pre-settled status and increased availability in the labour market due to Covid-19 restrictions. The EU-UK Trade and Cooperation Agreement (see page 26) supported mitigation of the tariff risk.

In 2021, as we navigate new processes under the recently signed EU-UK Trade and Cooperation Agreement and new UK regulations, the most significant emerging risks we are actively managing relating to Brexit at the time of writing are: clearing customs; some border delays on goods being received; and uncertainties around new regulations especially as the easement periods end, in particular the permanent arrangements for delivering online sales into Northern Ireland.

EMERGING RISKS

Identifying emerging risks is integral to our risk management process. Emerging risks are reported regularly at each stage in our governance structure, utilising relevant horizon scanning where available and monitored until the time is right to take action. Covid-19 continues to present evolving emerging risks, which are being actively managed and monitored by our operational crisis response team, with escalation to the Executive Team when necessary.

Risks associated with climate change and the transition to a lower-carbon economy are emerging. Scenario analysis to assess the Partnership's exposure to the climate-related physical and transition risks in line with the TCFD framework is planned for this year. See page 39 of TCFD report.

Emerging risks related to digitalisation, new technology, changing regulations and new third party relationships are also being reviewed through our risk management conversations as the Partnership adjusts to a post Covid-19 commercial landscape where disruption reliant on greater connectivity, speed, partnerships and community are of growing importance to differentiate and progress the Partnership.

LOOKING AHEAD

Our principal risk portfolio will continue to be monitored through our governance in the year ahead as our new strategy is operationalised with specific focus over the initial two years on customer satisfaction and managing our costs. This is in order to invest in our future and be able to reward Partners for their significant contribution to our unique business. The focus of activity will remain on proactively managing our response to Covid-19, maintaining customer service and protecting Partners, local communities and trade, alongside our response to Brexit as details of new UK regulations emerge and easement periods end. Further embedding our risk management framework in our new leadership structure to support effective risk-based trade-offs in pursuit of the Partnership Plan are paramount, alongside coaching across the new head office leadership team to ensure we continuously improve the effectiveness of our risk management framework.

VIABILITY STATEMENT

The UK Corporate Governance Code (the Code) requires Directors of all Companies with a Premium Listing to make a statement on the viability of their business within their annual reports. Although the Partnership is not required to adhere to the requirements of the Code (page 111), in the case of the Viability Statement we believe that the Code provides the best framework for the Directors to communicate how they have assessed the Partnership's ability to remain commercially viable in line with best practice, and to show how they continue to uphold their constitutional obligation to protect the long-term health of the Partnership. This takes into account the Partnership's current position (pages 119 to 198); current strategy (pages 21 to 40); and risks and uncertainties (pages 48 to 60).

Assessment period

The Partnership Plan is designed to develop our business over the long term and is underpinned by work in recent years to strengthen the Partnership's balance sheet and financial sustainability, with £2.0bn in total liquidity available, at the date of approval of these financial statements. As shown below, a wide variety of time horizons are relevant to the management of the Partnership:

	1	2	3	4	5	8	10	10+
Strategy	Five-year Partnership Plan							
Forecasting and budgeting	Detailed budget	Currency and commodity hedging forecasts						
Financial Strategy and Funding	Annual Funding and Liquidity Plan		Funding the Partnership Plan		Long-term financial strategy			
Asset lives	Majority of lease payments subject to market review every five years							
	Useful economic lives for intangible assets							
	Useful economic lives for larger tangible assets							
Employee benefit liabilities*						Long leave		Pensions

*Weighted average duration

The Directors have assessed the Partnership's viability over a three-year period to January 2024. Reflecting the speed of change in the retail environment, a three-year period of assessment is deemed an appropriate timeframe as it captures the period over which detailed budgeting and forecasting is provided for planning purposes.

Current climate

Given the pace of change in the retail sector, and the recent economic uncertainty due to Covid-19, we expect to see significant volatility over the short-term. This includes the reopening of many John Lewis stores following the lockdown in early 2021/22. We will continue to take necessary measures to protect the health and safety of customers and Partners, manage supply chain challenges due to the rise of online and redeploy Partners to grocery to meet increased demand.

Downside modelling

In assessing the viability of the Partnership, the Directors considered the Partnership's revenue, profit, net assets and cash position under the budget and the Partnership Plan approved by the Partnership Board. In the context of a challenging retail sector, these took account of factors such as the longer term impact of Covid-19, increased competition, and sustained cost pressures. A severe but plausible downside scenario was applied to incorporate additional sensitivities overlaid on the budget and Partnership Plan. These were based on the potential financial impact of the Partnership's principal risks and the specific risks associated with Covid-19. These are the most relevant risks when assessing the Partnership's viability, and scored highest on the combined scale of impact and likelihood.

The downside scenario and how it corresponds to the principal risks and Covid-19 risks (pages 49 to 55), have been assumed to all occur over the three-year period of assessment in order to assess the Partnership's ability to withstand multiple simultaneous challenges, and also assume that no new financing is obtained and the credit facilities are not renegotiated. For the basis of the assessment, it is assumed that all Partnership borrowings are repaid at their maturity date and that no further refinancing or funding is undertaken. The potential impacts of Covid-19 have been built into the downside scenario but the potential impact of further one-off 'black-swan' events that cannot reasonably be anticipated are not included.

The downside detailed above, is deemed by the Directors to provide a severe, but plausible, stress test on our underlying viability. This includes a significant reduction in year 1 performance as a result of the impact of Covid-19 and reduced trading performance across both brands, resulting in a pre-mitigation cash reduction to Plan in excess of £1.7bn over the three years. Uncertainty exists in respect of the potential impact of Covid-19 in 2021/22.

The downside scenario assumes lockdown conditions continue into Q2 2021/22 and that John Lewis stores are closed during this period, with online sales remaining operational but with reduced demand. Waitrose remains operational both in store and online, albeit with sales and margin pulled back from current trading levels which are significantly ahead of pre-Covid-19 levels in 2019/20. This is followed by a further, deeper recession throughout the assessment period resulting in a further reduction in sales, as well as a reduction in margin across both brands and a number of one-off events, e.g. a regulatory and data security breach, higher impairment charge, increasing pension deficit and project under-delivery. The downside modelled has a significant adverse impact on sales, margin and cash flow. The impacts of the downside adjustments have been reviewed against the Partnership's projected cash position and financial covenants over the three-year viability period. Should these occur, mitigating actions would be required to ensure that the Partnership remains liquid and financially viable.

Mitigating actions

In response, the Directors have identified £2.4bn of mitigations (£1.6bn available within the first two years up to January 2023, and a further £0.8bn available in the third year 2023/24), all within management's control, to reduce costs and optimise the Partnership's cash flow, liquidity and covenant headroom, the majority of which would only be triggered in the event of the downside scenario materialising. These actions were identified as part of the Partnership's contingency planning which considered both feasibility and time frames to execute. Mitigating actions include, but are not limited to, reducing capital and investment expenditure through postponing or pausing projects and change activity; deferring or cancelling discretionary spend (including discretionary Partner benefits); and reducing marketing spend. These mitigations are all within the control of the Partnership and exclude those mitigations which place some reliance on the external market (asset sales). The Partnership's

projected cash position included in the budget assumes utilisation of Government support in relation to the business rates holiday to the end of the fiscal year (March 2021) but does not include any allowance for the job retention scheme or assume any further reliance on Government support beyond this date.

Internal mitigations alone would be sufficient to absorb the effects of the downside scenario. Additional liquidity could be sourced from the external market assuming sufficient appetite existed, e.g. asset disposal or sale and leaseback of property. Continuous monitoring of the Partnership's liquidity position enables management to proactively apply these mitigations as required.

Having applied the downside scenario and liquidity mitigations above, we have also performed reverse stress testing to identify what it would take to 'break' the Partnership's financial model; being a situation in which the Partnership was no longer liquid or could not meet the requirements of our financial covenants, without further action. The conclusion of our stress test is that the Partnership could sustain a further loss of more than 10% of annual sales over and above the downside scenario already modelled or a further one-off cost of £400m, without breaching our bond covenants. Our committed credit facilities remain undrawn in our stress test. The Partnership would prefer to retain the option to utilise its facilities, therefore, covenant compliance will continue to be monitored closely, and if deemed necessary, the Partnership will seek a covenant relaxation from its bank group, or take other actions to replace the level of liquidity support provided by these facilities.

Viability assessment

We have made our assessment based on our best view of the severe but plausible downside scenario that we might face. If outcomes are unexpectedly significantly worse, the Directors would need to consider what additional mitigating actions were needed, for example accessing the value of our asset base to support liquidity. Consequently, the Directors have concluded that to stress test a level of increased severity (beyond the downside modelled) which may cast significant doubt about the Partnership's ability to continue to be viable over the three-year assessment period, is not currently reasonable.

Having reviewed current performance, forecasts and risks, the Directors have a reasonable expectation that the Partnership:

- Has adequate resources to continue in operation;
- Can meet its liabilities as they fall due;
- Can retain sufficient available cash across all three years of the assessment period; and
- Will not breach any financial covenants attached to its financial debt (bonds, term loans and bank facilities).

The Directors therefore have a reasonable expectation that the Partnership will remain commercially viable over the three-year period of assessment. An overview of the process undertaken to reach this conclusion was provided to, and reviewed by, the Audit and Risk Committee (see pages 80 to 81).

Variable	Downside scenario			Partnership principal risks										Covid-19 risks
	21/22 Yr 1	22/23 Yr 2	23/24 Yr 3	1	2	3	4	5	6	7	8	9	10	
Sales underperformance	(4)% vs budget	*(4)% vs Plan	*(4)% vs Plan	x	x	x			x	x		x	x	x
Gross margin rate	(200)bps vs budget	*(240)bps vs Plan	*(230)bps vs Plan	x	x	x			x	x		x	x	x
Foreign exchange	£(23)m	-	-	x										x
Missed project delivery	£(83)m	£(90)m	-		x				x	x			x	x
Target under delivery	£(71)m	-	-		x				x	x		x	x	
One-off IT data breach	£(50)m	-	-				x							x
One-off regulatory non-compliance risk	-	£(25)m	-								x	x		x
Pension deficit increase	£(580)m	-	-					x						x
Additional impairment	£(100)m	-	-											x

*cumulative based on Partnership Plan