John Lewis Partnership plc
Annual Report and Accounts 2022

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

Results summary for the year ended 29 January 2022

- Profit before Partnership Bonus, tax and exceptional items rebounds to £180.5m, up 38% on last year.
- Loss before tax was £26.7m, £490.5m better than last year.
- Bonus of 3% awarded to Partners, equivalent to 1.5 weeks' pay.
- Partnership to pay voluntary Real Living Wage nationwide this year; 2% pay rise.
- Partnership Total trading sales of £12.5bn, up 1% on last year. Revenue of £10.8bn, up 1% on last year.
- Waitrose sales hit £7.54bn, up on last year by 1% like-for-like but down 1% as reported. Revenue of £6.98bn was down 1% (all compared to last year).
- John Lewis achieved its highest ever Total trading sales of £4.93bn, up on last year by 8% like-for-like and 4% as reported. Revenue of £3.85bn was up 3% (all compared to last year).

Dear Partner

I want to thank you for your commitment and dedication in what has been another tough year. With the pandemic and with so much change within our business, I don't underestimate the personal impact and I am truly grateful.

As we head into the second year of the Partnership Plan, our five year strategy to transform the business, we're gaining momentum in an increasingly competitive retail landscape. Our focus on quality, value, sustainability and exceptional service is serving us well.

You may recall that we report our profitability using two measures - before and after exceptional items and Bonus. Measuring our profit without these items gives a better indication of our underlying performance. Profit before Bonus, tax and exceptional items - or 'PBTBE' - was £180.5m. This was £49.7m (38%) higher than 2020/21 and £110.6m (158%) better than two years ago.

When we include exceptional items (£160.8m) and Bonus (£46.4m), our loss before tax was £26.7m. This was £490.5m (95%) better than our loss in 2020/21 (when we had a big 'write down' in the value of our John Lewis stores) and £173.1m (118%) lower than the profit two years ago, when we had a one-off benefit from closing our defined benefit pension scheme. Our exceptional costs were mostly restructuring costs, property lease exit costs and a small net write down of John Lewis stores.

Waitrose Total trading sales were £7.54bn, up 1% like-for-like on last year (down 1% as reported) and up 11% like-for-like on two years ago (up 9% as reported). Revenue of £6.98bn was down 1% on last year and up 10% on two years ago.

John Lewis achieved the highest sales in its history, £4.93bn, which was up 8% like-for-like on last year (4% as reported). Against two years ago, John Lewis sales were up 10% like-for-like (2% as reported). Revenue of £3.85bn was up 3% on last year and up 2% on two years ago.

Reducing costs remains a key priority. We cut costs by £170m, a major factor behind our profit growth compared to last year.

This has involved difficult decisions that have affected Partners deeply: reducing management roles in our shops and reducing our central teams. We have also closed eight John Lewis stores and a delivery hub. These were necessary decisions to ensure the Partnership is sustainable in the future.

We have made a good start to our Partnership Plan but are only one year through our five year transformation. Looking ahead, we see continued significant uncertainty affecting the economic environment, our customers, Partners and society. The pressure on living costs is increasing and being compounded by a combination of factors including the economic impact of the pandemic, rising inflation and energy prices. While this creates uncertainties as we look ahead, we remain focused on investing significantly in our Partnership Plan, and making necessary cost savings, to transform and grow our business. In 2022/23, this will involve:

- Investing £119m in our John Lewis shops, digital services and our distribution capabilities;
- On top of these investments, we're committing £500m to give John Lewis customers everyday quality and value, and an improved MyJohnLewis loyalty proposition is coming later this year;
- £55m investment to complete a further 23 major refurbishments of Waitrose stores and £72m investment in digital services and distribution;
- Working with our Waitrose suppliers to keep prices as low as possible and offering savings on products that customers buy the most through the revamped MyWaitrose loyalty scheme;
- Accelerating growth in John Lewis Financial Services with a £53m investment;
- Continuing to develop and progress our property rental proposition;
- Targeting further sustainable cost savings by year end as we become more efficient.

Given the challenging macroeconomic and geopolitical backdrop, it is difficult to predict the shape of future trading with certainty, but our progress is encouraging and I am confident that by continuing to invest in our strategy we will deliver for our customers, Partners, suppliers and communities. We have come through so much already and our solidarity will continue to carry us through.

Pages 3 to 44 comprise the Group Strategic Report, which was approved by the Partnership Board on 27 April 2022.

SHARON WHITE
Partner & Chairman
John Lewis Partnership plc

The financial year is the 52 weeks ended 29 January 2022 (prior year: 53 weeks ended 30 January 2021).

See Glossary section on pages 179 to 185 for explanation of financial terms.

OUR PURPOSE

Working in partnership for a happier world
The John Lewis Partnership is the UK's largest employee-owned business with over 78,000 Partners who are all employee-owners. Our Founder, John Spedan Lewis, established it as a better way of doing business and to drive positive change in society.

Our Constitution protects the values that underpin our business, enshrining our governance into a single written document that can only be changed with the consent of both the Partnership Council and the Chairman. While our Constitution has evolved since it was first published almost a century ago, it continues to embody the essence of the extraordinary vision and ideals of our Founder.

The Principles and Rules set out in our Constitution define the Partnership's role in society and our responsibilities to Partners, customers, suppliers and the communities in which we operate. It also states that we are required to make 'sufficient' not 'maximum' profit and that's why we are focused on reinvesting our profits back into our Partners and to pursue our Purpose.

To ensure our Purpose is fit for the future of the Partnership we invited discussion, input and feedback from Partners across the company on what our refreshed Purpose should be. Our new Purpose - working in partnership for a happier world - makes it clear why we exist, our ultimate aim as a business and gives us an exciting opportunity to do things differently.

Happier people

Our happier business starts with happier Partners, enjoying worthwhile and satisfying work in a supportive environment we all help to create. We treat people with fairness, courtesy and respect, and we work with others who do the same.

We create an inclusive environment and celebrate diversity with our Partners, customers and the communities we serve. We're at our best when we all feel welcomed and free to be ourselves. We take pride in making our customers happy. We put everything we have into everything we do, earning the loyalty and trust that we need to be successful.

Happier business

We build happier businesses that are honest, fair and free to think and act for the long term. We aim to make sufficient profit to retain our financial independence, invest in our Partners and pursue our Purpose.

Our Partnership is built on democratic principles. We share the responsibilities and rewards of ownership: knowledge, power and profit. Partner opinion is crucial in driving the actions of our governing authorities: the Partnership Council, the Partnership Board and the Chairman.

Happier world

We champion the role our Partnership can play in advancing the happiness of the communities we work with and the wellbeing of society. We build trusted business relationships, acting with integrity and doing what's right. We take responsibility for our impact on the planet. We work tirelessly to protect and restore nature, creating a more sustainable future for generations to come.

The Partnership Plan

We have completed year one of our five year Partnership Plan which outlines our ambition for John Lewis and Waitrose as the UK's go-to destinations for customers seeking quality, value and sustainability; as well as the development of inspirational new services.

Through our iconic, trusted brands, we will enable customers to shop the way they want with expert advice, brilliantly edited choices and truly memorable experiences. The Plan sees our business continuing to adapt rapidly to changing consumer habits, getting closer to customers online and in-store and expanding in new areas where we believe our values can be a force for good.

We are also simplifying how we work and empowering frontline Partners to do what's best for customers. We are creating a lean, simple and fast Partnership that can execute the Partnership Plan to help improve operational efficiency and processes for the benefit of our Partners, customers and suppliers.

THE PARTNERSHIP PLAN **Working in Partnership for a Happier World**	
RETAIL CUSTOMERS LOVE Customers shopping the way they want, with expert advice, brilliantly edited choice and truly 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 PERFORMANCE

Waitrose

- Waitrose sales grew 1% on a like-for-like basis (down 1% as reported) and up 11% like-for-like compared to two years ago (9% as reported). Waitrose had a strong Christmas period and outperformed the grocery market by 1% for the year, driven by online.
- Total online sales now stand at 17%, up from 14% a year ago and 5% in 2019/20. We now have capacity for up to 280,000 waitrose.com orders per week, up nearly 20% on last year, boosted by a new distribution centre in Greenford.
- Our partnership with Deliveroo is available in over 150 Waitrose stores, frequently generating weekly sales of £1m. We are now trialling Deliveroo Hop which offers delivery in as little as 10 minutes.
- We invested £90m in 18 shop refurbishments, expanded our ecomm capacity and opened ten new Waite & Rose cafes.
- The combined strength of our two brands is being realised through 38 dedicated John Lewis spaces in Waitrose stores. We are targeting a further 49 by the end of 2022/23.
- We are further increasing the brand's reach and convenience through new supply partnerships. Margiotta, a family business of ten stores in Scotland, and four Alliance stores in Jersey will offer Waitrose products.
- As part of our convenience offer, 13 new Waitrose shops opened at Shell locations, giving us 69 sites in total, and in 2022/23 we have started rolling out electric vehicle charging points at Waitrose stores under this partnership.
- In 2021, we launched more than 700 new food lines. This included Levantine Table, the first pan-Partnership range with John Lewis and the biggest range launch for Waitrose in 2021.
- Waitrose picked up a string of awards for the quality and provenance of its food and wine. We were named winner of the Grocer 33 Award on 17 occasions, equalling our best ever record in 2020.

John Lewis

- John Lewis sales grew by 8% like-for-like on last year (4% as reported) and up 10% like-for-like compared to two years ago (2% as reported). This represented record sales for the year, despite having 16 fewer stores and the disruption of the pandemic - with John Lewis stores closed for ten weeks of the year.
- We launched the ANYDAY range, offering value and quality, which has attracted existing customers and over 500,000 new or reactivated customers. Over two million customers in total shopped ANYDAY, recording sales of over £120m, and 93% of customers have bought John Lewis products in other price ranges.
- We introduced 230 new brands, giving customers even more choice. We grew market share across Home and Nursery categories and had a record year for Christmas seasonal products (up 6% on last year).
- We invested to improve the in-store experience with local store teams deciding what works for their customers. Cambridge, Nottingham and Chichester saw space changes, updated furniture concepts and new assortments. Every store now has a new 'seasonal space' to showcase the best and newest products. We'll invest to refresh more of our stores in 2022/23.
- The John Lewis App was relaunched and now accounts for 23% of online sales, up from 16% in the previous year. Customers who shop on the App spend more than customers using other channels.
- Our new distribution centre, Fenny Lock, will increase our online capacity when it opens this summer.
- John Lewis Click & Collect expanded to meet demand and is now available in over 1,000 locations.
- John Lewis Financial Services launched a new home insurance product and we have seen good growth in the number of customers investing in our ISA products. Our point of sale credit product has helped to generate more than £100m retail sales since being established across John Lewis shopping channels. In the last quarter we have also trialled 'easier payment' solutions to further help customers across all channels.

Our Partners

- We're increasing our pay budget by £54m so we can pay the voluntary Real Living Wage nationwide. Partners received a 2% pay rise in the 2022/23 financial year. Further, a Partnership Bonus of 3% was awarded to Partners, equivalent to 1.5 weeks' pay.
- We also continued to support our Partners through the pandemic and to pay Partners for Covid-19 related absence regardless of their vaccination status.
- Over 1,000 Partners from head offices helped in our stores and supply chain during peak trading periods.
- In 2021, the Partnership became the first UK retailer to announce equal parental pay and leave, and introduced two weeks' paid leave for any Partner who experiences the loss of a pregnancy.
- Over 1,600 Partners are undertaking or have completed apprenticeships in a range of disciplines. In response to the impact of the national driver shortage, we launched our LGV Driver Academy and driver apprenticeships.
- We opened our School of Service in John Lewis Stratford, which provides Partners from both brands with the tools and training to provide exceptional customer service in store and online.

Ethics and sustainability

- Our Chairman, Sharon White, was invited as a guest of His Royal Highness The Prince of Wales to host a business-leader roundtable event in Glasgow during COP26 to discuss how businesses can help customers make more sustainable choices.
- Alongside COP 26, Waitrose launched its biggest-ever food waste awareness campaign, which is estimated to have reached over 10 million people, providing customers with inspiration to help reduce food waste.
- We achieved 22.18% greenhouse gas emissions reduction compared to our 2018 baseline, against our target of net zero carbon across our operations by 2035. In addition we committed to setting science-based targets for our operations and supply chain.
- We made progress towards ending the use of fossil fuels across the Partnership's transport fleet and 252 of our 581 heavy trucks now run on biomethane. We will end the use of fossil fuels across the Partnership's transport fleet by 2030.
- Waitrose maintained its top tier position in the global Business Benchmark on Farm Animal Welfare for the eighth year in a row.
- Our Partnership was rated top in the UK and second globally in WWF's Palm Oil Buyers Scorecard reflecting our work to source more sustainable palm oil for use in our own-brand products.
- Over 550,000 hard-to-recycle beauty product empties were diverted from landfill through the John Lewis BeautyCycle scheme.
- We donated £6.5m supporting causes ranging from food poverty to international disaster relief.

Financial performance

PBTBE was £180.5m in the year, up £49.7m (38%) on 2020/21 and up £110.6m (158%) on 2019/20. This is the highest PBTBE for the Partnership since 2017/18. Our loss before tax was £26.7m. This was £490.5m (95%) better than 2020/21 and £173.1m (118%) lower than the profit two years ago.

Understanding our profit for 2021/22

The Partnership's principal internal measure of trading performance is Profit before Partnership Bonus, tax and exceptional items (PBTBE). This comprises Trading operating profit for our brands, combined with other operating costs managed centrally (such as costs of our head offices, net finance costs, property costs, depreciation and investment expenses).

Our PBTBE has been reconciled to the Partnership's statutory measure of Loss before tax in the Glossary section, and the principal differences are exceptional items and Partnership Bonus.

Trading performance by brand

	Waitrose					John Lewis				
	2021/22	**2020/21**	**2019/20**	***% vs 20/21***	***% vs 19/20***	**2021/22**	**2020/21**	**2019/20**	***% vs 20/21***	***% vs 19/20***
Total trading sales (£m)	**7,535.9**	**7,595.2**	**6,917.3**	***(1)%***	***+9%***	**4,925.6**	**4,721.9**	**4,829.9**	***+4%***	***+2%***
Total trading sales LFL*	7,536.1	7,469.9	6,776.7	*+1%*	*+11%*	4,905.6	4,536.0	4,447.5	*+8%*	*+10%*
Revenue (£m)	6,983.6	7,043.9	6,373.3	*(1)%*	*+10%*	3,853.9	3,727.9	3,778.0	*+3%*	*+2%*
Trading operating profit (£m)	**1,019.6**	**1,144.6**	**1,063.2**	***(11)%***	***(4)%***	**757.7**	**554.4**	**733.6**	***+37%***	***+3%***
Trading operating profit (%)	**14%**	**15%**	**15%**			**15%**	**12%**	**15%**		

*Our LFL definition is outlined in the Glossary section

In Waitrose, Total trading sales grew by 1% like-for-like (down 1% as reported) and up 11% like-for-like on 2019/20 (up 9% as reported). This was because customer demand softened in the second half compared to the previous year, as much of the UK returned to more normal shopping patterns and the hospitality sector rebounded. Revenue declined 1% compared to last year and was up 10% on 2019/20.

Waitrose's Trading operating profit margins have been significantly diluted by inflationary pressures within supply chains, higher levels of absence due to Covid-19 and higher fulfilment costs as a result of the increased levels of online trade.

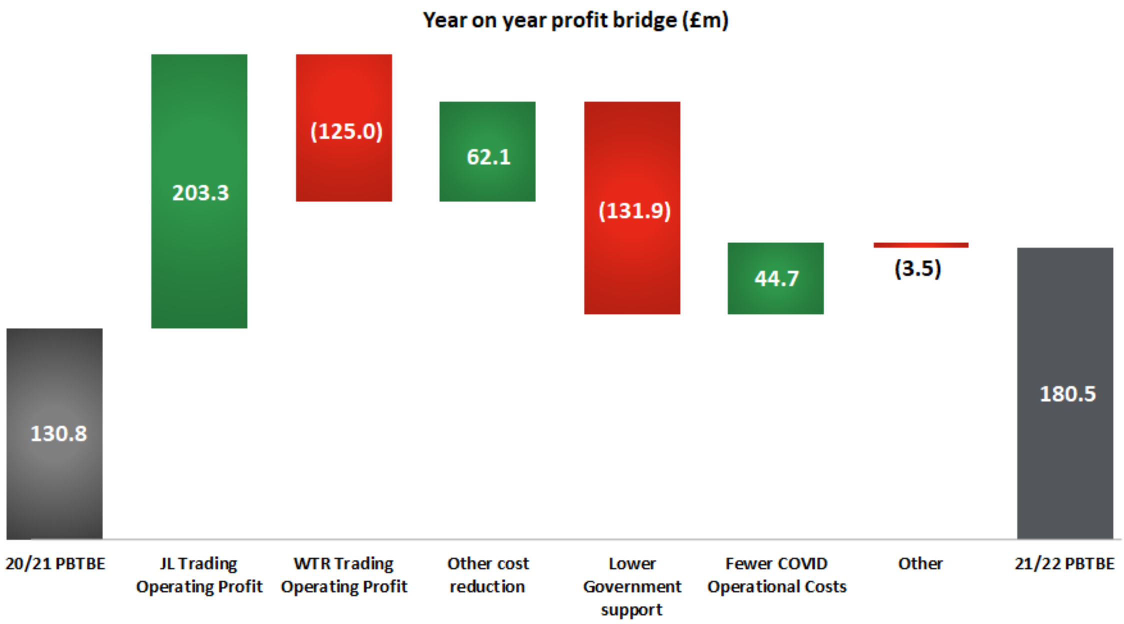
The combination of these factors resulted in a decline in Waitrose Trading operating profit of £125.0m to £1,019.6m, down 11%. Our cost savings helped to mitigate some of these pressures, with £73.6m of cost savings included within the Waitrose results.

In John Lewis, we saw Total trading sales growth of 8% like-for-like (4% as reported) as there were fewer lockdowns in 2021 than in 2020. Total sales were up 10% like-for-like (2% as reported) on 2019/20 despite John Lewis shops being closed for ten weeks at the start of the financial year. Channel mix for the year was 67% online, 33% shops, a continuation of the long-term move online as customer behaviour shifts. Revenue grew 3% compared to last year and was up 2% on 2019/20.

Trading operating profit of £757.7m, up 37% on last year, reflects that margin in John Lewis has markedly improved this year. This was due to a combination of stronger sales, lower markdowns on sales and the mix of sales. We saw a higher proportion of Fashion and Home sales in 2021/22 than the previous year (which carry higher margins than Technology sales that were exceptionally strong in 2020/21). John Lewis Trading operating profit includes £18.4m of profit contribution from our John Lewis Financial Services business, up £5.8m compared to the previous year.

In addition, cost savings in John Lewis contributed £34.5m to Trading operating profit. Overall, these factors generated growth in Trading operating profit of £203.3m, or 37%.

Year-on-year growth in PBTBE

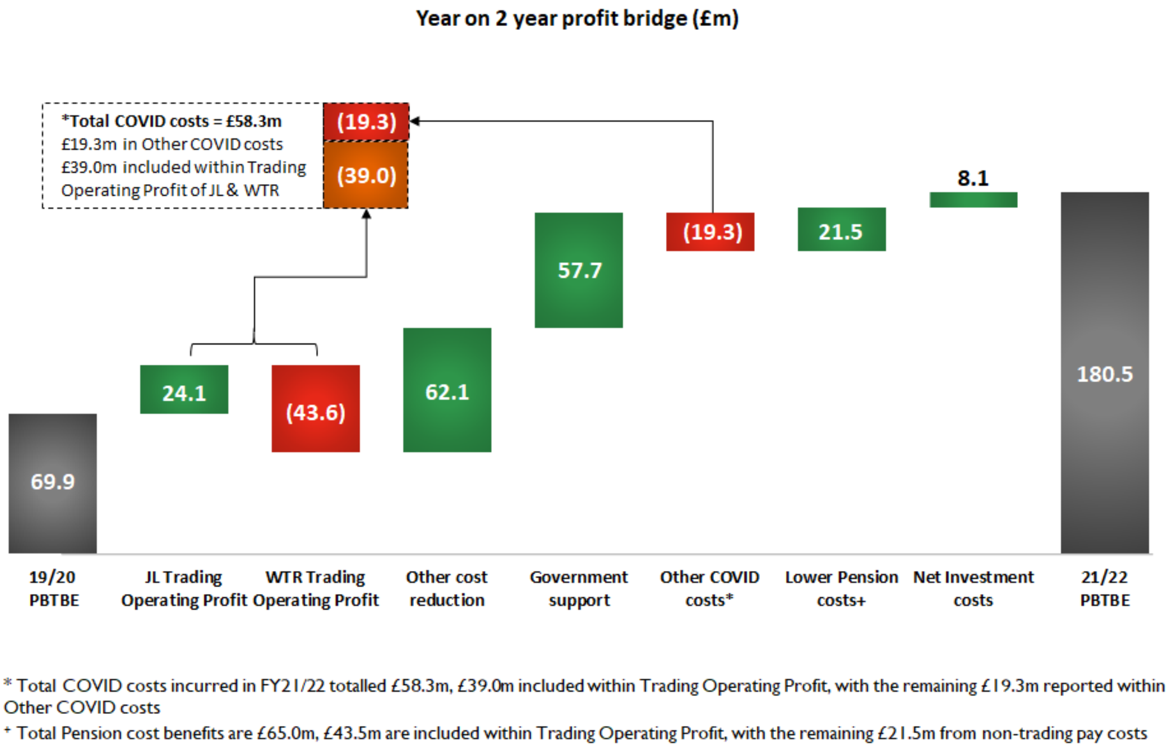


Compared to the full year results for 2020/21, our PBTBE improvement of £49.7m is due to a number of factors:

- John Lewis Trading operating profit grew by £203.3m and Waitrose Trading operating profit declined by £125.0m. These figures include the impact of £108.1m of cost savings delivered (£34.5m in John Lewis and £73.6m in Waitrose) in the year;
- £62.1m of savings from other operating costs was delivered compared to 2020/21, bringing the total cost savings delivered in 2021/22 to £170m;
- Government support was £131.9m lower as we received less in business rates relief and we made no claims under the Coronavirus Job Retention Scheme this year;
- Incremental costs associated with the Covid-19 pandemic were also lower this year, by £44.7m, as the demands on social distancing, cleaning and PPE eased relative to last year, added to the fact much of last year's social distancing measures to protect customers and Partners remained utilised this year;
- Our PBTBE of £180.5m includes £57.7m[1] of business rates relief this year which was fully offset by incremental costs associated with the pandemic.

[1] Rates relief in the first half of the year: £23.0m in the Government's original scheme and £34.7m in the extension of the scheme

Growth in PBTBE vs 2019/20



Compared to 2019/20, our PBTBE improvement of £110.6m is principally due to the following factors:

- John Lewis Trading operating profit has increased by £24.1m. Waitrose Trading operating profit has declined £43.6m. These figures include the impact of £108.1m of cost savings delivered (£34.5m in John Lewis and £73.6m in Waitrose) in the year;
- £62.1m of savings from other operating costs was delivered compared to 2019/20, bringing the total cost savings delivered in 2021/22 to £170m;
- We received business rates relief of £57.7m in the year, which did not feature in 2019/20. However, this was fully offset by costs associated with the pandemic in the year which totalled £58.3m: £39.0m of costs within Trading operating profit, and £19.3m of other Covid-19 costs;
- Pension costs were £65.0m lower following the closure of our defined benefit pension scheme in April 2020. £43.5m of these benefits were included in Trading operating profit, with £21.5m coming through non-trading costs;
- Net investment costs were down by £8.1m, comprising lower depreciation costs of £46.2m offset by increased running costs for new technology as we grow our digital capability for the future.

Exceptional items

During the year, we took difficult decisions to protect the long term viability of the Partnership to transform and grow the business. We closed eight John Lewis stores, a customer delivery hub and announced a head office property exit in 2024, as well as recording additional impairments of John Lewis stores. The number of head office roles has been reduced, as has the number of managers in John Lewis and Waitrose. These have totalled a net charge of £160.8m.

Cash and liquidity

We continue to manage cash prudently given the uncertain environment. It also ensures that there is adequate funding available to withstand material volatility in trading, particularly important to the Partnership as we do not have access to equity markets owing to our model. Our Total liquidity at the year end remains strong at £1.9bn, including £1.5bn cash and short-term investments, and undrawn bank facilities of £420m. This is required to deliver the Partnership Plan and meet our obligations. We carry £1.4bn of Total net debts including leases and any pension deficit, with £500m of financial borrowings due to be repaid in the next three years (£200m of bank term loans maturing between November 2022 and December 2023 and a £300m bond maturing in January 2025).

During the year, we repaid a £75m bank term loan and secured a new £420m revolving credit facility, linked to our environmental targets. The financing replaces previous facilities of £500m, which were due to expire at the end of 2022. Under the terms of the new agreement, the interest rate we pay on the facility will vary depending on whether we achieve three environmental targets over five years related to reducing carbon emissions, reducing food waste and moving away from fossil fuels in our transport fleet. Progress against these three targets is included within our Ethics and Sustainability Report 2021/22 and will be reported annually.

Our Debt ratio at the end of the year was 2.3x, improving from the previous year's position of 3.4x. This reflects a significant improvement in our pension deficit, our strong cash performance during the year and repayments of debt without the need for refinancing. For 2021/22, we are reporting a net pension accounting surplus but are not including this benefit in the calculation of Total net debts or Debt ratio, where instead we assume the pension scheme is breakeven. The pension deficit we reported in both 2020/21 and 2019/20 is included in our comparatives for Total net debt and Debt ratio.

	2021/22	**2020/21**	**2019/20**
Total liquidity (£m)	1,930.6	2,018.5	1,415.5
Total net debts (£m)	(1,413.4)	(2,097.0)	(2,435.8)
Debt ratio	2.3x	3.4x	3.9x

Pensions

Our net accounting position reflects the gap between the market value of pension assets held by our closed defined benefit scheme and our pension liabilities. At the year end, we had a net accounting pension surplus before deferred tax of £473.5m (£331.4m post deferred tax), compared to a deficit of £646.9m in January 2021 (£542.0m post deferred tax).

The improvement of £1.1bn pre tax is due to a combination of a reduction in the present value of pension liabilities combined with higher scheme asset values. The valuation of liabilities has decreased as a result of higher discount rates being used to assess present values of future payments, in line with market projections increasing expectations of interest rate rises. While inflation projections have also increased, this is more than offset by the increased discount rate. Our scheme asset values have increased off the back of strong returns on investments this year.

Our pension valuation is derived from a number of assumptions, any of which can change the overall valuation substantially given the large size of the scheme. The valuation is at a point in time, and changes in market conditions can substantially affect this position in the future.

THE PARTNERSHIP BUSINESS MODEL

The John Lewis Partnership is not like any other business. Our employees are Partners and custodians of our experiment in industrial democracy. Our Constitution protects the values that underpin our business, enshrining our governance into a single written document. The three governing authorities of the Partnership are the Partnership Council, the Partnership Board and the Chairman. The shared aim of the three governing authorities is to safeguard the Partnership's future, to enhance its prosperity and to ensure its integrity.

Our Council represents the views of all our Partners, for whom the business is owned in Trust. The Council's democratic network of elected councils, committees and forums enables 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 also have 62 Forums, made up of around 900 elected representatives, that influence, inform and support senior leaders in different parts of our business and gather Partner opinion for Council. As a business run on democratic principles, local leaders work with Partners to agree the best way to hear and respond to Partners' voices within their branch or department – we call this Local Voice.

We have over sixty Partners who have been formally elected by their peers to be our Partnership Councillors; three Partners elected as Elected Directors to the Partnership Board; and three Partners elected as Trustees of the Constitution by the Partnership Council on behalf of all Partners. See pages 76 to 80 in the Governance section for more details.

The Partnership's resources provide the basis for the creation of inspiring experiences and unique products, and they help us grow, create, design, source and distribute. As well as our network of shops we have, in the UK: 30 customer delivery hubs and distribution sites, the Waitrose & Partners Farm in Leckford, four Waitrose Cookery Schools, the School of Service, two customer contact centres, the Partnership Heritage Centre, and our soft furnishings factory, Herbert Parkinson. We also have two overseas sourcing offices. In addition, there are five Partnership hotels across the UK offering a range of facilities, available exclusively to Partners and their guests.

SUPPORTING PARTNERS AND COMMUNITIES

Health and wellbeing

This year, we have focused on building awareness in key areas including mental and physical health, menopause and breast cancer which have been delivered through our network of Health & Wellbeing Champions, dedicated campaigns and content. Delivering support digitally has been more important than ever due to the pandemic. During the year:

- We continued to support Partners with sick pay regardless of Covid-19 vaccination status;
- We provided over 8,000 mental health sessions for more than 1,000 Partners;
- 230 People Managers participated in mental health awareness training;
- More than 11,000 Partners have downloaded the mental health Unmind app, which we provide for free;
- Over 1,000 Partners registered as Wellbeing Champions;
- More than 17,000 calls answered by our Health & Wellbeing Practitioners;
- £459,000 of financial support was provided to Partners in the form of grants or interest free loans;
- Over 7,000 Partners were members of 23 Partnership clubs and societies, ranging from sailing to singing;
- There were over 67,000 nights at our five Partnership hotel locations for Partners and their family and friends to use at specially subsidised rates.

Partner pay and reward

In 2020, the Board set the minimum thresholds for paying a Bonus: a combination of Profit before Partnership Bonus, tax and exceptionals (PBTBE) of £150m and Debt ratio of less than 4 times. We achieved both of these targets. Given the positive performance, and the extraordinary contribution of Partners, the Board decided to share a 3% Bonus with Partners; while the Executive team and Chairman are donating their Bonus to the British Red Cross.

With our Partners, like the whole country, facing a cost of living squeeze, we believe that this is the right time to pay the voluntary Real Living Wage, nationwide. In addition, this year's pay review has been set at 2%, making the total pay investment £54m (excluding Bonus, which adds a further £46m).

In the 2021/22 financial year, our average hourly rate of base pay for non-management Partners was £10.35, 16.2% above the National Living Wage (NLW) of £8.91 (for those aged 23 years and over).

Helping communities in need

Our Founder established the Partnership to be a force for good in society. We are driven to make a difference to people's lives and create positive social change. We invest in our communities to create opportunities that promote a fairer and more inclusive society. This may be via monetary donations, as gifts 'in kind', through strategic relationships with charities that resonate with our brands and customers, or through our Partner volunteering hours and active engagement with local communities.

During the year, we donated £6.5m for good causes through a number of initiatives:

- Our Community Matters programme donated over £3m to the Partnership's charitable partners, FareShare and Home-Start, as well as thousands of other charities and community organisations local to John Lewis and Waitrose shops;
- Working with Home-Start we bolstered support in ten areas across the country, funding basic family needs such as food, clothing and fuel cards, and mental health and emotional wellbeing programmes. Together, we also provided 165 families with Christmas dinner, tree, gifts and decorations;
- With FareShare, we launched the second phase of our Farm to Family programme which saw over three million portions of fruit distributed to over 3,000 local organisations supporting people facing food insecurity;
- The Partnership also donated over £200,000 to the Trussell Trust to support their network of food banks which provides compassionate and dignified support to people who can't afford life's essentials;
- The John Lewis Partnership Community Investment Fund invested £1.2m in support of 29 employability projects across the country, from Aberdeen to Basingstoke. This fund has established a legacy in each community where a John Lewis or Waitrose shop has closed, enabling local people to access employment despite the loss of a shop in their community.

BECOMING A MORE INCLUSIVE BUSINESS

We are committed to creating a feeling of belonging in a Partnership where we can all be ourselves without fear or judgement, no matter our background, identity or circumstances.

While there remains much to do we are making progress; examples of diversity and inclusion (D&I) initiatives over the past year include:

- We became the first UK retailer to announce equal parental pay and leave, and introduced two weeks' paid leave for any Partner who experiences the loss of a pregnancy;
- Recruiting people who have experienced care is one of our long term Partnership Plan ambitions. Last year we ran three trials - in Essex, Manchester and Solihull - and worked with a number of local councils, charities and care focused organisations. The pilot schemes are looking at how we can help care-experienced people to gain skills and experience to set them up in their careers. This year we will work with councils and charities to run six more regional pilots across the UK;
- We increased membership across our Partnership networks by 3,000 Partners. Our networks include: Unity, Pride in the Partnership, LinkAges, Working Parents Network, Gender Equality Network, Faith and Belief, and Ability;

- Our Black Partner Advisory Group worked with both our brands for Black History Month to showcase that we are 'proud to be ourselves', within and outside of the Partnership;
- We collaborated with the charity, Create Not Hate, to run a development programme for young people from underrepresented groups to give them experience of working in the creative industries;
- We are proud to be a menopause-friendly workplace and want all Partners to feel comfortable talking about the menopause - whether they will go through it, are going through it or are supporting someone else;
- All our business locations, including stores, warehouses, call centres and offices, are provided with sanitary products, which are free for Partners and contractors;
- Through the year, we marked cultural and religious events with Partners and customers.

How we are performing

While diversity and inclusion is about more than just numbers, data collection allows us to measure progress and identify areas for improvement. The following data from our year end is based on 97.0% of Partners who self-declared their ethnicity.The remainder preferred not to say or did not respond.

Level	Female	Male	Ethnic minorities	White
Executive/Director/Level 4	48.0%	52.0%	7.1%	90.3%
5	47.3%	52.7%	5.1%	93.8%
6	57.2%	42.8%	9.8%	89.3%
7	51.2%	48.8%	10.0%	88.0%
8	50.3%	49.7%	10.4%	88.5%
9	43.9%	56.1%	13.9%	84.1%
10	57.3%	42.7%	17.0%	79.8%
Total	55.7%	44.3%	15.9%	81.1%

15.9% of all Partners have self-identified as being an ethnic minority, up from 14.7% on the year before.Within Executive, Director and Level 4 roles, ethnic minority representation has gone from 4.5% to 7.1%.

We continue to see a higher proportion of female Partners in entry roles (Level 10), however, the percentage of female Partners in these roles has dropped slightly from 57.9% to 57.3% this year.We have seen an increase in female Partners in middle management roles: Level 6 has increased from 53.9% to 57.2%.We have seen an increase in female Partners in our Executive, Director and Level 4 roles from 45.0% to 48.0%.

We are reducing the difference between the pay of men and women; our median gender pay gap has closed by 2.3% and our mean pay gap by 1.4%, according to our most recent Gender Pay Gap report, in accordance with the requirements of the Equality Act 2010 (Gender Pay Gap Information) Regulations 2017. Our 2020/21 Inclusion Report (available at www.johnlewispartnership.co.uk) explains how we are closing our gender pay gap.

ETHICS AND SUSTAINABILITY STRATEGY

Our Ethics and Sustainability Strategy is in service of our Purpose, and takes a holistic approach to being a more ethical and sustainable business. It is broken down into six focus areas. Each area is critical if we are to protect the planet and respect and support the interests of all those touched by our business. Building strong trusted relationships inside and outside of our business is key to delivering our vision for ethics and sustainability and long-term business success.

<table>
<tr><td colspan="3" align="center">The Partnership Purpose
Working in Partnership for a Happier World</td></tr>
<tr><td colspan="3" align="center">Our Ethics and Sustainability Strategy</td></tr>
<tr>
<td align="center">PEOPLE IN SUPPLY CHAINS
Protecting the rights of workers in our supply chains and championing worker voice</td>
<td align="center">CLIMATE ACTION AND BIODIVERSITY
Reducing greenhouse gas emissions in our operations and supply chains, and protecting and enhancing nature through biodiversity</td>
<td align="center">SOCIAL IMPACT
Connecting and giving back to communities and charitable causes</td>
</tr>
<tr>
<td align="center">AGRICULTURE, AQUACULTURE, FISHERIES AND RAW MATERIAL SOURCING
Guaranteeing a fair deal for producers and supporting them to farm with nature</td>
<td align="center">CIRCULARITY AND WASTE
Designing with circularity in mind and eradicating waste</td>
<td align="center">HEALTH, NUTRITION AND WELLBEING
Enabling customers, Partners and communities to lead healthy and happy lives</td>
</tr>
</table>

Further to the 2020 review of our Ethics and Sustainability Strategy and in line with our Founder John Spedan Lewis' passion as a keen naturalist, we concluded that restoring nature and a focus on preventing biodiversity loss should be at the heart of our Ethics and Sustainability Strategy. We will regalvanise our efforts to protect and restore nature and our responsibility for the Partnership's impact on the planet, in an effort to create a more sustainable future for generations to come.

You can find out more on our Ethics and Sustainability Strategy, ambition and performance in our Ethics and Sustainability Report 2021/22 or at www.johnlewispartnership.co.uk/csr.

STREAMLINED ENERGY AND CARBON REPORTING

Summary

This section of the Strategic Report discloses our operational energy consumption, carbon footprint, and energy efficiency initiatives from January 2021 to December 2021 in line with the UK Government's Streamlined Energy and Carbon Reporting (SECR) regulation.

We are committed to reducing the Partnership's greenhouse gas (GHG) emissions and are making good progress towards our goal of reaching net zero emissions in our operations by 2035. In 2021, the Partnership's scope 1 and 2 market-based emissions were 136,476 tCO_2e (tonnes of carbon dioxide equivalent), down from 146,895 tCO_2e in 2020. This represents a reduction of 38,905 tCO_2e against our 2018 baseline, or 22.18%.

We also continue our commitment to reduce the Partnership's overall energy consumption across our physical estate, through the implementation of smarter energy saving technologies. This year we reached an 11.2% absolute energy reduction within the Partnership's physical estate (electricity and gas consumption) against our 2018 baseline, on track to meeting our target of 25% by 2028.

Under GHG Protocol standards for scope 2 market-based reporting, 100% of electricity consumption across our physical estate is backed by Renewable Energy Guarantees of Origin (REGO) certified renewable energy sources.

Methodology

The Partnership reports on all of the GHG emission sources required under the SECR legislation.

The methodology used to calculate our GHG emissions and energy use is the GHG Protocol Corporate Accounting and Reporting Standard (revised edition), using the operational control approach on reporting boundaries.

The data has been calculated using BEIS 2021 emission factors for all carbon streams, with the exception of certain refrigerants, market-based renewable electricity, and emission sources associated with our Leckford Farm, which are taken from industrial and academic sources. All emissions and energy usage is UK based apart from a small percentage of GHG scope 3 business travel. The intensity metric that the Partnership uses to normalise emissions for annual comparison is tCO_2e per £m Total Trading Sales (tCO_2e per £m sales).

For the calendar year ending 31 December 2021, the principles provided by the GHG Protocol Scope 2 Guidance have been applied to calculate the Partnership's Scope 1 'market-based' emissions from the combustion of gas sourced from the grid.

In 2021, 5% of the gas sourced by the Partnership from the grid was biomethane, backed by Renewable Gas Guarantees of Origin (RGGOs) purchased from our gas supplier. RGGOs are a type of Energy Attribute Certificate that meet the GHG Protocol Scope 2 quality criteria.

Assurance

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

The Partnership's carbon emissions and energy consumption

Global GHG emissions data[1]	2021	2020	2018 baseline
Scope 1 (tCO_2e)[2] Combustion of gas and fuel for transport purposes and refrigeration – Location-based – Market-based	 138,080* 135,704*	 141,078 141,078	 168,029 168,029
Scope 2 (tCO_2e)[3] Electricity purchased, and heat and steam generated for own use – Location-based – Market-based	 117,694* 772*	 130,352 5,817	 182,978 7,352
Scope 3 (tCO_2e)[4] Offsite water treatment, business travel, waste [5], and transmission and distribution losses from purchased electricity	24,436*	31,534	44,373
Intensity metric (tCO_2e per £m sales) – Location-based – Market-based	 22.0 12.6	 25.5 15.0	 N/A[6] N/A
Energy usage	**2021**	**2020**	**2018 baseline**
Partnership energy consumption (kWh) Total energy consumed (electricity, gas and transport) – Electricity – Gas – Transport	 1,204,691,654 550,662,975 269,842,170 384,186,509	 1,142,282,36 555,536,097 243,672,698 343,073,565	 1,280,410,02 639,096,177 284,809,768 356,504,083
Partnership electricity renewable % Total electricity which is REGO backed	 100.0%	 97.4%	 97.7%

[1] Figures presented are for each approximate calendar year

[2] Scope 1: Emissions associated with our direct activities, such as heating our shops and offices and running our fleet of trucks, our agricultural emissions and company cars. Our scope 1 location- and market-based emissions have deviated from one another for the first time this year due to our purchase of RGGOs. The biogenic origin of the gas from RGGOs results in out of scope emissions of 2,336 tCO_2e. These are emissions from the gas production, which are not considered as scope 1 or 2.

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

[4] Scope 3: Emissions from our indirect activities under our operational control or operations influences e.g business travel not in company owned cars. The categories presented in the table are a subset of, rather than our entire, scope 3 footprint.

[5] In 2021, to increase transparency, the Partnership increased scope 3 reporting for waste to include the emissions from recycled waste and anaerobic digestion, in addition to non-recyclable waste. This resulted in an additional 1,333 tCO_2e which is included in the 2021 scope 3 figure reported above. This addition will continue to be included going forward. The 2020 and 2018 comparative figures for scope 3 do not include this addition and are reported as disclosed in prior years. More information on the GHG Protocol's waste reporting guidance can be found here: https://ghgprotocol.org/sites/default/files/standards_supporting/Ch5_GHGP_Tech.pdf.

[6] In February 2020, the Partnership created a new sales measure known as Total Trading Sales. The Partnership restated this measure from 2019 onwards and so it's not available to calculate the intensity metrics for 2018. Therefore, the table does not include 2018 location-based and market-based intensity metrics.

Increase in Partnership gas and transport energy usage

To prevent the spread of Covid-19, the Partnership increased ventilation across our physical estate. The provision of fresh air at lower temperatures resulted in an increased requirement for heating and therefore increased gas usage.

Energy usage across the Partnership's transport fleet has increased as we transition from diesel to biomethane. Although a lower carbon intensity than diesel, biomethane fuel is less efficient than diesel, so more energy is used.

Energy efficiency

This year we have continued efforts to reduce energy consumption across our physical estate. Progress in 2021 included:

- Upgrading 58 Waitrose stores, six John Lewis stores, and two non-trading buildings, with the latest generation LED lighting. In total, the savings are expected to be in excess of 14,000,000 kWh per year;
- Further investment in electronically commutated (EC) fan technology in our Heating, Ventilation and Air Conditioning (HVAC) systems;
- The trial of heat pump technology in our Waitrose Chesham store, removing the need for gas and providing a more efficient form of electric heating. The potential gas savings on this store alone are in excess of 400,000 kWh per year;
- We continue to deploy the pioneering AirDoor™ technology which lessens hot and cold air infiltration into a building, thereby reducing the energy consumption required to regulate temperatures. We have installed the AirDoor™ at a further two Waitrose stores this year, bringing the total to 16 stores;
- Working with the Energy Institute, we created energy awareness training which is now available to all Partners;
- We are assessing the feasibility of solar panels at our Magna Park distribution centre to better understand the potential for generating our own electricity, increasing our resilience in the face of energy price fluctuations;
- An additional 18 Waitrose stores received a refrigeration upgrade. This involved a full replacement of conventional hydrofluorocarbon (HFC) based refrigeration systems to a low global warming potential (GWP) water cooled alternative;

For more information on the Partnership's Ethics and Sustainability Strategy including Climate Action, see our Ethics and Sustainability Report 2021/22 or www.johnlewispartnership.co.uk/csr.

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

Introduction

Climate change continues to present one of the biggest threats to our planet. Urgent action is needed to keep global warming below 1.5°C to avoid the worst impacts, and we are taking measures to reduce the Partnership's environmental impact. In addition, the Partnership fully supports the Task Force on Climate-related Financial Disclosures (TCFD) and its recommendations and is committed to assessing the impacts of climate-related risks and opportunities across our operations, physical estate and supply chains. Using the TCFD framework, this report provides the Partnership's progress update across each of the TCFD pillars: Governance, Risk Management, Strategy, and Metrics and Targets.

Following our initial disclosure in April 2021, this year was our first year conducting scenario analyses to estimate the potential impact of climate risks and opportunities on the Partnership, focusing on three business areas only. Overall, the physical and transition impacts were relatively low, given that the defined scope in the first year was limited. The Partnership recognises the benefit of scaling up our scenario analysis programme in the future, widening the scope and looking beyond a 2030 timeframe, which would provide us with a more comprehensive understanding of climate risks and opportunities posed to our business. In turn, this will enable us to further integrate the outputs into the Partnership's strategic planning and risk management decisions and ensure we are able to adapt and become more resilient to climate change over time.

Governance

The Ethics and Sustainability Committee

In 2021, the Partnership Board established the Ethics and Sustainability Committee (ESC) as a Board-level committee, recognising the importance of our responsibility to our Partners, the environment and those with whom we build strong relationships including suppliers, customers and communities.

ESC member Bérangère Michel, Executive Director, Finance, sponsors the Partnership's TCFD programme.

As defined by its terms of reference, the purpose of the ESC, chaired by the Partnership's Chairman, is to assist the Board in fulfilling its responsibilities for setting the Ethics and Sustainability (E&S) strategy in accordance with the Partnership's Purpose and Values, as well as ensuring that the E&S strategy is embedded into the Partnership's operations. For more detail on the full role of the ESC, see page 64. Full terms of reference can be found at www.johnlewispartnership.co.uk.

The ESC is provided with full oversight of significant climate-related matters impacting the Partnership, by operations teams responsible for day-to-day delivery of the Partnership's climate programme.

The ESC considers, monitors and reviews climate-related matters to ensure that the appropriate strategy, programmes and investment are in place to build robust and effective management of climate-related risks and opportunities at the Partnership. For more details on the ESC role in risk management see page 39.

TCFD working group

The TCFD working group is made up of Partners drawn from across the business, including specialists in climate change, data, finance and risk management. The working group leads the implementation of the programme and its recommendations, drawing on the expertise of additional subject matter experts across the Partnership as required.

Delivery of the Partnership Plan

As part of the five year Partnership Plan, we have identified a number of strategic outcomes across the business, including for E&S. Members of the E&S outcome team are responsible for identifying and prioritising additional project work required alongside existing business activity to support progress against E&S targets, setting timelines and milestones, and tracking progress. For more information on E&S initiatives see page 16.

Upskilling Partners

As we look forward to our TCFD programme for 2022/23, the ESC held an externally led session on the TCFD framework in March 2022, enhancing all members' understanding of the programme and showcasing best practice and how to apply the programme of work to strengthen the strategic direction of the business.

The Partnership Finance team works closely with the E&S team to support the delivery of the E&S strategy. Two senior Finance Partners are members of the Accounting for Sustainability (A4S) Academy, equipping them with the skills needed to embed sustainability considerations into financial planning for the future.

For further information on Governance in the Partnership see the Governance report on pages 45 to 85.

Risk Management

Climate change risks are managed within the Partnership's established Risk Management Framework, as detailed on pages 31 to 39.

Climate change impact, including risks and opportunities, is considered under the Partnership's principal risks 'Ethics and sustainability' and 'External environment', informed by insight from the Ethics and Sustainability team who manage a specific Climate Change Impact risk through their Executive Team Leadership level risk register.

As required, any actions identified as part of this year's scenario analysis will be captured under 'Climate Change Impacts' on the Ethics and Sustainability risk register of the Executive Director, Strategy & Commercial Development, and in risk registers of other Executive Directors where relevant. Required actions will be monitored in line with the Partnership's risk management processes.

The ESC, as a Committee of the Board, directly oversees, monitors and challenges all Ethics and Sustainability risks on behalf of the Board including the principal Ethics and Sustainability risk, the Executive Director, Strategy & Commercial Development's Ethics and Sustainability risk register, and all climate related risks.

The Audit and Risk Committee (ARC), on behalf of the Partnership Board (which has overall responsibility for risk management) is responsible for reviewing and monitoring the effectiveness of the Partnership's risk management systems.

For more detail on the full role of the Board, ARC, and ESC, see pages 44 to 65. Full terms of reference can be found at www.johnlewispartnership.co.uk.

Strategy

Following a materiality assessment including financial and climate risk factors, we focused our scope for scenario analysis to three areas of potentially higher risk. A defined scope within each of these risk areas was then chosen:

1. Waitrose own-brand fresh produce;
2. Cotton used in John Lewis own-brand products;
3. John Lewis Partnership's UK physical estate.

Climate scenarios analysed

Climate scenario	Description	Context	Climate risks
RCP8.5	**Physical impact scenario**	Failure to limit global warming well below 2°C and estimated global temperatures above 4°C by 2100.	Chronic climate change (changes in temperature and precipitation) and extreme weather events (floods, droughts, heatwaves and cold waves).
RCP2.6	**Low-carbon transition scenario**	A rapid transformation of the global economy to cut emissions and limit global warming to well below 2°C in 2100.	Industry-specific taxes on carbon emissions.

Time horizons

The Partnership recognises the importance of looking at the short- (1-5 years), medium- (6-10 years), and long-term (11+ years) time horizons specifically for the purpose of assessing climate risks.

As this is our first year conducting scenario analysis, we applied a medium-term time frame of 2030 so that any forthcoming risks or opportunities could be identified through the exercise and addressed accordingly. The year 2030 is considered a critical time by when emissions need to begin declining in order to achieve the goals of the Paris Agreement.

Results

The scenario analysis results indicated there are physical and transition risks as well as potential opportunities across the three business areas analysed based on the Partnership's current estate in 2030.

	Physical risks (RCP8.5)	**Transition risks (RCP2.6)**
Fresh produce	Financial impact: Minor* Physical risks impact: changes in production volumes and price volatility.	Financial impact: Minor Transition risks impact: increased costs due to a carbon tax on agricultural and freight emissions.
Cotton	Financial impact: Minor Physical risks impact: changes in production volumes and price volatility.	Financial impact: Minor Transition risks impact: increased costs due to carbon taxes on agricultural, manufacturing and freight emissions.
Property	Financial impact: Minor Physical risks impact: property damage and loss in sales due to increases in ambient temperatures, flood risks and heatwaves.	Financial impact: Minor Transition risks impact: includes increases in compliance costs due to a carbon tax on scope 1 and scope 2 emissions.

*'Minor' financial impact equates to profit risk below £5m, as defined by the Partnership's risk management framework.

Modelling assumptions

General

- It is assumed that the Partnership's business activities (operating model, emissions etc.) remain static and that the Partnership does not innovate or mitigate the impacts or change its sourcing strategy.
- All increases in costs are assumed to be fully absorbed by the Partnership and not passed onto consumers, to demonstrate the potential scale of risk to the Partnership.

Transition risks

- For all transition risks, the impact of carbon taxation was modelled under the low-carbon transition scenario. In the case of Property, carbon taxation was assumed to replace the current Climate Change Levy.

Physical risks

- For fresh produce, modelling considers country-level data only and does not consider smaller geographical regions that have specific soil types or micro climates. Two pathways were considered;
  - A loss in fresh produce production volume leads to procurement from elsewhere at a higher cost;
  - A loss in production volume leads to a loss in fresh produce sales.
- A reduction in cotton production leads to an increase in the price of cotton. The price increase was based on historic observations of price elasticity, which may not be fully representative of future price changes.
- Flood risk damages were modelled based on past flooding events. These have been used as a proxy for future damage across all properties.

Existing adaptation and mitigation actions

Existing programmes of work are in place within the Partnership across the three business areas analysed to adapt to physical risks posed by climate change and to mitigate the transition risks. Adaptation actions are used to manage physical risks (RCP8.5) and mitigation actions such as reducing carbon emissions are used to manage transition risks (RCP2.6). More information on our current adaptation and mitigation actions can be found in our Ethics and Sustainability Report 2021/22 or at www.johnlewispartnership.co.uk/csr.

Having recently completed our first year of TCFD scenario analysis, the outputs of this work are currently being analysed to understand the strategic implications required to support longer term climate risk mitigation and opportunities. The scenario analysis process has also highlighted areas where data collection can be improved to increase the scope available for analysis and enhance the robustness of model outcomes.

Metrics and targets

The Partnership has a number of existing mitigation targets in place, and in 2020 we brought forward our net zero carbon target across our direct operations (scope 1 and 2 emissions), from 2050 to 2035. We are also in the process of setting science-based targets for our operations and supply chain in line with limiting global temperature rise according to the goals of the Paris Agreement.

Scenario analysis will also enable us to identify and establish formalised metrics and targets that may be required to mitigate and adapt to the risks posed by climate change.

Current climate-related metrics and targets:

- Net zero carbon across our operations (scope 1 and 2) by 2035;
- Greenhouse gas emissions from our UK farms supply base to be net zero by 2035;
- All electricity procured by the Partnership to be 100% renewable certified by 2028;
- We will end the use of fossil fuels across the Partnership's transport fleet by 2030;
- All Waitrose core store refrigeration to be hydrofluorocarbon (HFC) free by 2028;

- An absolute energy reduction within the Partnership's physical estate of 25% by 2028, against a 2018 baseline;
- Waitrose to keep under a 7% refrigerant gas leakage rate;
- All key raw materials in our own-brand products will be from sustainable or recycled sources by 2025;
- We will halve food waste in our supply chains by 2030, against a 2018 baseline.

Waitrose has signed up to the WWF's Retailers' Commitment For Nature (WWF Basket), aiming to halve the environmental impact of UK supermarket shops by 2030. The Partnership is a supporter of the BRC Climate Action Roadmap and signatories of Textiles 2030.

More on Ethics and Sustainability performance, targets and assurance can be found in our Ethics and Sustainability Report 2021/22.

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

This section, along with all other pages referred to here, forms the Partnership's section 172(1) statement. The 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;
f) the need to act fairly as between the company's members (the Partnership is owned in Trust for the benefit of its members, otherwise known as Partners).

A description of how these duties have been discharged is the central purpose of this Group Strategic Report and is also contained within the Governance Report. The section on our risks and uncertainties on pages 33 to 39 includes amongst other things an assessment of the impact to the Partnership of Covid-19, of increases to the cost of living and inflationary pressures.

Our Purpose was refreshed last year. The opening sections are: "Our Partnership is an ongoing experiment to find happier, more trusted ways of doing business, for the benefit of us all. We work together to create a successful business and a fairer, more sustainable future for Partners, customers, suppliers and communities".

The Partnership's Purpose is in many ways aligned to the matters to which the Directors must have regard under section 172(1) of the Companies Act. For example, the requirement to take account of the likely consequences of any decision in the long term, to have regard to the interests of the company's employees, to foster business relationships with suppliers, customers and others, and to have regard to the impact of the company's operations on the community and the environment, is consistent with the Purpose objective to create a more sustainable future for Partners, customers, suppliers and communities. The desirability of maintaining a reputation for high standards of business conduct and the need to act fairly between members of the company aligns with the Purpose of finding more trusted ways of doing business for the benefit of us all, and of working together to create a fairer future.

Decision-making at the Partnership Board

The Directors take a large range of factors into account before making a final decision which they believe is in the best interests of the Partnership, and both the Directors and those submitting papers for consideration are reminded through the Purpose of the section 172(1) obligations. The Board and Executive Team template requires papers submitted to the meeting to state how the matter for decision or notification advances and aligns with the Purpose, including how it will impact Partners, the environmental effect and any ethical or fairness implications. The Purpose is set out on the front cover of the pack for every Executive Team and Partnership Board meeting. The Board's minutes underscore how the Board has taken into account the Partnership's Purpose, in particular the ambition to create a successful business and a fairer, more sustainable future for Partners, customers, suppliers and communities, in relation to the matters considered and the decisions made at the meeting.

Long term sustainability

The second Principle of the Constitution includes the objective of making "sufficient profit to retain our financial independence, invest in our Partners and pursue our Purpose". The shared aim of the Chairman, Partnership Council and Partnership Board, our three governing authorities, is to safeguard the Partnership's future, enhance its profitability and ensure its integrity.

The Partnership's key stakeholders

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 from whom we purchase goods and services, and the communities and the environments in which we operate. We have financial stakeholders, including relationship banks and holders of John Lewis PLC financial bonds. With a continued focus on ethics and sustainability, engagement with campaign groups and non-governmental organisations is key.

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 2021/22**
Partners Following a process involving Partners through much of 2021, Partnership Council (which represents Partner opinion) approved our revised Purpose. It reaffirms that, as owners of the business, Partners are more than employees and share knowledge, power and profit. 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. See also:	Board Directors, including Non-Executive Directors, and the Partnership Secretary, are members of and regularly attend Council meetings. Three Partners are Elected Directors on the Partnership Board. Forum is the first formal layer of democracy operating on a geographical or subject matter basis. Most Council meetings include a session entitled "What's On Partners' Minds" which, amongst other things, ensures that Partners'	2021 was the first full year following PartnerVoice liberation, designed to bring the principles of democracy to life at the most local level in Partners' day-to-day roles. In May 2021, a restructuring of the Partnership Democratic Engagement team resulted in the creation of the Partnership Democratic Vitality team to create areas of specialism in three new areas of Democratic Governance,

- Supporting Partners and communities, pages 13 to 14 - Becoming a more inclusive business, pages 14 to 15 - Partnership Council Report on pages 76 to 80	opinions are passed up from the Forums. Partners receive updates about the Partnership from regular dialogue with management, email updates, podcasts, vlogs, the Partnership's intranet and through the weekly independent *Gazette* publication.	Capability and Proposition & Insight. In place of the three previous Elected Directors, two Partners were elected (and one re-elected) to the Partnership Board in January 2022, taking up the roles in March. Elections to Partnership Council took place in February 2022, to elect Councillors who reflect Partner opinion across defined constituencies of the Partnership. The Terms of Reference of the Ethics and Sustainability Committee, newly established as a Board Committee in July 2021, include a duty to monitor and review Partner expectations for E&S. A panel of Partners will be consulted to input and contribute to future E&S activity and decisions.
Customers We believe in providing exceptional service from an ethical brand that our customers can trust. Our Partners support this by providing specialist expertise and personalised advice.	Our customer research teams are the voice of the customer, seeking to understand how customers and potential customers think and feel. We gather their experiences and expectations through surveys, face-to-face research, customer feedback to Partners, contact centres and external data sources. 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	This year, we have been getting closer to our customers and bringing customer opinion to life with monthly customer closeness sessions with senior leadership. This has been hugely insightful in keeping in touch with our customers on a regular basis and giving Partners a chance to interact with them more. We have also been keeping close to how our customers are thinking and feeling to understand their behaviour and how it impacts how they shop. Ahead of the relaunch of myWaitrose, we spoke to customers to help inform the

	to support both strategic and tactical initiatives and decision-making. During the year, the Directors considered customer interests, behaviour and expectations both now and in the future.	rewards we offer as well as testing which helped define our approach.
Producers and suppliers A strong, trusted and transparent supply chain is integral to our success as a retailer. Our aim is to take a long-term view, working closely with producers and suppliers across our supply chains, forming mutually beneficial partnerships and ensuring workers are treated fairly. It is the strong working relationships we form that allow us to source high quality, more sustainable and ethical products for our customers. See also: ● Our Ethics and Sustainability Strategy on page 16 ● Waitrose compliance with the Groceries Supply Code of Practice on pages 61 and 62 ● Anti-bribery and corruption on page 44 ● The John Lewis plc published payment practice reports ● See our full Ethics and Sustainability Report and Modern Slavery Statement at www.johnlewispartnership.co.uk/csr	The Board monitors relationships with the Partnership's suppliers in a number of ways including: ● review by its Audit and Risk Committee of compliance with the Groceries Supply Code of Practice ● reports on the Partnership's payment practices in line with government requirements ● the steps the Partnership is taking to meet its ethics and sustainability goals, to protect the human rights of those who grow, pick, pack or make our products and to prevent modern slavery and human trafficking in our business and supply chains through the Ethics and Sustainability Committee (ESC). More information about the ESC can be found on pages 64 and 65. 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	Waitrose is supporting pig farmers supplying Waitrose pork products with additional payments, sharing the burden of the increased cost of production and ensuring they receive a fair price for their products. In January, we hosted the Waitrose Farming Conference virtually for over 1,000 farmers and suppliers. We shared ideas on the future of farming and listened carefully to our farmers on how we can work together to deliver sustainable farming practices that work with nature. Based on the results of the 2020 Better Jobs China survey, in July 2021, we ran two workshops across sixteen factories to improve communication and the management of difficult conversations. In total, the workshops were attended by 17 managers and 23 workers. In South Africa, the Waitrose & Partners Foundation is running a training programme to equip farm health workers with the skills to support workers' wellbeing following the pressures of Covid-19. So far, 99 health workers have been trained.

	representation. In addition, we have a number of supplier facing policies which cover a broad range of areas from animal welfare to timber sourcing standards. The Partnership engages with suppliers in a number of ways, including through our dedicated online supplier portals and supplier forums, such as the Waitrose Farming Partnership (which encompasses the Livestock Steering Group, the Fish Forum and Agronomy Group), and a number of programmes and advocacy work including the John Lewis Better Jobs Programme, and the Waitrose & Partners Foundation. For more details on a number of our supplier engagement programmes visit: www.johnlewispartnership.co.uk/csr	
Communities Our Founder established the Partnership to be a force for good in society. We are driven to make a difference to people's lives and create positive social impact, using the skills and resources within the Partnership to support where help is needed. See also: ● Supporting our Partners and communities on pages 13 and 14 ● Our Ethics and Sustainability Strategy on page 16 ● Our Ethics and Sustainability Report and further information at www.johnlewispartnership.co.uk/csr	The Board and Directors monitor relationships with communities in which we operate via the Ethics and Sustainability Committee, including the Partnership's response to the increasing social challenges faced by today's society. The Partnership engages on matters impacting communities via a number of channels including our national charity partnerships. We select national charity partners that support our ambition to improve the lives of those most vulnerable in the community and with a	Through our Community Matters programme, this year the Partnership has donated over £3m to the Partnership's charitable partners FareShare and Home-Start and thousands of other local charities. We launched the second phase of our Farm to Family programme working with FareShare which has seen over three million portions of fruit distributed to over 3,000 local organisations supporting those in need. The John Lewis & Partners Foundation, a charity

	geographical presence matching our estate where possible, giving our Partners the opportunity to make a difference locally. The John Lewis & Partners Foundation is an independent charity established to benefit communities in the UK and overseas in which John Lewis operates by supporting projects that promote training and skills which demonstrably lead to meaningful and sustainable employment. The John Lewis Partnership Golden Jubilee Trust is the Partnership's flagship volunteering programme. It is an independent charity through which Partners have the opportunity to volunteer full-time for up to six months at a charity of their choice while remaining on full Partnership pay and benefits. For more on how the Partnership engages with communities, visit www.johnlewispartnership.co.uk/csr where you can also read our Ethics and Sustainability Report 2021/22.	independent to the Partnership, funded eight new UK based employability projects to the value of £156,868, whilst also continuing to fund seven ongoing projects, including projects with Fine Cell Work and Save the Children. During 2021, the John Lewis Partnership Golden Jubilee Trust awarded both virtual and in-person secondments to a total of 31 charities across the country. This equates to 2,392 Partner days' work donated, an increase on last year's 1,931 days.
The Environment We are committed to sourcing the raw materials used in our own-brand products more sustainably, collaborating with others to drive positive change and being transparent about our progress. We recognise the potential negative impacts that raw materials used in our products can have on people, animals and the natural environment. See also:	The Board and Directors monitor environmental impact via the Ethics and Sustainability Committee, including responding to the environmental challenges faced by today's society and those which may impact our business operations. Waitrose and John Lewis leadership teams attend internal workshops used to establish programmes to reduce the environmental	We announced we would set science based targets in line with limiting global temperature rise for our operations and supply chain and are in the process of establishing these. We launched a Circular Future Fund with Hubbub to search for trailblazing circular innovation across key product areas. We selected the

• Our Ethics and Sustainability Strategy on page 16 • Task Force on Climate-related Financial Disclosures, pages 19 to 23 • Streamlined Energy and Carbon Reporting on pages 17 to 19 • Our Ethics and Sustainability Report and further information at www.johnlewispartnership.co.uk/csr	impact on those matters most material to the Partnership. The Partnership engages on environmental issues via a number of stakeholders including our Partners, third parties and as signatories of a number of industry sustainability initiatives. This engagement ensures we have visibility of emerging risks as well as opportunities, are able to communicate and advocate collaboratively with the wider retail sector and develop our own initiatives to reduce our environmental footprint. Examples of collaborative or pre-competitive activity include our memberships of the British Retail Consortium and Aldersgate Group. For more on how the Partnership monitors and engages on matters concerning environmental impact, visit www.johnlewispartnership.co.uk/csr where you can also read our Ethics and Sustainability Report 2021/22.	winners, which will be announced in May 2022, amongst which £1m will be awarded to help bring their innovations to fruition. Waitrose became a signatory of the WWF Retailers Commitment for Nature (WWF Basket), aiming to halve the environmental footprint of a UK shopping basket by 2030. Success will be measured annually by WWF against metrics linked to climate, deforestation, alternative protein, nature, packaging, food waste and more. We became a founding signatory of WRAP's Textiles 2030 agreement, together with our industry peers we are collaborating to reduce the aggregate greenhouse gas and water footprint of our textile supply chains. Waitrose continued its partnership with the Forest Conservation Fund, providing project funding equivalent to that needed to protect 821 hectares of the Mului forest in East Kalimantan, Borneo, home to the indigenous Mului community. The project is empowering the Mului community to protect their forests from illegal logging and conversion for agriculture.
Lenders This includes our relationship banks and holders of John Lewis plc bonds.	Through our website, we share details on our performance, and our Treasury team provides further detail as needed. We invite them to join our	Our banks and bondholders were invited to a virtual results call and presentation at half year and year end, hosted by the Executive Team. We also held an in person meeting

	financial updates and announcements, which gives them an opportunity to hear and engage with the Chairman, Executive Director, Finance and senior management.	with our banks in March as part of the revolving credit facility (RCF) refinancing, which included an update from the Director, Ethics & Sustainability on E&S strategy, and our progress towards science based targets for greenhouse gas emissions.

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. All Partners are expected to contribute to the maintenance of high standards, and the Constitution provides our framework to do this for all Partners. It includes specific Rules for Partners relating to maintaining honesty, fairness, courtesy and promptness in their business conduct. The Partnership Board's Audit and Risk Committee oversees how the business manages compliance and, during the year, this has been an increasing area of focus. Further information is provided in the risk and uncertainties section on pages 33 to 39 and the Audit and Risk Committee Report on pages 53 to 63.

Acting fairly as between the company's members (Partners)

The first Principle of the Constitution states that we treat people with fairness, courtesy and respect. All Partners benefit from an interest in the ownership of the Partnership.

The section on Becoming a more inclusive business on pages 14 to 15 of this Strategic Report and the Partnership's Inclusion Report, which can be viewed at www.johnlewispartnership.co.uk, set out how equality is fostered within the business.

MANAGING OUR RISKS

Our approach

Risk is inherent in both our current operations and the strategic decisions we make in pursuit of the Partnership's future goals. The Partnership Board sets our risk appetite, derived from our Constitution, which provides the guardrails for how much strategic, operational, financial and regulatory risk we are willing to take in the pursuit of these goals. 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 emerging and changing risks, to manage and monitor them; and to communicate those that matter most through our governance structure. Our leaders are empowered to make risk-informed decisions within the Board's risk appetite for the Partnership. All Partners should be aware of risks in their areas of responsibility and manage them in their day-to-day activities.

Our principal risks are each owned and managed by a member of the Executive Team. Individually they are materially significant enough to require Board oversight. Our governance processes ensure a blend of 'bottom up' visibility of risk, with quarterly 'top down' oversight by the Executive Team, and challenge by the Audit and Risk Committee (ARC), the Ethics and Sustainability Committee (ESC) and the Partnership Board. Regular monitoring of principal risks also supports the Directors' assessment of the long-term viability of the Partnership as detailed on pages 40 to 42. Throughout the year, the Partnership Board undertook an assessment, with the support of the Executive Team, the ARC and the ESC, of the principal risks to achieving the Partnership Plan. See pages 33 to 39.

Governance

The risk management governance structure in place for the year under review is set out below including the reporting and feedback flows. Members of the Executive Team own and oversee the implementation of the risk framework and own individual principal risks. The Senior Leadership Team supports the Executive to identify, monitor and mitigate risks to within appetite, with the objective where possible, of achieving risk appetite within two years from the date when the principal risk was identified. We have further refined our governance this year, after updating our overall risk management approach in February 2020, to clarify and upweight challenge to risk-related decision making in line with governing body knowledge and expertise as follows:

- Risks most related to the completeness and accuracy of our financial statements and our overall financial health, such as financial, information security and compliance-related risk taking and mitigations are challenged by the ARC, on behalf of the Board (except Ethics and Sustainability related compliance);
- Ethics and Sustainability risks and compliance matters are reviewed by the ESC, on behalf of the Board. This new Board Committee was established during the year;
- All other principal risks, predominantly related to Partners, customers, change and our response to the evolving external environment, are challenged directly by the Partnership Board.

This activity is supported by a small team of risk specialists led by the Director, Audit and Risk, who provide risk-related insight and challenge to decision-making and coaching to continually develop the maturity of our risk management framework. For further details about key roles and responsibilities, please see the Audit and Risk Committee report on pages 53 to 63 and Ethics and Sustainability Committee report on pages 64 to 65. The Director, Audit and Risk continues to report independently across all governance bodies on a quarterly basis in relation to principal and emerging risks, risk management maturity and on the outcome of the ongoing assessment of key areas of regulatory compliance.

Emerging risks

Identifying emerging risks is integral to our risk management process and Partners throughout each stage of the governance structure undertake horizon scanning as part of their quarterly risk discussions. Specifically, this year Partners have surfaced changing risks as a result of the evolution of the pandemic and more recently the war in Ukraine, along with risks resulting from the volatility in the external environment linked to inflation, energy price rises and labour shortages. Internally, our capacity and capability to deliver the Partnership Plan at the pace required, make sufficient profit, ensure operational resilience to meet customer needs and secure the wellbeing of our Partners have emerged as important risks to manage. Those associated with climate change and the transition to a lower-carbon economy continue to emerge.

Covid-19

The impact of Covid-19 continued to be felt during the year with John Lewis stores closed in the first quarter whilst Waitrose stores remained open with operational restrictions in place. Our crisis response team remained in place throughout the year, working to a 'safety first' position at all times. E xtra precautionary measures first implemented in 2020 were maintained in our stores, including dedicated marshals to monitor social distancing, screens at checkouts, protective equipment, cashless payments and wearing appropriate face coverings. Social distancing measures and protective equipment were also in place across our supply chain and offices with work from home guidance followed by Partners as applicable to their roles and workplace testing facilities available across all Partnership locations. As national restrictions gradually relaxed, the Partnership continued to follow national public health bodies' guidance with a view to protecting our customers, Partners and community groups' safety and wellbeing as a top priority.

The Partnership has experienced significant supply chain disruption as a result of numerous global lockdowns and labour shortages, largely driven by sickness absence and 'pingdemic' isolation requirements, alongside the additional Brexit impact. We continued to support our suppliers, add resilience to our technology and distribution network and prioritise the most important goods to serve our customers, while not compromising on our sourcing principles.

Brexit

Our planning and preparedness leading up to the UK leaving the European Union proved critical. As border checks increased incrementally over the year the Partnership adjusted accordingly, working with couriers and suppliers with no significant impacts experienced on our supply over and above those felt due to Covid-19. Secondary impacts on labour availability within the supply chain were acute, contributing to a shortage of HGV drivers and warehouse operatives. A combination of pay incentives, leveraging the Partnership's reputation as a good place to work, and targeted 'Helping Hands' (head office Partners volunteering to support the supply chain) helped to mitigate peak trading resourcing challenges. More structured approaches, including the development of a Driver Academy, have been explored for the year ahead.

Russian invasion of Ukraine

The Russian invasion of Ukraine in February 2022 and the resulting sanctions imposed have already impacted the global economy. This is expected to worsen during the 2022/23 financial year, increasing our risk position. Therefore whilst any direct effect on the Partnership is relatively modest in terms of impact at present, we recognise that the geopolitical change to come may impact the sourcing of goods and resources and our global supply chain in the longer term, with nations seeking to become more self-sufficient to mitigate the impact of rising energy, food and product prices and disruption. Within the Partnership we are continuously monitoring the position, with relevant teams preparing mitigation plans for those risks which may worsen over the coming weeks and months. Within both brands, the decision has been made to no longer sell products made in Russia. More broadly, as a member of the Disaster Relief Alliance we proudly support the British Red Cross in their efforts to help communities impacted by this humanitarian crisis, and have provided mechanisms for customers to do so as well.

PRINCIPAL RISKS AND UNCERTAINTIES

Our principal risks are those that have been assessed as high or very high risk in the pursuit of the Partnership Plan when considering the potential impact and likelihood of occurrence. Oversight and monitoring takes place formally on a quarterly basis through governance.

Our principal risks are:

1. External environment
2. Proposition
3. Insufficient profit to achieve our purpose
4. Change delivery
5. Information security
6. Partner differentiation
7. Customer experience
8. Partner wellbeing
9. Regulatory non-compliance
10. Ethics and sustainability

What has changed since last year?

The challenging and changing retail environment, along with progress made in managing our risks, has resulted in the following changes to the principal risk profile in the reporting period:

- **Insufficient profit to achieve our Purpose** was added as a principal risk in recognition that the Partnership's financial performance continues to be significantly challenged by the trading environment. Further detail is provided in the principal risk table below.
- The likelihood of **Change delivery** risk occurring increased as our capacity to receive the volume of change planned reduced as a result of reducing Partner numbers through the transformation of our Head Office;
- **Liquidity** has been removed from the principal risk register now that the risk has been managed to within appetite, driven by a number of factors including refinancing an ESG-target linked credit facility in the year. Mitigation activities designed to monitor our liquidity position will continue with Executive, rather than Board, oversight;
- The impact of **Partner differentiation** risk was managed down in the period. The likelihood of occurrence was increased to reflect the change in Partner confidence through this period of significant internal and external change and drive different activity in response;
- The impact of **Regulatory non-compliance** was increased in line with our greater understanding of changing regulatory requirements following further assessment.

Principal risks are described over the following pages, together with an explanation of how they are managed or mitigated.

Managing our principal risks

The external risk environment in which we operate remains challenging with a range of existing, evolving and new emerging risks driving reduced margins in traditional retail. The Partnership Plan is our strategic response to this environment and its effective operationalisation is our single most important mitigation.

1. External environment (no movement)		
Risk External environment changes impact delivery of business-as-usual (BAU) operations or strategic objectives. **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 could result in erosion of operating profit, operational disruption and an inability to meet customers' changing needs.	**Current controls and improvements in the year** ● Partnership Plan communicated, refreshed annually and progress monitored quarterly by the Executive Team and Partnership Board ● Investment portfolio reprioritisation ● Financial strategy agreed with the Executive Team ● Horizon scanning for indicators of change ● Monitoring of business and market performance by the leadership and Executive Team ● Regular review of the potential impacts of Covid-19 to course correct supported by the crisis management response team ● Continuity and crisis management framework in place ● Proactive management of disruption to operations and supply chain as a result of Covid-19, labour shortages and cost inflation	**Further actions planned** ● Embedding our refreshed Purpose ● Ongoing delivery of the Partnership Plan ● Evolving the business/operating model, to deliver the agreed strategy, including establishing a Partnership-wide objective framework and embedding new governance structures ● Engaging Partners in the Partnership Plan and their critical role in delivery ● Embed climate-related risks and opportunities scenario analysis insight into our risk management and strategic planning - see pages 19 to 23 for further information on the Task Force on Climate-related Financial Disclosures (TFCD) framework

<table>
<tr><th colspan="3">2. Proposition (no movement)</th></tr>
<tr>
<td>Risk
Failure to deliver profitable, market-leading propositions to inspire our customers and maintain competitive advantage.

Key causes and consequences
Poor customer insight, range, quality, pricing strategy, lack of investment and/or availability of products or competitor disruption could negatively impact the customer proposition and its competitiveness, leading to loss of customers, erosion of profit margins, reputational damage and failure to deliver growth plans.</td>
<td>Current controls and improvements in the year
● Regular strategic risk review and monitoring by leadership and the Executive Team
● Regular strategy implementation, customer and performance metrics evaluation
● Ongoing product quality checks and monitoring of supply chain contingency plans
● Continued development of high quality, innovative propositions, tested with customers for relevance and consideration
● Launch of ANYDAY, additional beauty brands and Christmas 2021 including new emporiums
● Competitive supply chain reward package</td>
<td>Further actions planned
● Continued differentiation on products for example ANYDAY, Waitrose No.1, beauty, new and exclusive brands and products, as well as further broadening John Lewis Financial Services product range into investments and insurance
● Store development programme
● Development of online propositions including new routes to market
● Systems advancements to improve stock availability and ranging
● Significant investment in price and value
● Ongoing range and category reviews
● Continued delivery of Better together - unlocking further value between our brands
● Driver apprentice scheme</td>
</tr>
</table>

<table>
<tr><th colspan="3">3. Insufficient profit to achieve our Purpose (new)</th></tr>
<tr>
<td>Risk
Risk that we won't make sufficient profit to achieve our Purpose; the impact of which would be a combination of reduced competitiveness and ultimately commercial failure, loss of Partner faith and democratic vitality due to lack of suitable Partner rewards endangering our partnership model, and inability to maintain our distinctive character.

Key causes and consequences
An inability to diversify fast enough, trade profitably, take out costs and/or allocate capital effectively in a challenging retail environment, combined with increasing inflation, could mean that we fail to deliver the Purpose, Plan and Partnership Profit.</td>
<td>Current controls and improvements in the year
● Partnership Plan refreshed in autumn 2021 to account for the impacts of the currently hostile macro economic environment
● Budget targets for leaders have been communicated and reflected in the Partnership Plan Objectives with quarterly progress updates
● Business case approval processes
● Regular reporting and review</td>
<td>Further actions planned
● Development of a roadmap for achieving the required cost savings in the Partnership Plan
● Deliver the cost savings budgeted for 2022
● Produce a refreshed Financial Strategy
● Improve the financial understanding of the Partnership and drive a ‘cost-conscious’ mindset
● Enhance financial reporting to provide greater visibility of profitability</td>
</tr>
</table>

4. Change delivery (increased)		
Risk Change activity does not realise the desired benefits and drives unforeseen costs and consequences. **Key causes and consequences** Business, operating model and change complexity combined with the volume and pace of the change required and capacity to receive change, could result in increased costs, disruption to trade, missed growth opportunities and a poor customer and Partner experience.	**Current controls and improvements in the year** ● Roles and responsibilities defined and visibility of change and portfolio ownership communicated to the Executive Team and Partnership Board ● New change and transformation organisational model announced ● Ongoing monitoring of 'on time, in full and to budget' delivery of change activities ● Change management toolkit: Planview rollout completed and relevant projects onboarded, reporting established and governance in place ● Outcome delivery accountability	**Further actions planned** ● Design, implement and embed a standardised change methodology ● Review and improve the end-to-end change operating model ● Review trade-offs for business as usual and portfolio activity ● Implement and embed the new Transformation and Operations Delivery Group (TxODG) set up to help manage change contention and activity trade-offs in-year
5. Information security (no movement)		
Risk Loss of key customer, Partner and/or commercially sensitive data leading to financial, regulatory, legal, operational and reputational issues. **Key causes and consequences** External and internal threats, behaviour which fails to protect the integrity of data in both Partnership and third party systems could result in loss of key customer, Partner or business data, causing internal and/or external reputational damage, interruption of IT service and trading, fines, unforeseen costs and regulatory consequences.	**Current controls and improvements in the year** ● Updated Information Security and Data Protection Strategy, Policy, Standards, controls and monitoring effectiveness ● 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 ● Delivery of IT Security related projects ● Security monitoring	**Further actions planned** ● Continue to deliver further IT Security related projects ● Mature control framework reporting and ongoing delivery of improvements per new information security strategy ● Ongoing monitoring, training and controls improvement
6. Partner differentiation (reduced impact; increased likelihood)		
Risk 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.	**Current controls and improvements in the year** ● Partnership Values ● Refreshed Purpose ● Earning membership ● Partner handbook ● The Constitution	**Further actions planned** ● Communicate, activate and engage Partners with the Partner deal (previously referred to as the new Partner Strategy) ● Delivery of a reimagined approach to performance focussed on

Key causes and consequences Lack of clarity, understanding and knowledge of responsibilities and rewards of being a Partner, as well as not delivering against the expectations of membership could lead to Partners not feeling a differentiated experience.	● Democracy structure and channels, including Council and Forum, with support from a remodelled Democratic Vitality function ● Leadership engagement and communications through specific change programmes via democracy channels ● Raising the lowest rates of pay to voluntary Real Living Wage as at March 2022 ● Sharing financial and wider business performance more transparently and frequently with Partners ● Operating Model changes embedded and new ways of working established ● Leadership behaviours have been socialised with the Leadership Group, highlighting what is distinctive and different about leading in the Partnership	recognition, wellbeing, contribution and development through delivery of the Total Review of Reward ● Communication of the updated Principles of the Constitution to all Partners ● Improved performance management ● Continued progression of the Total Review of Reward
7. Customer experience (no movement)		
Risk Customers do not receive differentiated, excellent customer service across touchpoints. **Key causes and consequences** Systems, data, process, and the store environment impact service quality and convenience in store and online, resulting in declining customer experience and loyalty, and a gap between customer expectation and reality.	**Current controls and improvements in the year** ● Service principles and standards, including the ABC123 programme in Waitrose ● Branch Operational Procedures ● Partner training ● Regular 'Customer Voice' meetings ● Customer insight data and KPIs, including Have Your Say (HYS), Customer Satisfaction (CSAT) and Net Promoter Scores (NPS) ● Weekly performance report reviewed, including metrics for product availability ● Purpose-built learning facility launched in The School of Service to develop Partners' skills, knowledge and confidence to sell through service ● John Lewis customer pain points improvement projects focussed on contact and website experience,	**Further actions planned** ● John Lewis customer experience diagnostics, strategy development and roadmap ● Refreshed customer experience principles and service standards ● Embed Customer Voice Group and Customer Experience Steering Group ● Continue School of Service training to develop Partners skills, knowledge and confidence to sell with high quality service ● Investment in store environment ● Allocation of business plan funding specifically to projects which will enhance customer experience

	technology after sales and support, returns and refunds, and delivery and installations ● Customer segmentation, NPS and target customer analysis to inform development of strategy ● Prioritisation of safety and service of customers through Covid-19 with social distancing measures	
8. Partner wellbeing (no movement)		
Risk Partners' sense of wellbeing is threatened by societal and organisational uncertainty and change. **Key causes and consequences** Pressure on Partners relating to the pandemic (in respect of both physical and mental health and broader measures such as social restriction and shielding) and/or significant organisational change and job insecurity could lead to deterioration in Partner wellbeing, increased absence, loss of talent and failure to deliver the Partnership Plan.	**Current controls and improvements in the year** ● Wellbeing support services such as Partner Support, Partnership Health Services and Personnel Policy and Advice are in place to provide Partners with mental and physical health, emotional, financial and bereavement support ● Mental health awareness training for People Managers ● Monitoring of Partner Happiness in line with our renewed Purpose ● Monitoring of the Partner Choice membership (non financial rewards and benefits) ● Regular Partner surveys providing a quantifiable view of Partner Wellbeing	**Further actions planned** ● Maintain routine measurement of Partner Wellbeing with rolling Partner surveys and benchmarking against the UK population. ● Ongoing encouragement for Partners to engage with new positive habits and self-manage/build ability to cope and thrive ● Continued promotion of the Five Ways to Wellbeing model (as evidenced by increasing Partner Choice membership numbers referenced in the current controls and improvements column)
9. Regulatory non-compliance (increased)		
Risk Failure to comply with key regulatory requirements. **Key causes and consequences** Lack of awareness, understanding or control of key regulatory requirements could have legal, reputational and/or financial damage which, depending on scale, could cause major trading disruption.	**Current controls and improvements in the year** ● Policies and standards ● Partner training and monitoring of completion ● Clear Executive accountability for all key regulatory areas ● Horizon scanning of new/changing regulations and the potential Partnership impact and response ● Implemented a programme of independent high risk regulatory assurance reviews ● Improvements in data protection supplier and people assurance processes	**Further actions planned** ● Data owners continue to work with Information Security teams to mature data protection priorities ● Continue to embed and strengthen new supplier assurance processes and systems ● Continue to implement improvement activity arising from regulatory assurance reviews

	• More mature oversight and monitoring • People focused Internal Controls framework developed with a maturing database of risks, controls and assurance mechanisms • All legacy People systems decommissioned • Equal Parenthood leave and parental bereavement leave including pregnancy loss policies have been launched and necessary changes made to systems, standards and operating procedures to ensure compliance with policy	
10. Ethics and sustainability (no movement)		
Risk Failure to live up to our ethics and sustainability ambition. **Key causes and consequences** 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.	**Current controls and improvements in the year** • Ethics and Sustainability Committee implemented, chaired by the Chairman • Responsible Sourcing Code of Practice • Factory audits programme • Product certification standards and targets • Traceability systems • External targets and reporting e.g. E&S report and Modern Slavery Report • Dedicated agricultural supply chains in key product categories • See also Our Performance - Ethics and sustainability page 8	**Further actions planned** • Partnership Ethics and Sustainability Strategy embedded in the Partnership Plan • Improving the sustainability credentials of own-label products and services and continuing to strengthen animal welfare credentials • Deliver operational climate and carbon commitments including 2035 operations net zero pathway, science based targets and further TCFD climate scenario analysis (see pages 19 to 23) • Continue to improve visibility, monitoring and ethical compliance of the supply chain • Embed improved governance and ways of working • Improve communication and engagement with ethics and sustainability activity

Looking ahead

Our principal risk portfolio will continue to be monitored through our governance into year two of the Partnership Plan. Further maturing of our risk management framework across leadership to support decision making in pursuit of the Partnership Plan is paramount. Alongside we are providing risk related behavioural coaching to ensure we continuously improve the effectiveness of our risk management framework and our culture.

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, 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 86 to 159); current strategy (page 6); and risks and uncertainties (pages 33 to 39).

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 £1.5bn 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+
Strategy	Years 2-5 of the 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 2025. 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, the recent economic uncertainty due to Covid-19 and the war in Ukraine, along with risks resulting from the volatility in the external environment linked to inflation, energy price rises and labour shortages, we expect to see continued volatility over the short-term. We are continuing on our journey to implement the five year Partnership Plan in order to transform our business into a thriving Partnership, loved by Partners and customers.

Severe 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 challenged UK economy, these took account of factors such as increased levels of inflation and sustained cost pressures. A severe but plausible downside scenario was applied to incorporate additional sensitivities overlaid on the budget and five year Partnership Plan. These were based on the potential financial impact of the Partnership's principal risks which are the most relevant risks when assessing the Partnership's viability, and scored highest on the combined scale of impact and likelihood.

The severe downside scenario and the principal risks (pages 33 to 39) underpinning it have been assumed to occur over the three-year period of assessment, in order to test the Partnership's ability to withstand multiple simultaneous challenges. The scenario also assumes that all Partnership borrowings are repaid at their maturity date and that no further refinancing or funding is undertaken. The potential impact of one-off 'black-swan' events that cannot reasonably be anticipated are not included within the severe downside scenario.

The severe downside scenario assumes that the rising levels of inflation continue for the rest of 2022/23. This is followed by a UK economic recession throughout the assessment period resulting in a reduction in sales, as well as a further reduction in margin across both brands and a number of one-off events, e.g. a regulatory and data security breach, higher impairment charge, a decrease in pension scheme assets and project under-delivery. The severe downside modelled has a significant adverse impact on sales, margin, costs and cash flow.

The severe 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 increased inflation and reduced trading performance across both brands, resulting in a pre-mitigation cash reduction to Plan in excess of £1.9bn over the three years. The impacts of the severe 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 £2.7bn of mitigations (£1.9bn available within the first two years up to January 2024, and a further £0.8bn available in the third year 2024/25), 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 severe 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 (such as asset sales).

Internal mitigations alone would be sufficient to absorb the effects of the severe 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.

Viability assessment
This assessment is based on the Directors' best view of the severe but plausible downside scenario that the Partnership 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.

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;
- 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 page 57).

Variable	**Downside scenario**			**Partnership principal risks**									
	22/23 Yr 1	**23/24 Yr 2**	**24/25 Yr 3**	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**
Sales underperformance	(2.4)% vs budget	*(2.4)% vs Plan	*(2.4)% vs Plan	x	x	x	x		x	x	x		x
Gross margin rate including inflation	(218)bps vs budget	*(213)bps vs Plan	*(208)bps vs Plan	x	x	x	x		x	x	x		x
Cost of shift in JL channel mix	£(9)m	-	-	x		x							
Inflationary impact on operating costs	£(31)m	-	-	x		x							
Missed project delivery	£(114)m	-	-		x	x	x		x	x	x		
Cost savings under delivery	£(82)m	-	-			x	x		x		x		
GNFR under delivery	£(25)m	-	-			x	x		x		x		
One-off IT data breach	£(50)m	-	-					x					
One-off regulatory non-compliance risk	£(25)m	£(25)m	-									x	x
Decrease in pension scheme assets	£(225)m	-	-			x							
Additional impairment	£(50)m	-	-	x									

*cumulative based on Partnership Plan

OTHER REPORTING INFORMATION

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', meaning 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	• Ethics and Sustainability Strategy on page 16 • Task Force on Climate-related Financial Disclosures on pages 19 to 23 • S172(l) Statement (the Environment) on pages 28 to 29 • Streamlined Energy and Carbon Reporting on pages 17 to 19 • Ethics and Sustainability Report 2021/22 and other ethics and sustainability reports, statements, policies and further information available at www.johnlewispartnership.co.uk/csr
Employees	• Supporting Partners and communities on pages 13 to 14 • Becoming a more inclusive business on pages 14 to 15 • S172(1) Statement (Partners) on pages 23 to 30 • Partnership Council President's and Partnership Council Report on pages 76 to 80 • Board Diversity Statement on page 69
Human rights	• S172(1) statement (Producers and Suppliers) and our Responsible Sourcing Code of Practice (RSCOP) on pages 26 to 27 • Our latest Human Rights Report and Modern Slavery Statement, Ethics and Sustainability Report 2021/22 and other reports, statements and policies available at www.johnlewispartnership.co.uk/csr
Social matters	• Helping communities in need on page 14 • Ethics and Sustainability Strategy on page 16 • Ethics and Sustainability Report 2021/22 and other reports, statements, policies and further information available at www.johnlewispartnership.co.uk/csr
Anti-corruption and anti-bribery	• Anti-bribery and Corruption section on the following page
Policy embedding, due diligence and outcomes	• Throughout this report and Ethics and Sustainability Report 2021/22 and other reports, statements, policies and further information available at www.johnlewispartnership.co.uk/csr • Task Force on Climate-related Financial Disclosures on pages 19 to 23 • Managing our risks on pages 31 to 32 • Audit and Risk Committee Report on pages 53 to 63
Description of principal risks and impact of business activity	• Our principal risks and uncertainties are set out in Managing our risks section on pages 33 to 39

Description of our business model	• The Partnership business model on page 13 • Our Purpose and the Partnership Plan on pages 5 and 6 • The Partnership's Constitution is available on our website at www.johnlewispartnership.co.uk
Non-financial key performance indicators (KPIs)	• Through various measures, we continue to track and seek to improve the happiness of Partners • The Partnership has a target of net zero emissions across our operations by 2035, and progress against that target is set out in this report (pages 17 to 19) and the Ethics and Sustainability Report 2021/22 • Becoming a more inclusive business on pages 14 and 15 sets out some of the diversity and inclusion initiatives over the past year and related KPIs • The Further Actions Planned to mitigate the principal risks on pages 34 to 39 are KPIs for the business

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 (available at www.johnlewispartnership.co.uk/csr) on Anti-Bribery and Corruption (ABC) and Gifts and Hospitality; these are reviewed and refreshed annually, the latest review having taken place in October 2021.

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. The Gifts and Hospitality register has been updated across the Partnership to ensure consistency and to make compliance obligations clear for all Partners.

Contribution to the UK tax system

This year, the Partnership paid taxes of £267m and collected £781m. A breakdown is provided below.

Taxes paid by the Partnership	**Taxes collected by the Partnership**
£113m Employer National Insurance contributions	£279m net VAT
£110m business rates	£255m Excise Duty
£15m Fuel Duty	£160m Partners' Pay As You Earn (PAYE)
£10m Customs Duty	£87m Partners' National Insurance contributions
£7m Apprenticeship Levy[1]	
£5m Climate Change Levy (CCL)	
£7m other	
£267m total	**£781m total**

[1] Before the drawdown of funds of £4m

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