Our Governance

HOW GOVERNANCE IS SHARED IN THE PARTNERSHIP

THE EXPERIMENT

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

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

The Partnership is the general body of Partners, working together for the success of the business to fulfil the purpose and Principles of the Constitution. It is governed according to a written Constitution, which must not conflict with the Settlements that established the Partnership. The Constitution has been refreshed over the years to reflect the changing societal, business and economic environment facing a business operating today, yet retains a direct connection with the fundamental Principles established in 1928.

The Constitution is available to all Partners on the Partner intranet and to other interested parties on our website www.johnlewispartnership.co.uk

PARTNERSHIP TRUST

The Trustee of the two Settlements is John Lewis Partnership Trust Limited and its Chairman is the Partnership's Chairman. Its other Directors are the Deputy Chairman and the three Partners elected by Partnership Council as 'Trustees of the Constitution'.

The role of the Board of the Trust Company is to carry into effect with or without modification the Trust Settlements and to uphold the Constitution, while promoting in every possible way the wellbeing of the Partnership.

POWER

Power in the Partnership is shared between three governing authorities: the Chairman, the Partnership Board and Partnership Council. The shared aim of the three governing authorities is to safeguard the Partnership's future, to enhance its prosperity and to ensure its integrity. They should encourage creativity and an entrepreneurial spirit but must not risk any loss of financial independence. Their power to direct the Partnership's affairs depends on the consent of Partners.

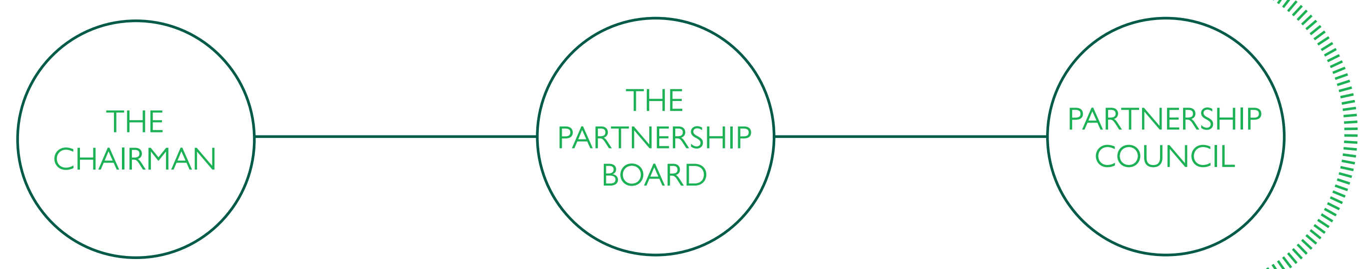
PURPOSE

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

RULE 4

THE THREE GOVERNING AUTHORITIES

Power in the Partnership is shared between the three governing authorities: the Chairman, the Partnership Board and Partnership Council.



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

Their power to direct the Partnership's affairs depends on the consent of Partners, whose opinion is expressed through:

i. Formal arrangements for sharing knowledge

ii. Representative bodies

iii. Personal contact between Partners, both formal and informal

"The experiment may be summed up as an attempt so to organise and conduct a business that all the advantages whatsoever of owning it shall be shared as fairly as possible by all who are working in it...

JOHN SPEDAN LEWIS
'Partnership For All', 1948

THE CHAIRMAN

The Chairman's purpose is to ensure that the Partnership develops its distinctive character and its democratic vitality. The Chairman is Chair of the Partnership Trust Company and Chair of the Partnership Board.

As the senior executive in the Partnership, the Chairman, supported by the Executive Team, is ultimately responsible for its commercial performance.

CHAIRMAN
PAGE 57

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

THE EXECUTIVE TEAM
PAGE 58

THE PARTNERSHIP BOARD

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

The Partnership Board's role is to provide the Executive Team with constructive challenge and make its advice, experience and specialist knowledge available to both the Executive Team and Partnership Council. It is responsible for ensuring that in delivering the continuing experiment, the Partnership's financial condition remains sound and that the Founder's principle of 'safety first' is upheld. It also ensures proper governance for the Partnership. The Partnership Board is assisted in carrying out its oversight and assurance responsibilities by its Committees.

THE PARTNERSHIP BOARD
PAGE 59
AUDIT AND RISK COMMITTEE REPORT
PAGE 63
NOMINATIONS COMMITTEE REPORT
PAGE 72
REMUNERATION COMMITTEE REPORT
PAGE 75

The Corporate Responsibility Committee was disbanded in April 2019. See page 29 for more on the governance of ethics and sustainability in the Partnership.

The responsibilities and membership of these Board Committees are set out in each Committee's report and their respective Terms of Reference are available at www.johnlewispartnership.co.uk

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

PARTNERSHIP COUNCIL

The purpose of Partnership Council is to represent Partner opinion to support the Chairman and the Executive Team to ensure that the Partnership's continuing experiment succeeds.

The Council's role is to provide the Executive Team with insight into Partner opinion. It discusses, influences and makes recommendations on the development of policy, shares in making decisions about the governance of the Partnership and holds the Chairman to account for the progress of the Partnership.

PARTNERSHIP COUNCIL
PAGE 81
DEMOCRATIC VITALITY
PAGE 85

Our Governance

GOVERNANCE REVIEWS

Drawing on the findings of the Partnership Board Effectiveness Review in 2017, three reviews of the Partnership's governance arrangements were initiated in the autumn of 2017. Although we were confident that we had a good governance system, it was felt that it was not realising its full potential. In addition, we needed to make sure that it would support our new strategic approach.

The first review focused on Board governance, particularly the roles of the Partnership Board and the Chairman. The second review was set up by the Chairman and examined the 'Checks and Balances' within the Partnership. This review particularly explored ways in which the 'critical' or 'independent' influence within the Partnership could be strengthened so that the internal checks and balances of our governance and the Constitution could work to their full effect, for the benefit of Partners and the Partnership. Finally Partnership Council set up a 'Democracy Commission' to develop proposals to enhance its effectiveness.

THEMES:

These reviews concluded towards the end of 2018 and although they had focused on different areas, as reported in the 2019 Annual Report and Accounts, there were common themes to the recommendations. In summary, these were:

1. Renewed confidence in our own model of governance, placing more emphasis on what we need to do to make it work well, rather than seeking to adapt it or align it with other models of corporate governance;
2. To look back and consider the original intent of the Partnership whilst rising to the challenge of finding our own interpretation of the Partnership's purpose to achieve our current strategic objectives;
3. To address our systems and structures of governance, but equally address our behaviours, belief and courage as we face into current challenges; and
4. Finally, to ensure the linkages between our governing authorities are in good order so that they work together effectively.

THE KEY CHANGES WERE:

CLARIFYING AND CONFIRMING THE DIFFERENT ROLES OF THE CHAIRMAN, THE PARTNERSHIP BOARD AND THE EXECUTIVE TEAM

BOARD EFFECTIVENESS REVIEW 2019 – PAGE 60

ENHANCED ROLE FOR THE PRESIDENT OF PARTNERSHIP COUNCIL

APPOINTMENT OF A FULL-TIME PRESIDENT – PAGE 81

REINVIGORATING THE PARTNERSHIP'S INDEPENDENT SIDE

CREATION OF A NEW 'INDEPENDENT' FUNCTION LED BY TWO INDEPENDENT DIRECTORS – PAGE 45

At meetings during 2019, Partnership Council and the Chairman agreed the necessary amendments to the Partnership's Constitution to put the recommendations from the three governance reviews into effect.

PARTNERSHIP PURPOSE AND VALUES

The Partnership's purpose and values are set out in the Principles of the Constitution.

PRINCIPLE
1. PURPOSE

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

PAGES 12 TO 13

PRINCIPLE
2. POWER

Power in the Partnership is shared between three governing authorities, the Partnership Council, the Partnership Board and the Chairman.

PAGES 52 TO 89

PRINCIPLE
3. PROFIT

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

PAGES 40 TO 43

PRINCIPLE
4. MEMBERS (PARTNERS)

The Partnership aims to employ and retain as its members people of ability and integrity who are committed to working together and to supporting its Principles. Relationships are based on mutual respect and courtesy, with as much equality between its members as differences of responsibility permit. The Partnership aims to recognise their individual contributions and reward them fairly.

PAGES 34 TO 39

PRINCIPLE
5. CUSTOMERS

The Partnership aims to deal honestly with its customers and secure their loyalty and trust by providing outstanding choice, value and service.

PAGES 30 TO 33

PRINCIPLE
6. BUSINESS RELATIONSHIPS

The Partnership aims to conduct all its business relationships with integrity and courtesy, and scrupulously to honour every business agreement.

PAGES 22 TO 23

PRINCIPLE
7. THE COMMUNITY

The Partnership aims to obey the spirit as well as the letter of the law and to contribute to the wellbeing of the communities where it operates.

PAGES 24 TO 25

Our Governance

THE TRUST COMPANY

The role of the Trust Company is:

To carry into effect with or without modification the Deeds of Settlement

To uphold the Constitution

To promote in every possible way the wellbeing of the Partnership

In addition to the Chairman and the Deputy Chairman, three Directors are elected to the Trust Company every three years by Partnership Council. The last elections took place in May 2018, when Johnny Aisher, Mark Anderson and Claire Barry were appointed. They are known as the 'Trustees of the Constitution'.

The responsibilities of the Directors include:
– Considering and agreeing any recommendations from Partnership Council to exclude any Partner from participation in any distribution of Partnership Bonus;
– Receiving an annual report from the Independent Directors and President of Partnership Council on their work; and
– Approving the appointment of the successor to the Chairman should a 'Resolution upon the Constitution' be passed by Partnership Council.

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

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

THE CHAIRMAN

In November 2018, Charlie Mayfield announced that he would be standing down as Chairman, having been in the role since 2007.

In accordance with the Constitution, the Chairman is the Chairman of the Partnership Board, by virtue of their appointment as Chairman of the Trust Company. As set out in the Trust Company's constitutional documents, the ultimate choice of successor remains with the outgoing Chairman. However, this process is overseen by the Nominations Committee, chaired by Keith Williams, Deputy Chairman. The Nominations Committee keeps the Partnership Board informed of the plans and the process for the Chairman's succession, before the Partnership Board is asked to approve the Chairman's nominee.

NOMINATIONS COMMITTEE REPORT
PAGE 72

On 6 June 2019, the Partnership announced that Charlie Mayfield, with the approval of the Partnership Board, had nominated Sharon White as his successor. Before joining the Partnership, Sharon White had been the Chief Executive of Ofcom, the UK's communications services regulator, since March 2015. Before that she was Second Permanent Secretary at the Treasury, responsible for overseeing public finances, and previously held Board level positions at the Ministry of Justice and the Department for International Development. She has also worked as an advisor at the Prime Minister's Policy Unit and in Washington DC as a senior economist at the World Bank. She was made a Dame in the 2020 New Year Honours list in recognition of her public service at Ofcom.

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

HISTORY AND THE ROLE OF THE PARTNERSHIP'S CHAIRMAN

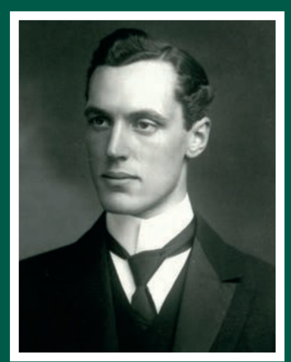
The role of the Chairman is central to our governance structure. Our Chairman has three roles:

Chair of the Trust Company

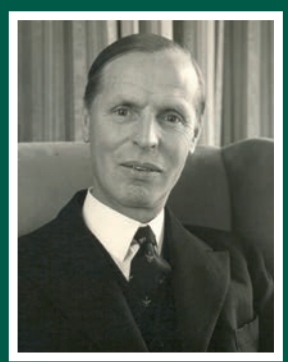
Chair of the Partnership Board, by virtue of their appointment as Chairman of the Trust Company.

The senior executive in the Partnership. As such they are ultimately responsible for its commercial performance and lead the Executive Team (see page 58).

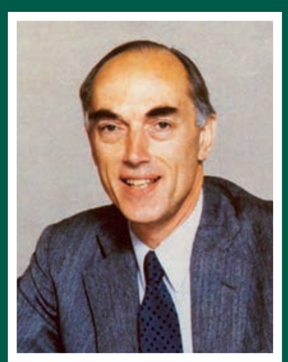
1929–1955
JOHN SPEDAN LEWIS



1955–1972
SIR BERNARD MILLER



1972–1993
PETER LEWIS



1993–2007
SIR STUART HAMPSON

2007–2020
SIR CHARLIE MAYFIELD

2020-PRESENT
SHARON WHITE

Our Governance

THE EXECUTIVE TEAM

The Chairman, supported by the Executive Team, is ultimately responsible for the Partnership's commercial performance.

The Executive Team started the year dedicating time to defining the implications that the One Partnership strategy (described in the 2019 Annual Report and Accounts) would have for the Partnership's operating model. Future Partnership is the evolution of the One Partnership strategy which was announced in October 2019, with the changes coming into effect on 3 February 2020.

In addition to the Chairman, the members of the Executive Team at the date of this report are:

Nina Bhatia	Executive Director, Strategy & Commercial Development
Tracey Killen	Executive Director, People
Patrick Lewis	Executive Director, Finance
Bérangère Michel	Executive Director, Customer Service
Andrew Murphy	Executive Director, Operations

At the date of this report, Simon Coble, Director of General Merchandise, Martin George, Director of Marketing and Rupert Thomas, Director of Food & Grocery have joined the Executive Team on an interim basis.

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

Chairman Sharon White visiting Partners at John Lewis St Pancras

THE PARTNERSHIP BOARD

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

BOARD COMPOSITION

Members of the Partnership Board bring a range of skills and experience to the Boardroom through the mix of two Executive Directors, three democratically Elected Directors and three Non-Executive Directors, including the Deputy Chairman. Their diversity of skills and experience allows the Board to provide constructive challenge to, and support for, the Executive Team. Collectively they demonstrate a strong understanding of the Partnership's business and its stakeholders. At the date of this report, the Partnership Board comprises:

Executive Directors: Sharon White and Patrick Lewis.
Elected Directors: Ollie Killinger, Nicky Spurgeon and Becky Wollam.
Non-Executive Directors: Keith Williams (Deputy Chairman), Andy Martin and Laura Wade-Gery.

Biographies for the members of the Partnership Board can be found on page 62.

See page 37 for information on the gender diversity of the Partnership, including that of the Partnership Board, at year-end. Since year-end and Sharon White's appointment as Chairman in succession on Charlie Mayfield, the gender diversity of the Partnership Board is 50% male and 50% female.

Board composition

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

Sharon White succeeded Charlie Mayfield as Chairman on 4 February 2020. Keith Williams joined the Partnership Board in March 2014 as a Non-Executive Director and became Deputy Chairman in April 2016. Following six years on the Partnership Board, Keith Williams will step down as Deputy Chairman and Non-Executive Director on 15 April 2020 and the search has commenced for his successor (see page 72).

In September 2019, the Partnership Board assessed and agreed to a proposal to reduce its size, which it considered would contribute to enhancing its effectiveness while maintaining a balance of perspectives. It was agreed that from February 2020, in addition to the Chairman and Deputy Chairman (which would continue as a Non-Executive role), the Board should comprise two other Non-Executive Directors, one Executive Director (Executive Director, Finance) and three Elected Directors.

As a result, three Executive Directors agreed to step down and Rob Collins, Tracey Killen and Paula Nickolds resigned as Directors on 23 January 2020. The reduction in the number of Elected Directors was agreed by Partnership Council in November 2019 as was a proposal for the five Elected Directors to agree between them which two would step down. Consequently, Steve Gardiner and David Hay stepped down as Directors on 23 January 2020.

Biographical details for the former members of the Partnership Board can be found in the 2019 Annual Report and Accounts available at www.johnlewispartnership.co.uk

Elected Directors are neither Executive Directors nor Non-Executive Directors. Although they are not independent, they approach Partnership Board decisions and proposals by the Executive Team from their perspective as Partners, contributing to decision-making through their knowledge and experience from working within the Partnership.

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

Our Governance

ROLE AND RESPONSIBILITIES

The Partnership Board's role is:

To provide the Executive Team with constructive challenge and make its advice, experience and specialist knowledge available to both the Executive Team and Partnership Council;

To ensure that in delivering the continuing experiment the Partnership's financial condition remains sound and that the Founder's principle of 'safety first' is upheld; and

To ensure proper governance for the Partnership.

In performing its role, the Partnership Board's responsibilities are:

- approving the Partnership Strategy and business plan and setting risk appetite, encouraging creativity and an entrepreneurial spirit, whilst not risking any loss of financial independence and satisfying itself that the strategic direction will safeguard the Partnership's future, enhance its prosperity and ensure its integrity;
- overseeing and monitoring that the business plans are delivered in a way that promotes John Spedan Lewis' 'experiment in industrial democracy' and takes full commercial advantage of sharing knowledge, power and profit so that it is a better form of business;
- overseeing behaviours within the Partnership to ensure that they are aligned and consistent with the Principles of the Constitution (i.e. with the Partnership's 'purpose' and 'values');
- ensuring that there is appropriate engagement with Partners (so that their views are listened to and taken into account in a way that encourages their active engagement) and other stakeholders to satisfy itself that the business is operated in a way that is consistent with the experiment and the Principles of the Constitution;
- considering and approving any matters that are reserved for the Partnership Board's decision, including Partnership Bonus, capital and revenue expenditure plans, viability and liquidity; and
- ensuring that as Directors they fulfil their legal duties to promote the success of the Partnership.

Through its Audit and Risk Committee, the Partnership Board is also responsible for reviewing the effectiveness of the Partnership's internal controls, including financial, operational, compliance and risk management systems, and for determining appropriate risk levels to achieve its strategic objectives.

BOARD EFFECTIVENESS REVIEW

In 2019 the Board carried out an internal effectiveness review in relation to the Board and its Committees, led by Michael Herlihy, the Partnership Secretary. There were a variety of views on the Board's overall effectiveness and how this could be developed. The output from the review was reported to the Board in July 2019, with three key elements:

1. The role of the Board (and in particular how this was distinct from the role of the Executive Team in the transition to the new 'Future Partnership' operating model);
2. The size of the Board; and
3. Ways to enhance Board meeting agendas and discussion.

Recommendations were considered and adopted at the Board's meeting in September 2019 (see Role and Responsibilities and Board Composition above).

FOCUS OF THE BOARD DURING THE YEAR

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

The forward plan is intended to enable the Partnership Board to meet its responsibilities described above including the legal responsibilities of Directors to promote the success of the Partnership. In carrying out their responsibilities, Directors have regard to the matters they are required to consider under Section 172(1) of the Companies Act 2006 and balance their decisions taking into account all these factors. See pages 14 to 17 for the Partnership's statement on Section 172(1).

The main areas of focus for the Board during the year were overseeing and supporting the response of the Executive Team to the trading challenges, the progress being made to differentiate the offers of the two brands and on managing costs and liquidity. Since the year-end the priority for the Partnership Board and the Executive Team has been the impact of the Coronavirus pandemic on its Partners and the business and how it can continue to serve its customers during this difficult period.

A summary of the main activities of the Board during the year is explained below:

FUTURE PARTNERSHIP

During the year, the Board monitored the progress of the Executive Team's development of the Future Partnership operating model to address the growing market challenges and their impact on trading performance and the Partnership's costs model. In September 2019 the Board approved the new operating model to enable the Waitrose and John Lewis brands to be operated as a single business. This was announced on 1 October 2019 and became effective on 3 February 2020.

PERFORMANCE

The Partnership Board monitors the performance of the business at every meeting through the monthly financial performance and liquidity reports, alongside a trading overview provided by the Executive Director, Finance, supported by updates from the two brands.

During the course of the year and in accordance with its reserved matters, the Partnership Board reviewed and approved significant business proposals. During 2019/20 these included: Waitrose Master Data Management and Merchandise Operations projects; approvals for the disposal of shops; the restructure of the Partnership's IT and Change functions; and the development of the Waitrose online grocery proposition.

Under Rule 39(ix) of the Constitution the Partnership Board considers any proposal that places 12 or more Partners at potential risk of redundancy, either as part of the business plan or on a case-by-case basis. A number of such proposals were considered by the Partnership Board during the year.

Under the Partnership's 'Who is a member' Policy the business case for activities that will involve the transfer of employment of 100 or more people must be submitted to the Partnership Board for approval. A number of such business cases were considered by the Partnership Board during the year.

2020/21 BUDGET

In January 2020, the Board approved the Partnership's budget for 2020/21. Of particular importance for the Board in approving the 2020/21 budget was assessing the Executive Team's priorities to respond to the increasingly challenging retail trading conditions, as well as the plans to reduce cost within the business, improve the Partnership's liquidity position and strengthen the balance sheet. The Board will continue to monitor these closely during the year, including the impact of Coronavirus.

PARTNERSHIP BONUS

On 28 February 2019, the Partnership Board considered the amount of the previous year's profits which should be retained for the maintenance and development of the Partnership's business and the amount which could be distributed to Partners as Partnership Bonus. The Partnership Board decided that Partnership Bonus for 2018/19 be distributed to Partners at the rate of 3% of their pay (5% for 2017/18). At the same time the Partnership Board reviewed and approved the announcement of the 2018/19 unaudited year-end results.

On 27 February 2020, the Partnership Board considered and decided that Partnership Bonus for 2019/20 be distributed to Partners at the rate of 2% of their pay.

CLOSURE OF DEFINED BENEFIT PENSION ARRANGEMENTS

In April 2019 after a comprehensive consultation exercise, the Partnership Board formally recommended closing the Partnership's defined benefit pension arrangements. This was agreed by Partnership Council on 15 May 2019, saving approximately £80m in annual pension costs from April 2020.

ANNUAL REPORT AND ACCOUNTS

In April 2019, the Partnership Board approved the Partnership's Annual Report and Accounts 2019 and in September 2019 approved the release of the Interim Results for 2019/20.

The Audit and Risk Committee recommended to the Partnership Board that KPMG LLP be re-appointed as statutory auditor of the Partnership and all of its subsidiaries for the 2019/20 financial year, which the Partnership Board approved in April 2019.

CORONAVIRUS

At meetings on 27 February, 17 March, 24 March, 31 March, 9 April 2020 and 15 April 2020, the Partnership Board discussed the potential implications of the Coronavirus pandemic for the business.

BOARD INFORMATION

The Board receives and reviews a broad range of information sources and regular reports including, but not limited to:

- Minutes and updates from the meetings of the Executive Team;
- Minutes and updates from the meetings of the Board Committees;
- Monthly financial reporting including liquidity from the Executive Director, Finance against Key Performance Indicators;
- Quarterly risk update reports identifying any changes to principal risks and the progress of mitigating actions;
- Customer insight reports; and
- An annual report from the Chair of the Pension Trustee.

PARTNERSHIP BOARD MEETINGS

There were 11 Partnership Board meetings held during the year under review. All Directors attended the meetings they were eligible to attend during the year, with the exception of: Keith Williams, who was not able to attend two meetings; and Laura Wade-Gery and Andy Martin, who each were not able to attend one meeting.

Senior executives attend Partnership Board and Committee meetings as appropriate to support business proposals and investments and report on material matters in relation to the business.

The Partnership Secretary, Michael Herlihy, and the Acting Partners' Counsellor, Helen Hyde, attended Partnership Board meetings held during the year but were not Directors. The two Independent Directors, Michael Herlihy and Clare Tickell, now attend Partnership Board meetings, but are not Directors of the Partnership Board.

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

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

In addition to attending Board meetings, the Non-Executive Directors and the Elected Directors met together without the Executive Directors on three occasions during the year. These meetings were facilitated by the Deputy Chairman.

1. SHARON WHITE
Partner and Chairman

Appointed: February 2020

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

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

Sharon is a Non-Executive Board member for Barratt Developments Plc and Deputy Chairman of Sadler's Wells Trust Limited. Sharon is a trained economist and studied at Cambridge University and University College London.

2. PATRICK LEWIS
Partner & Executive Director, Finance

Appointed: February 2009

Patrick joined the Partnership in 1994 and has held a variety of shop roles in John Lewis. Patrick has extensive experience in strategic planning and became Director, Retail Operations in April 2007. In 2009 he took up the role of Partners' Counsellor and subsequently became Managing Director, Partnership Services in October 2012. He was appointed Group Finance Director (and, subsequently under Future Partnership, Executive Director, Finance) in September 2015.

Patrick is also the Non-Executive Chair of Trustees for 3BM and a Director of Girls Education Company Limited, Wycombe Abbey School.

3. LAURA WADE-GERY
Non-Executive Director

Appointed: September 2017

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

Laura is also a Non-Executive Director of British Land Company plc and NHS Improvement, a Non-Executive Director and Chair of the Remuneration Committee of Immunocore Limited, a member of the Government Digital Strategy Advisory Board and is on the Board of two charities: as a Trustee of the Royal Opera House and a Director of Snape Maltings Trading Limited.

4. ANDY MARTIN
Non-Executive Director

Appointed: July 2018

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

Andy is a Non-Executive Director of easyJet plc, chairing its Finance Committee, and a Non-Executive Director at Intertek Group plc where he chairs the Audit Committee. He is Non-Executive Chairman of Hays plc.

5. KEITH WILLIAMS
Non-Executive Director
and Deputy Chairman

Appointed: March 2014

Keith is a highly regarded business leader with an extensive track record of operational transformation, digital strategy and industrial relations – including pensions – across a range of customer-focused industries. He was, until March 2016, the Executive Chairman of British Airways having previously been its Chief Executive. He was also a Non-Executive Director of Transport for London and Aviva plc and has held senior roles at Reckitt and Colman, Apple Computer and Boots. He is a chartered accountant.

Keith is also the Deputy Chairman of John Lewis Partnership Trust Limited, Non-Executive Chairman of Halfords Group plc, Non-Executive Chairman of Royal Mail plc, and a co-opted member of the Audit Committee of the British Museum. He is also currently Independent Chair of a government review of the rail industry.

6. BECKY WOLLAM
Elected Director, Partner
& Regional Manager

Appointed: May 2018

Becky joined the Partnership in 2009 as a graduate trainee. She secured her first Branch Manager position in Leighton Buzzard, before leading branches in York, Leek and Glasgow. After six years in Retail Operations Becky moved into head office, with a year in Finance, representing retail on a large change programme before spending a year leading change within Retail. In 2018, Becky moved back into Retail Operations as a Regional Manager, accountable for Waitrose shops in central London. Becky was elected to the Partnership Council in 2015.

7. OLLIE KILLINGER
Elected Director, Partner
& Digital Product Owner

Appointed: November 2017

Ollie joined the Partnership in 2008 as a part-time weekend Partner in Waitrose Leighton Buzzard. He secured a student transfer to Waitrose Oadby whilst studying at University before returning to Leighton Buzzard in 2013. Since graduating, Ollie has progressed through various management positions in Waitrose branches, being part of the High Wycombe shop opening at the start of a large change programme looking at the operating model of our shops. This led to various Change Management roles in head office, looking at transformational programmes across Retail, Finance, Commercial, Product Supply and IT. Currently, Ollie is working within the Digital Development team working across products touching customer data, loyalty and digital rewarding. Ollie was elected to Partnership Council in 2015, joining the Partner Group, a sub-committee of the Council, at the same time, before moving to chair the Customer Group in November 2016.

8. NICKY SPURGEON
Elected Director, Partner
& Programme Manager

Appointed: May 2018

Nicky joined the Partnership in 1998 as a management trainee for John Lewis and had a number of management roles in shops for five years before joining the johnlewis.com start-up team. Nicky went on to work in John Lewis head office taking on various positions in trading before moving into Project and Programme management. She has delivered projects which are now an integral part of the John Lewis business. Nicky currently manages customer focused projects that seek to develop new propositions as well as enhance customers' experience when shopping with John Lewis and Waitrose. Nicky's active involvement in democracy started in 2012 as a John Lewis Councillor and was followed by three years as a Partnership Councillor before joining the Partnership Board.

MEMBER OF:
- Audit and Risk Committee
- Nominations Committee
- Remuneration Committee
- Committee Chairs shown as squares

The Partnership Board: Audit and Risk Committee report

PROVIDING CHALLENGE AND OVERSIGHT IN TIMES OF CHANGE

ANDY MARTIN
Non-Executive Director
& Chair of the Audit
and Risk Committee

Committee composition

Independent External Members	2
Non-Executive Directors	2
Elected Director	1

With the Partnership going through major changes and facing a continued challenging retail environment, effective oversight of our finances, controls and risk management has never been more important.

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

MEMBERSHIP AND COMPOSITION

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

Andy Martin	Chair of the Committee & Non-Executive Director
Ollie Killinger	Elected Director
Zarin Patel	Independent External Member
Sharon Rolston	Independent External Member
Keith Williams	Non-Executive Director & Deputy Chairman

There were six Committee meetings held during the year under review, which were attended by all members who were eligible to attend, except the meeting on 26 February 2019 which Keith Williams was unable to attend.

At each regularly scheduled meeting, the Committee meets separately with each of the external auditor and the Director of Internal Audit and Risk or her designate, without management being present.

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

Andy Martin, Keith Williams, Zarin Patel and Sharon Rolston have significant, recent and relevant financial experience. Each is a qualified accountant and held senior finance roles. See below and page 62 for biographical information.

Andy Martin, Keith Williams, Ollie Killinger and Sharon Rolston have significant, relevant and in some cases ongoing experience of retail and customer-facing businesses. See below and page 62 for biographical information.

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

INDEPENDENT EXTERNAL MEMBERS

Zarin Patel
Appointed: March 2016

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

Sharon Rolston
Appointed: March 2016

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

The Partnership Board: Audit and Risk Committee report

ROLE OF THE COMMITTEE

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

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

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

EXTERNAL FINANCIAL REPORTING

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

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

REGULATORS AND FINANCIAL REPORTING

In October 2019, the Financial Reporting Council (FRC) issued a letter to Audit Committee Chairs and Finance Directors on key matters relating to the preparation of annual reports and accounts. The Committee, along with management, have reviewed the letter and have taken the points raised into consideration in the preparation and review of the Partnership's 2020 Annual Report and Accounts.

ANNUAL REPORT AND ACCOUNTS

Since the year-end the Committee has reviewed the draft Annual Report and Accounts 2020 and recommended their approval to the Partnership Board.

As part of its review, the Committee assessed whether the Annual Report and Accounts provided a fair, balanced and understandable assessment of the Partnership's position, performance, business model and strategy.

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

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

The Committee was satisfied that, taken as a whole, and having regard to the amendments made by the Committee, the John Lewis Partnership plc's Annual Report and Accounts 2020 is fair, balanced and understandable.

OUR SIGNIFICANT FINANCIAL REPORTING ISSUES, AND OUR RESPONSE

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

1. IMPAIRMENT

Notes to the financial statements: 3.1, 3.2

Issue

The Partnership has significant non-current assets, both tangible and intangible. Judgement is exercised in reviewing their carrying value in respect of possible impairment. Initial trigger tests, such as whether performance was in line with expectation or significant external changes with an adverse effect on the cash generating unit, identified some assets with indicators of potential impairment. This included the challenging trading performance of the John Lewis business as a whole. For each tangible asset identified, management prepared a value in use model or obtained valuations to assess the asset's recoverable amount and calculated an impairment charge where appropriate. The model includes a number of assumptions in relation to expected cash flows, long-term growth rates, cost inflation, online sales and costs allocation and discount rate.

For each intangible asset identified, consideration was given to changes in use, deterioration and evidence of obsolescence, with an impairment charge calculated where appropriate.

Response

The Committee reviewed the results of the trigger tests and challenged the methodology used to test impairment, including the appropriateness of key assumptions and methodologies used. This included review and challenge over the cash flows, growth rates, online sales and costs allocation and discount rate. An additional meeting was held prior to the year-end, where particular focus and challenge was given to the proposed changes to the allocation of online sales and costs for John Lewis and the underlying performance projections. The Committee considered the sensitivity of the proposed impairment charges and releases to movements in key assumptions such as the discount rate, online sales allocation, performance projections, long-term growth rates, and the wider economic environment. Where releases of previous impairments were proposed, the Committee assured itself that the improved performances were ongoing and sustainable.

The Committee considered programmes where significant intangible assets have been capitalised or are in the course of construction, to ensure it is comfortable that future economic benefits will be generated.

The Committee satisfied itself that the assumptions used within the tangible and intangible impairment models, together with the resulting impairment charges, were reasonable.

2. PENSIONS

Notes to the financial statements: 6.1

Issue

The Partnership operates a defined benefit pension scheme open to all Partners, subject to length of service. The pension scheme liability is calculated using an actuarial model with a number of key assumptions, notably the discount rate and inflation rate.

On 15 May 2019, Partnership Council voted in favour of proposals by the Partnership Board to close the defined benefit section of the scheme to future accrual from 1 April 2020. Following closure, members' deferred pensions will now increase annually by inflation up to 5%, which is generally lower than the previous pay growth assumptions. The breaking of future salary linkage resulted in an exceptional curtailment gain in respect of the past service cost, reducing the deficit by £249.0m. The gain is partially offset by a £93.0m actuarial loss, recognised through equity, reflecting a decrease in future expected commutation of defined benefit pensions.

During the year, the 31 March 2019 triennial actuarial valuation has been underway and is yet to be concluded. As part of this exercise, underlying membership data has been updated as at 31 March 2019. This has resulted in an actuarial gain of £160.6m, reflecting the difference between actual experience compared to the assumptions made in estimating the liability.

In response to the UK Statistics Authority's RPI reform announcement in September 2019, management reviewed the inflation rate assumptions used for the IAS 19 valuation of the pension scheme liability. As a result, the adjustments applied for the inflation risk premium and the gap between RPI and CPI were revised for the cash flows beyond 2030. This resulted in a net actuarial gain of £23.6m.

Response

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

The Committee satisfied itself as to the acceptability of the key assumptions, particularly the discount rate and inflation rate assumptions, as well as assumptions relating to the scheme closure, including the break in salary linkage and revised commutation expectations.

The Committee considered the proposed change in the inflation rate assumptions as a result of RPI reform, including compliance with IAS 19, the rationale for the change in parameters and advice from independent actuarial specialists regarding overall trends in the market. The Committee concluded that the overall pension scheme liability is appropriate.

The Partnership Board: Audit and Risk Committee report

3. EXCEPTIONAL ITEMS

Notes to the financial statements

2.5

Issue

Following challenge from the Committee, management reviewed and updated the Partnership's accounting policy for exceptional items during the prior year, with a view to improving the transparency and clarity of policy application.

Management has consistently applied the updated policy in the current year, recording an exceptional gain of £107.4m. This principally relates to an exceptional curtailment gain in relation to the approved closure of the Partnership's defined benefit pension scheme as well as branch impairment costs and restructuring and redundancy charges arising as a result of transformational strategic programmes.

Response

The Committee considered the items presented as exceptional, in respect of the Partnership's policy to present separately items that are significant by virtue of their size and nature.

A past service credit of £249.0m has been recognised for the reduction in the pension obligation due to the breaking of salary linkage following the closure of the scheme in April 2020. Given the size and non-recurring nature of this credit, this income has been recognised as exceptional.

The Committee also challenged management and the auditors on the inclusion within exceptional items of the John Lewis branch impairment charge. Having considered the significance of both the size of the impairment charge and the reassessment of assumptions, the Committee concluded that it was appropriate to disclose as exceptional and requested a full explanation be given in the financial statements.

Restructuring and redundancy costs continue to be incurred as a result of strategic reviews. The Committee considered and challenged management on the continued inclusion of these costs within exceptional items, and to demonstrate that the costs were part of transformational strategic programmes of activity that would take a number of years to deliver. The Committee requested continued enhanced disclosure to be included within the financial statements.

The Committee, having reviewed and discussed both the analysis presented and draft disclosures provided by management, satisfied itself as to the appropriateness of the items reported as exceptional and the transparency included within the disclosures.

4. IFRS 16

Notes to the financial statements

1.1.4, 3.2, 5.6

Issue

The Partnership has a substantial lease portfolio, principally comprised of property leases in relation to Waitrose and John Lewis stores, distribution centres and head offices. Under *IFRS 16 – Leases*, the Partnership recognises right-of-use assets and lease liabilities on the balance sheet at the lease term commencement date. Lease liabilities are initially measured at the present value of the lease payments due until the end of the lease term, discounted using the applicable incremental borrowing rate.

Significant judgement is exercised in determining the lease term. IFRS 16 defines the lease term as the 'non-cancellable' period beyond which any extension is not reasonably certain. In November 2019, the IFRS Interpretations Committee (IFRIC) clarified this definition and highlighted that an entity should give consideration to the broader economics of a contract when determining the enforceable period of the lease. This includes the period of expected utility of the leasehold improvements and the costs of abandoning or dismantling non-removable leasehold improvements on lease exit.

Judgement is also applied in relation to the right-of-use assets which are assessed for impairment at least annually or whenever events or circumstances indicate that the net book value may not be recoverable.

Response

At the start of the year, the Committee considered and approved the transition approach and assumptions in respect of IFRS 16. This included the proposed approach to review lease terms on a six-monthly basis.

During the year, as part of half year and year-end reporting, the Committee reviewed the key judgements and draft disclosures provided by management. As a result of this review, the Committee has satisfied itself as to the appropriateness of the assumptions and the presentation in the financial statements.

5. PROVISIONS

Notes to the financial statements

4.4

Issue

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

Response

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

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

6. USEFUL ECONOMIC LIVES AND LEASE TERMS

Notes to the financial statements

3.2

Issue

The Partnership has significant non-current tangible assets. Depreciation is recorded to write down non-current assets to their residual value over their estimated useful economic lives. Determining an asset's estimated useful economic life requires judgement. The Partnership's accounting policy requires that the useful economic life of leasehold improvement assets is calculated as the shorter of the useful economic life of the asset or the length of the lease term.

During the year, management performed a review of the useful economic life of leasehold improvement assets. This included comparison to the relevant lease terms as determined under IFRS 16 and clarified by IFRIC in November 2019. In cases where the useful economic life of leasehold improvement assets exceeded the length of the lease term, the judgements over lease term and useful economic life were reassessed and aligned where required.

Response

The Committee reviewed the papers prepared by management and challenged the judgements applied.

The Committee satisfied itself that the lease terms and useful economic lives were appropriate and aligned to the clarification issued by IFRIC in November 2019.

The Committee's review included consideration of the sensitivities and impacts on the depreciation charge in the income statement and lease liabilities recognised on the balance sheet that would result from a change in lease term.

7. FREE WARRANTIES

Notes to the financial statements

2.2

Issue

Warranties on Electricals and Home Technology (EHT) goods are offered to customers by the Partnership. Whilst these warranties are 'free' to the customer, they also represent a separate performance obligation for the Partnership to fulfil under IFRS 15. The Partnership's IFRS 15 sales model estimates the fair value of the 'free' warranties included within the sales price of these items. The fair value of these warranties is deferred on the balance sheet and recognised as revenue over the life of the warranty.

Response

The Committee received a memorandum from management detailing the calculation used to establish the fair value of the 'free' warranties, and the assumptions and judgements used within it. The Committee satisfied itself that the deferred income recognised in respect of 'free' warranties was appropriate along with the profile of recognition in the income statement.

The Partnership Board: Audit and Risk Committee report

VIABILITY AND GOING CONCERN

The Directors must satisfy themselves as to the Partnership's ability to continue as a going concern for a minimum of 12 months from the approval of the financial statements. Additionally, the Directors' report on the longer term viability of the Partnership, over a period of three years. The Committee supported the Board in its assessment of both going concern and viability by considering whether, in the challenging but plausible risk scenarios identified, including the impact of Coronavirus, the Partnership has adequate liquid resources to meet its obligations as they fall due in the next 12 months and to remain commercially viable over the three-year period to January 2023.

The Committee reviewed papers presented by management on its assessment of the Partnership's going concern and longer term financial viability based on budgets, business plan and cash flow forecasts and the stress testing performed in the form of severe downside scenarios, ensuring these were based on the potential financial impact of the Partnership's principal risks and the specific risks associated with Coronavirus and Brexit. These downside scenarios, as set out in the viability statement (see page 51), represent severe but plausible scenarios and, whilst being considered by the Directors to be extremely prudent, have a significant adverse impact on sales, margin and cash flow. In response, the Directors have taken a number of actions, all within management's control, to reduce costs and optimise the Partnership's cash flow and liquidity. The Committee reviewed and challenged the appropriateness of the scenarios modelled, the feasibility of management to deliver the quantum of the mitigations within the time frame required, and the level of disclosure proposed. In light of market uncertainty as a result of Coronavirus, the Committee also challenged management's assessment that no material uncertainty existed.

As a result of the procedures performed, and the responses received from management on the challenges raised and the level of disclosure proposed, the Committee satisfied itself that the going concern basis of preparation is appropriate and that the Partnership is commercially viable over the duration of its assessment period. The Committee reviewed the expanded basis of preparation disclosures (page 94) to ensure this sufficiently detailed the considerations made in making this conclusion. The Board's Going Concern Statement is included within the Directors' report on page 89 and the viability statement within the Strategic Report on page 51.

NEW ACCOUNTING STANDARDS

During the year, the Partnership adopted and reported under *IFRS 16 – Leases* for the first time. The Committee reviewed and approved the transition approach and accounting policies in respect of this new standard, including the judgements, assumptions and estimates made by management and the impact these have had on the financial statements during 2019/20.

EXTERNAL AUDIT ACTIVITIES

EVALUATION AND RE-APPOINTMENT OF AUDITOR

KPMG LLP were the Partnership's external auditor for 2019/20. They provided the Committee with relevant reports, reviews, information and advice throughout the year, as set out in their engagement letter.

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

In March 2020, the Committee conducted an evaluation of the external auditor's performance. Members of the Committee and senior finance management within the Partnership were provided with an opportunity, through an evaluation questionnaire, to comment on the effectiveness of the external auditor and the audit process.

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

- The terms and the scope of the work of the external auditor, as set out in the engagement letter;
- The experience and expertise of the audit team;
- The audit work plan for the financial year 2019/20;
- The detailed findings of the interim review and year-end audit, including how the auditor assessed key accounting and audit judgements and discussion of any issues that arose; and
- The constructive challenge and professional scepticism applied by the audit team in dealing with management.

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

AUDIT FIRM TENDERING

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

Following the audit tender process in 2015/16, the year ended 25 January 2020 was the fourth year of audit by KPMG LLP and the fourth and penultimate year of the audit engagement partner, Mike Maloney's, appointment.

AUDITOR'S INDEPENDENCE AND OBJECTIVITY AND NON-AUDIT SERVICES

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

The Committee recognises that the independence of the external auditor is a fundamental safeguard for the interests of Partners. The Partnership has a non-audit services policy that allows the external auditor to be appointed to provide non-audit services in exceptional circumstances. The Partnership's non-audit services policy is summarised below.

SUMMARY OF NON-AUDIT SERVICES POLICY

In line with our policy, the Partnership's auditor is prohibited from supplying most categories of non-audit services.

Prohibited services include bookkeeping or other services related to the accounting records or financial statements; internal audit services; taxation services; and any other work that could compromise the independence of the external auditor or is prohibited by the UK regulator's ethical guidance.

There is a specific approval process for any non-audit work to be undertaken by the external auditor. Any proposal to engage the external auditor to perform non-audit services must be referred to the Executive Director, Finance for approval. Where fees exceed £100,000, the proposal must be approved by the Chair of the Committee, and where fees exceed £250,000, the proposal must be approved by the whole Committee.

Details of the amounts paid to the external auditor are given in note 2.6 to the consolidated financial statements. The ratio of non-audit services fees to audit and audit-related services fees was 10% (2019: 10%).

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

THE PARTNERSHIP'S SYSTEMS OF RISK MANAGEMENT AND INTERNAL CONTROL

RISK MANAGEMENT

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

To enable this, the Partnership has a risk management framework, including a process for how we identify, evaluate, manage and monitor the principal risks faced by the Partnership, supported by tools, dedicated Partners and a risk governance structure with defined accountability. Further details on this can be found on pages 46 to 50, along with details of our principal risks and how we mitigate them.

INTERNAL CONTROL

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

The Partnership Board receives updates through the Chair of the Committee and copies of its minutes on the operation of the systems of internal control for risk management. During the year under review, reporting was through presentations from senior management, the Chairs of Divisional Risk Committees and Financial Control as well as the work of Internal Audit, which provides objective assurance on the effectiveness of controls through the delivery of a risk-based work plan. The Director of Internal Audit and Risk reports functionally to the Chair of the Committee and operationally to the Executive Director, Finance.

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

During the year:

- The Committee has ensured the appropriate assessment and disclosure of viability;
- The Committee reviewed and agreed with management's conclusions that Coronavirus is a non-adjusting post balance sheet event, but requested additional disclosure in relation to potential impairment in respect of intangible assets and further sensitivities in relation to John Lewis branch impairments be made;
- The Committee has continued to focus on data privacy requirements and plans to improve our IT and cyber security resilience in response to the ongoing external threat of an information security breach or cyber attack;
- The Committee has continued to support the Partnership's approach to identifying and managing risks exacerbated by Brexit and has focused challenge on contingency plans to mitigate the Partnership's key Brexit related risk areas and prepare for potential no-deal Brexit dates;
- The Committee has continued to provide more focus on areas of regulatory compliance due to the changing nature of the external regulatory environment and has provided oversight of the development of the regulatory compliance framework;
- The Committee has continued to challenge management to understand and appropriately mitigate against the risks arising from change across the Partnership;
- The Committee has reviewed reports from management in relation to controls activity undertaken in the year in relation to key financial risks, including the testing of key controls; and
- The Committee continues to have oversight of open and overdue Internal Audit findings, with an ongoing focus on action-owner accountability and consequences for non-delivery.

The immediate focus for the year ahead is to proactively manage the risks and the Partnership's response to the potentially prolonged impact of Coronavirus, in order to maintain customer service and protect Partners, local communities and trade. Focus will also remain on the Partnership's Brexit related customer, Partner and trading risks through the short transition period, and overseeing the implementation of activities as the external landscape becomes more clear, whilst continuing to develop the quality of our risk and control frameworks. The Committee will also focus on the management of risk through the significant organisational change underway in Future Partnership. The Partnership's approach to risk management is detailed on pages 46 to 50.

THE PARTNERSHIP'S APPROACH TO INTERNAL AUDIT

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

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

1. The integrity of the Partnership's financial and narrative statements, other formal announcements relating to the Partnership's financial performance, and reviewing significant financial reporting judgements contained in them; and
2. The effectiveness of the Partnership's system of internal controls and risk management.

The Committee now reviews and approves the scope of the Internal Audit work programme on a six-month rolling basis in response to the challenging and changing retail environment. The plan is structured to align with the key objectives and risks of the Partnership, and covers both advisory and assurance related reviews of operational, financial and IT processes as well as key change projects and programmes. Work undertaken during the year includes the reviews set out on the following page.

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

The Partnership Board: Audit and Risk Committee report

REVIEWS UNDERTAKEN DURING THE YEAR

FINANCE
- INTERNAL CONTROLS FRAMEWORK
- PURCHASE TO PAY

REGULATORY/OTHER
- DATA CODE COMPLIANCE
- BRANCH REPORTING
- PRIOR AGREED ACTIONS

IT & PROGRAMME
- PRODUCT PROGRAMME MDM/MO
- SUPPLY CHAIN OPTIMISATION
- TECHNOLOGY & CHANGE STRATEGIC REVIEW
- PENSION BENEFIT CHANGE IMPLEMENTATION
- JL.COM REPLATFORMING

OPERATIONS
- PROPERTY RENTS & RATES
- SUPPLIER & CONTRACT MANAGEMENT
- REBATES AUTOMATION

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

Waitrose is subject to the Groceries (Supply Chain Practices) Market Investigation Order 2009 (the Order) and the Groceries Supply Code of Practice ('GSCoP' also referred to as the 'Code'). Both regulate our trading relationships with grocery suppliers, including training requirements for buyers and the content of supplier contracts. Our approach to Code compliance reflects our long-term commitment to treating our suppliers fairly, as set out in the John Lewis Partnership's Constitution (Principle 6 and Rule 96). This approach is supported by clear processes and procedures which enable us to review and monitor our compliance with the Code.

As required by the Order and the GSCoP, the Waitrose Code Compliance Officer ('CCO') is obliged to present a report detailing the business' compliance to GSCoP to the Partnership's Audit & Risk Committee, for onwards submission to the Competition and Markets Authority ('CMA'). The reporting period covered is 27 January 2019 to 25 January 2020.

The CCO presented the report to the Committee on 7 April 2020 and reported a slight increase in the number of suppliers raising GSCoP queries in the trading period. 11 suppliers either alleged a breach or used Code language in their concerns (10 allegations last year). Several of these involved the CCO. In each case we worked with the suppliers involved to understand their concerns and seek a resolution in a timely manner. One query was still in progress at the end of the reporting period. There were no formal disputes raised during the year.

The Committee reviewed and approved the Annual Report and also noted the work being undertaken to strengthen governance and provide more self-regulation. They welcomed the activity undertaken to enhance training and the support for the buyers. They supported the approach and plan for ensuring ongoing GSCoP compliance.

WORK WITH GCA

We have a positive working relationship with the Groceries Code Adjudicator ('GCA') and her team and welcome discussions and advice on how we can enhance our supplier relationships. We hosted a visit by the GCA to our offices in May where she was able to discuss ongoing matters with a number of Directors. Overall, meetings are constructive and cover a range of topics. The feedback from both the GCA Annual Survey and the regular meetings were helpful in identifying any suppliers' concerns.

We are very supportive of the GCA's move towards retailers adopting a self-governance approach to Code compliance and have worked hard to improve reporting in order to identify underlying issues and trends. A quarterly dashboard of KPIs has been created and is used as part of routine reports sent to the GCA.

The Chair of the Committee, Andy Martin, attended a meeting with the GCA in the autumn to discuss the approach to self-governance and reporting.

WORK WITH SUPPLIERS

For suppliers we provide information about the Code on Waitrose Engage, an online resource for all of our suppliers which includes Code-related content. Our ongoing work to develop systems and processes has been carried out in conjunction with regular feedback from suppliers and we have continued to improve the usability of Waitrose Engage. This has included specific feedback sessions from suppliers.

Following the restructure in our Commercial Directorate, we have centralised a number of processes into a new Supplier Administration Hub which has led to a more consistent experience for suppliers. We have also worked hard to improve any concerns related to delays in payment, providing suppliers with access to a dedicated team in our accounts department whose remit is to help resolve any finance-related queries or issues that they may have.

We have followed up all the concerns raised by suppliers relating to the Code during their reporting period, which covered a range of issues, and continue to welcome suppliers' feedback on how we can make further improvements.

INTERNAL WORK

Day-to-day advice, online guidance and support is available to buyers with more specialist advice offered by the CCO's team and the John Lewis Partnership's Legal Department. We have an online site for Commercial Partners (employees) which includes advice, templates and details of where to get further support. We have a dedicated GSCoP advisor who sits within the Commercial team and collaborative advice and guidance is issued to the business on a regular basis by the above parties, to respond to supplier queries and emerging trends.

All new buying Partners are trained on the Code as part of their induction and all supplier-facing Partners in our Commercial Directorate complete online training and a test which requires a score of 100% to pass. As part of the annual training there are regular briefings before key events and this year there was an in-depth briefing on De-listing which was delivered by the Compliance and Legal teams and included an introductory video from Christine Tacon.

Compliance to the Code is reviewed and monitored by a cross-Directorate senior group of Partners who review Code-related activities on a monthly basis and provide oversight of our day-to-day compliance, escalating issues for further investigation and resolution as appropriate. Examples of topics covered by this group include:
– Regular updates and review of the GCA's latest activity;
– Regular reviews of current supplier queries; and
– Upcoming changes to systems and supplier-facing processes to ensure they do not adversely affect our compliance to the Code.

In addition, the group has looked at:
– The work of our Forensic Auditors following a review by Internal Audit, with the aim of improving our internal processes and oversight of how they are processing claims in our name to ensure suppliers are being treated fairly;
– Our approach to IFCO trays to ensure the process operates for the benefit of all parties involved;
– The manner in which we have introduced a new Supplier Delivery Scheduling system for suppliers, to ensure they have had plenty of notice and awareness of this changed way of working and the benefits it will bring;
– Supplier compliance to delivery standards as part of the ongoing work on improving efficiency in our supply chain, with a more in-depth review of our standards to follow;
– Preparing suppliers for forthcoming changes to our Master Data Management and Merchandise Operations systems; and
– The potential Code implications of the closer working relationship with the John Lewis brand.

SUMMARY

Each supplier query is taken seriously to understand their concerns, seek a quick resolution to it and identify whether further guidance or changes to our processes are required. We welcome queries and feedback from suppliers and, to that end, invite any suppliers reading this report who may have had issues or have any suggested improvements to our Code-related ways of working, to please contact their buyer in the first instance or our CCO, Matt Wilson.

> In times of change, such as our ongoing transition into Future Partnership, consistent and active oversight of systems of internal control and risk management becomes even more important. The rigour and challenge that the members of the Partnership Board's Audit and Risk Committee have continued to display during the year should provide Partners with assurance that the Partnership's companies continue to be governed with a suitable attitude to risk. Conversations remain tough with a focus on accountability, as the outcome we all pursue continues to be a prosperous, compliant and exciting Partnership for the future.

OLLIE KILLINGER
Elected Director, Partner & Digital Product Owner

WHISTLEBLOWING

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

The respective responsibilities of the Committee and the Board in respect of whistleblowing were clarified in the Terms of Reference which were refreshed during the year. The Committee reviews, on behalf of the Board, the adequacy and security of the Partnership's arrangements for its Partners and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Committee ensures that these arrangements allow proportionate and independent investigation of such matters and appropriate follow-up action. The Board retains responsibility for reviewing reports arising from use of these arrangements.

On behalf of the Audit and Risk Committee.

Andrew Martin

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

The Partnership Board: Nominations Committee report

LEADERSHIP AND EFFECTIVENESS

KEITH WILLIAMS

Non-Executive Director and Chair of the Nominations Committee

Committee composition

- Elected Directors 2
- Non-Executive Directors 2
- Executive Director 1

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

MEMBERSHIP AND COMPOSITION

The members of the Committee at year-end were:

Keith Williams	Chair of the Committee & Non-Executive Director
Charlie Mayfield	Chairman
Nicky Spurgeon	Elected Director
Laura Wade-Gery	Non-Executive Director
Becky Wollam	Elected Director

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

Steve Gardiner (Elected Director) stood down on 23 January 2020 on ceasing to be a Director and was succeeded by Becky Wollam.

There were 11 Committee meetings held during the year under review. All eligible members attended each meeting with the exception of Steve Gardiner and Laura Wade-Gery who were each unable to attend one meeting during the year under review.

CHANGES SINCE THE YEAR-END

Charlie Mayfield stood down on 4 February 2020 on ceasing to be the Partnership's Chairman and was succeeded by Sharon White.

Keith Williams joined the Partnership Board in 2014 and became Deputy Chairman in 2016. After five years on the Board, he had intended to step down during 2019. However, he agreed to stay on longer to oversee the Chairman's succession process and to provide continuity in the period until Sharon White was able to join the Partnership in succession to Charlie Mayfield. He will step down as both Deputy Chairman and a Non-Executive Director on 15 April 2020, and will step down as Chair of both the Nominations Committee and Remuneration Committee on the same date. The search has commenced for his successor supported by independent search consultants Russell Reynolds Associates. Russell Reynolds Associates is providing executive search consultancy services to the Committee but otherwise has no other connection with the Partnership. In the meantime, the Committee will be chaired by Andy Martin, who joined the Committee on 25 March 2020.

The role of Deputy Chairman had been reviewed as part of the 2018 governance reviews and endorsed by the Partnership Board as: having responsibility for leading the Chairman's performance appraisal and remuneration review; chairing both the Nominations and Remuneration Committees; acting as an alternative point of contact to the Chairman for other Directors and, as and when necessary and in periods of organisational stress, acting as an intermediary between the stakeholders to resolve major issues. The intent is that the Deputy Chairman should remain a Non-Executive Director role, but that if the role of Deputy Chairman were to be filled by someone who was not 'independent' (i.e. a Partner or potentially a former Partner), some or all of these responsibilities might need to be reallocated. It had also been recognised that there would be occasions when the Chairman would be acting at the Board in a 'Chief Executive' capacity for certain agenda items and to avoid any potential conflict, the Deputy Chairman could step in and chair the Board meeting for such discussions.

ROLE OF THE COMMITTEE

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

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

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

The Committee is supported by the Executive Director, People and assisted by independent consultants, as required.

APPOINTMENTS

The Nominations Committee oversees the process for selecting and recommending candidates for appointments to the Partnership Board. This includes working with the Chairman and the Executive Director, People to establish the experience and capabilities required on the Board going forward as well as using external search consultants where appropriate.

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

CHAIRMAN

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

In November 2018, Charlie Mayfield announced that he would be standing down as Chairman, having been in the role since 2007. In accordance with the Constitution, the Chairman is the Chairman of the Partnership Board, by virtue of his appointment as Chairman of the John Lewis Partnership Trust Company. As set out in the Trust Company's constitutional documents, the ultimate choice of successor remains with the outgoing Chairman. However, for the first time, this process was overseen by the Nominations Committee which informed the Board of the plans and process supporting, and ultimately the outcome of, the Chairman's final decision and recommendation to the Partnership Board.

During 2019, the Nominations Committee oversaw the search process for the new Chairman supported by independent search consultants, Egon Zehnder Limited. This included developing the role specification, a selection process featuring evaluation of both internal and external candidates, participation in the interview and assessment process and ultimately provision of advice to the Chairman regarding the suitability of prospective candidates. The Committee was also supported by the Partnership Secretary, and by Jane Kirton, a former Partner and leadership and organisational development consultant. The Committee participated in a workshop on unconscious biases led by Egon Zehnder Limited as part of its preparation before the formal assessment of potential candidates. The Chairman of the Committee then met candidates informally before the formal assessment process was held in spring 2019. In May 2019, the Committee provided the Chairman with a commentary regarding the suitability of prospective candidates prior to his meetings with the final short listed candidates. The Committee then received references on the Chairman's nominee, collated by Egon Zehnder Limited, before the Chairman informed the Partnership Board of his choice and it agreed to Sharon White's appointment.

Egon Zehnder Limited has also provided the Partnership with the following services: coaching services; Executive Leadership Profile programmes; Executive Team and senior executive leadership development programmes; executive search; and support for team facilitation for teams outside of the remit of the Committee.

NON-EXECUTIVES

The Nominations Committee recommended to the Board that the terms of office of Zarin Patel and Sharon Rolston as Independent External Members of the Audit and Risk Committee, which were due to expire on 1 March 2019, be extended to 30 April 2021, which was approved by the Board. Following the decision to replace the Corporate Responsibility Committee with an executive-led group (now the Ethics and Sustainability Committee) after its meeting in March 2019, Fiona Reynolds' appointment as an Independent External Member of the Committee came to an end. On behalf of the Board, we would like to thank Fiona for her contribution to our work on Corporate Responsibility.

EXECUTIVE APPOINTMENTS

During the year the Committee oversaw the selection and appointment for new Executive positions in the new Future Partnership operating model effective 3 February 2020. The following internal appointments were made: Andrew Murphy as Executive Director, Operations; Bérangère Michel as Executive Director, Customer Services; Patrick Lewis as Executive Director, Finance; Paula Nickolds as Executive Director, Brand; and Tracey Killen as Executive Director, People.

It was a big responsibility to represent Partners by being personally involved in the selection process for our new Chairman. My role was to balance Partners' opinions along with what I felt the business needed to stay relevant for our future customers.

NICKY SPURGEON

Elected Director, Partner & Programme Manager

FOR FURTHER INFORMATION
See pages
63 – Zarin Patel
63 – Sharon Rolston

The Partnership Board: Nominations Committee report

An external search was conducted for the position of Executive Director, Strategy & Commercial Development supported by Spencer Stuart, and Nina Bhatia joined the Partnership in this role in February 2020. Spencer Stuart has no other connections with the Partnership.

SUCCESSION PLANNING AND TALENT MANAGEMENT

During the year, the Committee continued to oversee how the Partnership was developing its succession planning and talent management programmes to ensure that the right balance of senior management skills, knowledge, capabilities and experience were in place to deliver the Partnership's strategy and objectives.

INDUCTION, TRAINING AND DEVELOPMENT

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

An induction plan was arranged for Sharon White, who joined the Partnership on 13 January 2020 and was appointed Chairman on 4 February 2020. This included one-to-one meetings with the former Chairman and each of the existing Directors, the Company Secretary and the Partnership Secretary, the Independent Directors, and other members of senior management. She has also met members of operational teams at Partnership sites across the business.

REVIEW OF BOARD AND COMMITTEE EFFECTIVENESS

During the year under review, an internal Board effectiveness review was conducted by the Partnership Secretary. This involved a survey of all members of the Board and the two appointed members of the Audit & Risk Committee, and one to one meetings between the Partnership Secretary and all Directors along with Andrew Murphy (Executive Director, Operations) and Helen Hyde (former Acting Partners' Counsellor). The Board discussed the findings in July and September 2019. A summary of the agreed actions coming out of the review is provided on page 60.

Separate, shorter evaluations were undertaken on each Board Committee, with action plans developed to take forward agreed recommendations during 2020. An externally facilitated review of the Board is scheduled to take place towards the end of 2020.

DIVERSITY STATEMENT

The Partnership Board has adopted a Diversity Statement, as set out to the right, regarding the composition of the Partnership Board, the aims of which are supported by the Partnership's Diversity and Inclusion Policy.

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

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

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

Further information on diversity and inclusion in the Partnership can be found on pages 36 to 37, 83 and 88.

DIVERSITY STATEMENT

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

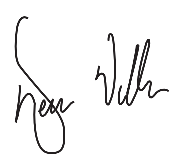
The Partnership has a Diversity and Inclusion Policy which applies to all Partners and we have a clear action plan which aims to encourage an inclusive and vibrant community of Partners. Our Partnership Board Diversity Statement reflects that Policy.

The Board policy has the following objectives:

- The composition of the Partnership Board should reflect the diverse population of the Partnership.
- All Board appointments are based on merit and objective criteria in order to enhance the Board's overall effectiveness and, within this context, should have due regard for diversity of gender, social and ethnic backgrounds, cognitive and personal strengths.
- Candidates for appointment as Non-Executive Directors will be drawn from diverse sources and 'long lists' will always include female and minority candidates.
- We will only use search firms who have signed up to the voluntary code of conduct on gender diversity and best practice.
- Successful Non-Executive Director candidates will be committed to the Partnership's values, Principles and ethos.
- Potential internal candidates for Board appointments will have opportunities to gain experience and an understanding of working inclusively, and not just within our own business.
- Measurement against these objectives and assurance on broader Partnership diversity is reported annually to the Board.

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

On behalf of the Nominations Committee.



KEITH WILLIAMS
Non-Executive Director and Chair of the Nominations Committee

The Partnership Board: Remuneration Committee report

OVERSEEING HOW THE PAY POLICY IS APPLIED

KEITH WILLIAMS
Deputy Chairman and Chair of the Remuneration Committee

During the year, the Committee reviewed pay arrangements for the Executive Team, including the new Chairman, and new appointments as part of Future Partnership. Other areas of focus for the Committee included pension arrangements for senior Partners.

The Committee oversees how the Partnership's pay policy is applied to the Chairman, Executive Directors and senior managers who report to the Chairman. As an employee-owned business with 80,800 Partners, it is also important that we consider the broader approach to pay across the Partnership.

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

During the year, the Committee undertook the annual pay review for the Chairman and Executive Team. The Committee placed particular focus on ensuring that remuneration arrangements for the new Chairman and new appointments to the Executive Team were appropriate and reflected the Partnership's pay policy. The Committee also approved payments for members of the Executive Team leaving the Partnership.

In addition, the Committee noted the outcomes of the Partnership's Pension Review and agreed changes to pension arrangements for senior Partners in line with emerging market practice. It also noted the Partnership's intent to consider senior reward arrangements as part of a broader reward review.

The Committee took note of the publication of the 'Be Yourself. Always' report which included the Partnership's statutory gender pay gap reporting as part of a broader diversity report.

The Committee took a close interest in the legislative and best practice developments around senior remuneration. We are not obliged to adopt all these changes but continue to consider the extent to which they are relevant to the Partnership to ensure our approach to pay remains fair and transparent.

Looking forward, the Committee will continue to focus on ensuring the Executive Team are rewarded appropriately for the work they do whilst also being mindful of broader Partnership pay. The Committee will also review its Terms of Reference to ensure they reflect best practice.

KEY INFORMATION

CHAIRMAN'S REMUNERATION

As Chairman in the 2019/20 year, Charlie Mayfield's total reward package was made up of the following:

	2019	2020
Pay Base pay received in the financial year	£1,109,000	£1,109,000
Partnership Bonus Bonus amount received in respect of the 2019/20 trading year	£33,000	£22,000
Pension benefit Cash supplement in lieu of further defined pension accrual	£288,000	£288,000
Benefits Cash value of benefits	£14,000	£14,000
Total reward	£1,444,000	£1,433,000

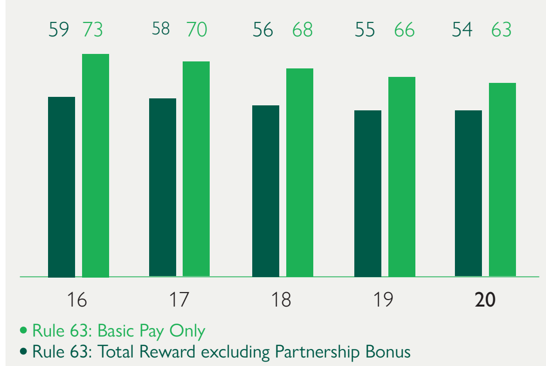
• 2019 • 2020

RULE 63

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

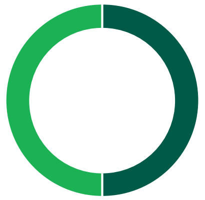
In the 2019/20 year, the Chairman's:

- Pay was 63 times the average basic pay of non-management Partners, calculated on an hourly basis; and
- Total reward, excluding Partnership Bonus, was 54 times the average total reward, excluding Partnership Bonus, of non-management Partners with three or more years' service.



The Partnership Board: Remuneration Committee report

Committee composition



- Elected Directors 2
- Non-Executive Directors 2

APPROACH

MEMBERSHIP AND COMPOSITION

The members of the Committee at year-end were:

Keith Williams	Chair of the Committee and Non-Executive Director
Nicky Spurgeon	Elected Director
Laura Wade-Gery	Non-Executive Director
Becky Wollam	Elected Director

Steve Gardiner stepped down as a member of the Committee on leaving the Partnership Board on 23 January 2020. Becky Wollam was appointed a member of the Committee on 23 January 2020.

The Committee met on ten occasions during the year under review. All meetings were attended by all members who were eligible to attend, with the exception of Steve Gardiner, Nicky Spurgeon and Laura Wade-Gery who each sent their apologies to one meeting.

CHANGES SINCE THE YEAR-END

Andy Martin joined the Committee on 25 March 2020. Keith Williams will step down as Chair of the Committee on stepping down as Deputy Chairman and Non-Executive Director on 15 April 2020, and the search has commenced for his successor. In the meantime, the Committee will be chaired by Laura Wade-Gery.

COMMITTEE INDEPENDENCE

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

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

No Committee member can take part in any discussion or decision regarding their own remuneration.

ADVISORS

In carrying out its responsibilities, the Committee is advised by Willis Towers Watson as independent remuneration consultant.

Willis Towers Watson provides the Committee with executive remuneration advice and external market assessments. It also provides the Partnership with talent and reward consulting services and the Partnership uses its job evaluation methodology and compensation data. In addition, in 2019/20 Willis Towers Watson also provided insurance broking services.

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

ROLE OF THE COMMITTEE

The Committee is responsible for:

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

In addition, the Elected Director members are responsible for:

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

The full Terms of Reference for the Committee can be found at www.johnlewispartnership.co.uk

PAY POLICY

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

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

Rule 61	The Partnership sets pay ranges which are informed by the market and which are sufficient to attract and retain high calibre people. Each Partner is paid a competitive rate for good performance and as much above that as can be justified by better performance. Partnership Bonus is not taken into account when fixing pay rates.
Rule 62	Pay rates must be decided with such care that if they were made public each would pass the closest scrutiny. Managers are responsible for ensuring that Partners are paid fairly in comparison with others who make a similar contribution.
Rule 63	The pay of the highest paid Partner will be no more than 75 times the average basic pay of non-management Partners, calculated on an hourly basis.

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

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

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

KEY ACTIVITIES

CHAIRMAN'S PAY

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

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

In this reporting year, the Committee made a recommendation for the 2019 pay review in respect of Charlie Mayfield.

The Committee also made a recommendation in respect of Sharon White, following her appointment as the Partnership's new Chairman.

EXECUTIVE TEAM PAY

The Remuneration Committee also approves the pay of other Executive Directors and senior managers who report to the Chairman.

The Committee considers the Chairman's pay recommendations also taking into account external market assessments provided by Willis Towers Watson for these roles.

In the reporting year, the Committee approved the 2019 pay review recommendations for the Executive Team. It also approved pay arrangements for Executive Team members appointed to new roles as part of Future Partnership.

PARTNERSHIP PAY

The Remuneration Committee has visibility of pay recommendations for other senior management who report to the Executive Team, to ensure that proposals are in line with the Partnership's pay policy.

During the year, the Remuneration Committee was provided with information and context on pay across the Partnership. This included the approach and outcomes by Partnership level for the 2019 pay review.

> I am excited to have recently joined the Remuneration Committee as an Elected Director. The Elected Directors play an essential role on the Committee. We provide a Partner perspective, independent of management, when considering pay arrangements for our senior leadership and in shaping discussions and influencing decisions about broader reward across the Partnership.

BECKY WOLLAM

Elected Director, Partner & Regional Manager

The Partnership Board: Remuneration Committee report

PENSION CHANGES

The Remuneration Committee noted the outcomes of the Partnership Pension Review. From 1 April 2020 the Partnership will match Partners' pension contributions up to 8% of pay. After three years of service, Partners will receive an additional Partnership contribution of 4%.

The Committee agreed to the Partnership Council's Special Committee for Pensions' recommendation that pension value for senior Partners should align with that for other Partners. As a result, pension value for the majority of senior Partners will reduce to 12%, from 1 April 2020. This change has already been implemented for senior external hires during the year, including the new Chairman, Sharon White.

A small number of senior Partners are currently in receipt of an enhanced pension supplement meaning their total pension value will remain above 12%. Since the year-end, in line with corporate governance guidance and emerging market practice, the Committee further agreed that these enhanced supplements will be eroded by December 2022.

The Committee also agreed that from 1 April 2020, pension value for senior external hires will reduce to 8% when they join the Partnership, increasing to 12% after three years' service in line with the arrangements for all new Partners.

CEO PAY RATIO REPORTING

From this reporting year, UK-quoted companies are required to publish their CEO pay ratio figure in their annual reports. Whilst this requirement does not extend to the Partnership, the Committee considered the inclusion of the new CEO pay ratio reporting requirements as part of this report.

For many years, the Partnership has published its own version of a CEO pay ratio in relation to Rule 63 which is well known and understood by Partners. The Committee noted that the Rule 63 calculation will differ next year as a result of the changes to the Partnership's pension scheme and the pay arrangements of the new Chairman.

The Committee therefore agreed to retain the existing Rule 63 disclosure this year and make no additional CEO pay ratio disclosure at this stage. It is the Committee's intention to include an appropriate CEO pay ratio based on one of the permitted methodologies in the 2021 Annual Report and Accounts.

GENDER PAY GAP REPORTING

The Committee reviewed the contents of the Partnership's 'Be Yourself. Always' report. This included the Partnership's statutory gender pay gap reporting as part of a broader report including ethnicity, age, health and wellbeing.

The Committee noted the new approaches set out in the report to reduce the Partnership's gender pay gap and the targeted interventions to increase representation of Partners from ethnic minority backgrounds. Further details on the report can be found on pages 36 to 37.

OUTLOOK

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

The Committee will also provide input as necessary to any review of senior reward arrangements whilst being mindful of broader Partnership reward.

The Committee will consider the most appropriate and practical method of calculation in order to meet the CEO pay ratio reporting requirements. It will also continue to review the Partnership's diversity reporting and observe further legislative changes.

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

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

REMUNERATION REPORT

As this Remuneration Report covers the reporting period 2019/20, all references to the Chairman relate to arrangements for Charlie Mayfield unless otherwise stated.

PAY

HOW MUCH DO WE SPEND ON PAY?

In 2019/20, the Partnership spent £1,614.0m on employment and related costs (2018/19: £1,863.2m). This represented 15.9% (2018/19: 18.1%) of the Partnership's revenue.

£1,506.0m (2018/19: £1,480.0m) was spent on basic pay and every eligible Partner received 2% of their 2019/20 gross pay as a Partnership Bonus, at a total cost of £30.9m (2018/19: £44.7m).

WHAT WAS CHARLIE MAYFIELD PAID IN 2019/20?

In the year under review, the value of Charlie Mayfield's total reward decreased by 0.8% to £1,433,000 as a result of receiving a lower Partnership Bonus for this year.

As noted in the 2019 report, in line with the broader pay review restraint for senior management within the Partnership, the Committee recommended to the Partnership Board that it would not be appropriate to award any pay increase in April 2019. The Board agreed that Charlie Mayfield's annual basic rate of pay would remain unchanged at £1,108,800.

For 2019/20, Charlie Mayfield received a Partnership Bonus of 2% of pay in line with that awarded to all eligible Partners and a pension supplement of 26% of pay.

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

	2020 £	2019 £
Pay	1,109,000	1,109,000
Partnership Bonus	22,000	33,000
Pension supplement in lieu of further defined pension accrual	288,000	288,000
Cash value of benefits	14,000	14,000
Total reward	1,433,000	1,444,000

WHAT WILL SHARON WHITE BE PAID IN 2020/21?

The Committee recommended to the Partnership Board that Sharon White, the new Chairman, be appointed on a base salary of £990,000. No pay increase was awarded for April 2020. As previously noted, the pension cash value for the new Chairman is 12% in line with the new arrangements for all senior external hires from July 2019.

WHAT ABOUT RULE 63?

The Rule 63 calculation is based on basic pay earned during the reporting period. For the 2019/20 year, the highest paid Partner was the Chairman, Charlie Mayfield.

At the end of the reporting period, the Chairman's pay was 63 times the average basic pay of non-management Partners calculated on an hourly basis.

Although Rule 63 only applies to basic pay, the Committee also considers the relationship between total reward, including pension benefit and other benefits but excluding Partnership Bonus, of the highest paid Partner and the average total reward of non-management Partners with three or more years' service.

At the end of the reporting period, the Chairman's total reward was 54 times the average total reward, based on the criteria set out above.

	2016	2017	2018	2019	**2020**
Rule 63: Basic Pay Only	73	70	68	66	63
Rule 63: Total Reward excluding Partnership Bonus	59	58	56	55	54

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

The table to the right shows the total remuneration for the year, including Partnership Bonus and pension benefit, for all Directors who served on the Partnership Board during any part of the year, excluding the Elected Directors.

The aggregate amount of remuneration paid to or receivable by Directors in respect of qualifying services for the year under review was £5,362,000 (2018/19: £5,505,000).

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

WHAT ARE THE ELECTED AND NON-EXECUTIVE DIRECTORS PAID?

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

Non-Executive Directors receive fixed annual fees, which are determined by the Elected Directors on behalf of the Committee. Fees are reviewed periodically and set at levels that reflect the Director's responsibilities and external market data.

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

Chairman's, Executive Directors' & Non-Executive Directors' pay

2019/20		2018/19
0	£1 – £50,000	1
2	£50,001 – £100,000	2
1	£100,001 – £150,000	2
0	£150,001 – £200,000	0
0	£200,001 – £250,000	0
0	£250,001 – £300,000	0
0	£300,001 – £350,000	0
0	£350,001 – £400,000	0
0	£400,001 – £450,000	0
0	£450,001 – £500,000	0
0	£500,001 – £550,000	0
0	£550,001 – £600,000	0
0	£600,001 – £650,000	0
0	£650,001 – £700,000	0
0	£700,001 – £750,000	0
1	£750,001 – £800,000	1
0	£800,001 – £850,000	0
0	£850,001 – £900,000	0
1	£900,001 – £950,000	1
2	£950,001 – £1,000,000	2
0	£1,000,001 – £1,050,000	0
0	£1,050,001 – £1,100,000	0
0	£1,100,001 – £1,150,000	0
0	£1,150,001 – £1,200,000	0
0	£1,200,001 – £1,250,000	0
0	£1,250,001 – £1,300,000	0
0	£1,300,001 – £1,350,000	0
0	£1,350,001 – £1,400,000	0
1	£1,400,001 – £1,450,000	1
8	TOTAL	**10**

Chairman's and Executive Directors' defined benefit pension entitlement

2019/20		2018/19
0	£1 – £50,000	0
2	£50,001 – £100,000	3
1	£100,001 – £150,000	1
1	£150,001 – £200,000	1
0	£200,001 – £250,000	0
0	£250,001 – £300,000	0
1	£300,001 – £350,000	1
5	TOTAL	**6**

The Partnership Board: Remuneration Committee report

PENSION ARRANGEMENTS

WHAT ARE THE PENSION ARRANGEMENTS FOR EXECUTIVE DIRECTORS?

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

These supplements are cash payments that are broadly equivalent in value to the defined benefit pension that the individual would previously have accrued in the Partnership's pension scheme. As noted previously, the cash value of these supplements will decrease in the 2020/21 year.

WHAT IS THE PENSION SUPPLEMENT FOR EXECUTIVE DIRECTORS?

For 2019/20, the total pension supplement paid to the Chairman and Executive Directors was £1,021,000 (2019: £1,041,000).

WHAT IS THE DEFINED BENEFIT PENSION VALUE FOR EXECUTIVE DIRECTORS?

The table on the previous page shows the aggregate annual defined benefit pension entitlement from the age of 60 accrued at the end of the year, for the Chairman and Executive Directors who served on the Partnership Board during any part of the year.

The aggregate defined benefit pension entitlement accrued at the end of the year was £763,000 per annum for five individuals (2019: £838,000 per annum for six individuals).

The accrued pension for the Chairman and Executive Directors increases in line with either price inflation or future pay increases, depending on their individual arrangements.

Where there are any accrued defined benefit pensions remaining on an unfunded basis, the Partnership has made provision for the associated liability. In addition, three of the Directors are entitled to temporary pensions, until their state pension starts.

The aggregate entitlement to temporary pensions was £18,000 per annum for three individuals (2019: £18,000 per annum for three individuals). For those Directors where there was an increase, the transfer value of the aggregate increase in total accrued pension entitlement above consumer price inflation during the year was £nil (2019: £nil).

WHAT PENSION WILL THE CHAIRMAN RECEIVE?

Charlie Mayfield's aggregate defined benefit pension entitlement from the age of 60 accrued at the end of the year was £300,000 per annum (2019: £300,000 per annum).

APPOINTMENTS AND LEAVERS

PAYMENTS TO FORMER DIRECTORS

Rob Collins ceased to be a Director of the Partnership Board and Managing Director, Waitrose on 23 January 2020 and will leave the Partnership on 31 July 2020 after a period of long leave. In connection with leaving the Partnership, he will be paid £892,362 in respect of the balance of his notice period, redundancy pay and contributions towards his legal fees.

Paula Nickolds ceased to be a Director of the Partnership Board and Managing Director, John Lewis on 23 January 2020 and will leave the Partnership on 31 July 2020 after a period of long leave. In connection with leaving the Partnership, she will be paid £939,773 in respect of her notice period, estimated contributions towards her legal fees and the provision of outplacement support.

CONTRACTUAL NOTICE PERIODS FOR EXECUTIVE DIRECTORS

The Chairman's and the Executive Directors' contracts of employment contain notice periods of between six months and one year. No contract contains a provision regarding compensation for early termination.

EXTERNAL APPOINTMENTS

An Executive Director with an external appointment may not retain any earnings from the appointment unless it dates from before they joined the Partnership. Details of external appointments for Executive Directors are included on page 62.

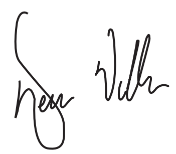
REPORTING REQUIREMENTS

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

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

The Directors' earnings section on pages 78 and 79 is cross-referenced with note 2.8.3 of the financial statements and forms part of the audited financial statements.

On behalf of the Remuneration Committee.



KEITH WILLIAMS
Non-Executive Director and
Chair of the Remuneration Committee

PARTNERSHIP COUNCIL

In 2019 we implemented those outcomes of the three governance reviews which aimed to ensure that the Independent Side of the Partnership, set up by Spedan Lewis, was effective in delivering its purpose.

> "When you speak in our business you will be heard, what you say in this business carries power. Speak honestly, speak frequently and use the power of conversation to make a difference.
>
> **BÉRANGÈRE MICHEL**
> Partner & Executive Director, Customer Service

One of the governance reviews, the Democracy Commission, made a number of recommendations for the development of Partnership Council. These included a new job description for Partnership Councillors and improvements in ways of working and access to information. Central to this reinvigoration is enhanced training and a more formal recognition of the time required for the role, with an appropriate budget set aside to cover the cost of absences from operational units.

The most significant upshot of the Commission's work was the Council's decision – in its 100th year – to select and appoint a full-time Partnership Council President for the first time, with the goal of reinvigorating democracy throughout the business and to ensure its relevance for decades to come. Chris Earnshaw took up the role in October 2019.

Further information on these changes is on pages 44 to 45.

NEW PARTNERSHIP COUNCIL PRESIDENT

Chris Earnshaw joined the John Lewis Partnership in 1998, on the management development programme. He has worked in various roles in John Lewis, including Head of Branch in Cardiff and Liverpool. For the last four years Chris has worked in Waitrose, most recently as Head of Shop Trade for the North and Channel Islands. Now, as President of Partnership Council, he will be responsible for both the running of the Council and also the democratic structures and formal expression of Partner opinion throughout the Partnership.

CHRIS EARNSHAW
Partnership Council President

As we mark 100 years of Council and democracy we must make the yesterday shape our today and tomorrow. We are a unique and special business – we are a better way of doing business. In an ever-changing world and society we must remain relevant for our Partners and our customers. This creates opportunities and we must always put the Partnership first, collectively and as individuals.

Even now, surrounded by uncertainty created by Coronavirus, we must be bold and ambitious. We need to use our model – democracy and voice – to work together for our business. What is the next new idea and how can it be created together? That is the gift we have and we must nurture it.

My ambition as your President is that we have a vibrant, responsive and adaptable approach that fits with our business. The power of conversation can unlock so much and we must continue to listen to each other. This will ensure the Partnership creates the conditions necessary for our distinctive co-ownership model to thrive – because it is a better way of doing business.

We are different: we give knowledge and power to our Partners. This is a core and valuable strength. This will further enable us to become a business that is thriving in a world of uncertainty. Democracy also plays a significant role in remaining relevant for our customers. Councillors and our democratic structures can help us understand what our customers need now and in the future. This excites me and fills me with real optimism and it should define our Purpose as a Partnership.

The move to the Future Partnership structure provides a once in a generation opportunity to reshape our democratic arrangements, including at Forum and at PartnerVoice levels. We envisage the Forums taking an even more central role in the way we hear Partner opinion in our operations and retail landscape whilst at a very local level we experiment with making PartnerVoice engagement more accessible, informal and more influential.

Partnership Council succeeds most when fully supported by the Chairman and the Partnership Board. This is crucial as we look ahead in what will continue to be a turbulent trading climate. We have all the responsibility to ensure that we pass on our Partnership to the next generation of Partners. We all want a thriving, healthy and sustainable Partnership. This should and must always be at the centre of our conversations. The Partnership can be and is a force for good. A force for good for our Partners, our customers and the communities that we trade within.

Our Governance

Partnership Council has had six meetings during 2019/20, rather than the usual four, as well as a briefing day in August and its conference in November. This additional time has been necessary to enable Councillors to deal effectively with two major pieces of business: the Pension Benefit Review, concluded with unanimous approval at the meeting in May; and the outcomes of the governance reviews, further work on which will be carried forward in 2020 through the Future Democracy programme.

As well as these major change initiatives, the Council has made significant recommendations in a number of areas where Partner opinion had been represented up through PartnerVoice and Forums, most noticeably around Partner personal safety and diversity and inclusion. The Council also agreed the necessary changes to the Constitution to effect the closure of Registry and the creation of the new Independent Side. At the same time, the Council has moved to establish the Presidency as a full-time role, with responsibility for both the Council itself and the supporting Democratic Engagement team. A further major change to the Constitution was a move to gender neutral language.

The most anticipated sessions of Council are usually when it holds the Chairman to account. As was the case in the previous two years, the key vote on the Chairman's leadership was held in May so that the Annual Report and Accounts, as well as the results of the Your Voice Principle One Survey, could be taken into account by Councillors when debating the proposal: "This Council welcomes the Chairman's Report for the year ended 26 January 2019 and supports his leadership and the continuing progress of the Partnership towards achieving Principle 1". This was the first year-end Holding to Account vote for this cohort of Councillors after their election in June 2018 and, unlike in the previous Council in 2017 and 2018, there was no call for a secret ballot. However, the number of Councillors voting against the proposal rose to 18 (2018: 15) even though the Council had reduced in size to 58 seats (2018: 65).

Council agreed that the second Holding to Account session of the year, following the half year results in September, would not include a formal vote given its proximity to Charlie Mayfield's departure. In 2018, the then new Council had given almost unanimous support to the Chairman, with just one abstention.

Directors are members of Partnership Council and regularly attend meetings. These information sharing opportunities enable Directors to develop an understanding of Partners' views and to act upon them.

During the year there have been 10 Partnership Council by-elections, with voting turnout ranging from 17% – 65%.

FOCUS GROUPS

Through its Focus Groups, Partnership Council is able to work in more detail on key areas of the Partnership's strategy and influence policy. The work of the Council and the Focus Groups is coordinated by a Steering Committee. The Focus Groups at the date of this report are: Finance Focus Group; Partner Focus Group; and Wellbeing & Financial Assistance Focus Group.

COUNCIL SIZE

58	Elected Councillors
8	Automatic members – Directors of the Partnership Board
1	Appointed member – Partnership Secretary
67	Total

Gender balance of Elected Councillors*

Male	34
Female	23

* As at year-end, excludes one vacant seat.

DIVISIONAL COUNCILS

The Divisional Councils closed in January 2020 after nearly two decades. Their final meetings celebrated all they had done to bring Partner opinion to bear on the shaping of their Divisions and they formally handed to Partnership Council responsibility for pursuing a number of live issues, including:

- Recognition, in particular recording the work of democratic representatives in their year-end performance conversations;
- The Partnership-wide digital strategy;
- Resourcing, including for the expansion of waitrose.com, at a time of high employment;
- Pay review policy and its application;
- Improvements in management behaviours and the expectations of an empowered leadership group;
- How the Partnership's two brands can work more closely together to enhance the customer proposition; and
- Partner diversity and inclusion.

PARTNER PERSONAL SAFETY

Following concerns raised by Councillors at their meeting in April, and further discussed in May, a full review of violence and aggression in Partnership shops was commissioned for the Council by the Chairman. The Council unanimously endorsed its recommendations in October. They covered three areas:

- Tone from the top – overarching sponsorship from the Executive and a zero tolerance approach;
- A proactive approach – to physical security risk assessments, capital investments, training, engagement with internal support services, physical controls and accident and near-miss reporting; and
- External leadership – local engagement to ensure a clear approach for supporting branch engagement with local crime reduction initiatives, Business Improvement Districts and local police forces; and national engagement at a senior level with retail industry initiatives.

DIVERSITY & INCLUSION

In 2019 some Councillors formed a sub-group to focus on Diversity & Inclusion and proposed a new vision statement which was accepted by the Chairman in November 2019. The Partnership aims to "Become the UK's most inclusive business – for our Partners and for our customers, reflecting and connecting with the diverse communities that we serve. We want people from all walks of life to feel valued for their individuality, thrive in our business and share a sense of belonging."

SHARING FINANCIAL INFORMATION

The Finance Focus Group continued to work with Patrick Lewis, Executive Director, Finance, and his team on how best to increase transparency within the business around our financial performance, and saw this work reflected in improved communication to Council and the wider Partner community on this, particularly in the half year and full year announcements. Councillors have also been developing relationships with areas of the business that provide insight into, and context for, our financial performance, including Strategy and Audit & Risk; and contributed to discussions on the content and format of this Annual Report and Accounts.

> Our work on Partner personal safety was a great demonstration of how Councillors can filter Partners' opinions and ask the Executive to commit to extra expenditure on an issue, to the benefit of every Partner.
>
> **LAUREN ANDERSON**
> Partnership Councillor, Partner & Team Manager

> I wish every Partner could see the influence that this small group of 'ordinary' Elected Councillors has on some of the most senior policy makers in the Partnership, helping to ensure that we truly are a social enterprise that puts people first. As a sounding board, we're good at making the right noises!
>
> **JULES RUSHWORTH**
> Partnership Councillor, Partner & Branch Manager

Our Governance

FINANCIAL ASSISTANCE AND WELLBEING

The Wellbeing & Financial Assistance Focus Group oversees the provision of support to Partners in circumstances of financial hardship. This is not always through the provision of grants or loans: the Partner Support team, which following the closure of Registry now sits within the People profession, also assists with advice or signposting on budgeting and similar matters. Nevertheless, in 2019/20 the Focus Group agreed provision of support to 1,177 claims: 448 cases related to support for loss of income through illness (£296,340 awarded, of which £1,855 was offered in the form of a recoverable loan); 706 cases related to hardship (£585,597 awarded, of which £403,824 was offered in the form of a recoverable loan); and 23 cases were from Partners seeking assistance with long leave plans (£70,027 awarded, of which £63,027 was offered in the form of a recoverable loan).

The Focus Group also determines the discretionary awards of Benefits in Retirement and Benefits of Long Service in Redundancy. In addition, Council funds were also used to pay leaving gifts (to Partners with more than 10 years' service) and wedding gifts. These amounted to £572,105 in 2019/20.

Within its Wellbeing remit, the Focus Group identified three areas which it believes warrant further examination and action:

– The lack of recognition felt by Partners, and high levels of stress and pressure, concentrated particularly in retail managers at levels 7 to 9;
– Partners' financial concerns in general and the Benefits in Retirement policy; and
– The Partnership's management of long-term sickness absence, where Councillors will explore whether a more consistent and integrated approach can be achieved.

COUNCIL'S POWERS

The Council has three vital decision-making powers:

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

PARTNERVOICE

The Partnership Board is committed to regular two-way dialogue with Partners through many different channels. Empowering Partners to take responsibility for achieving the required outcomes set by the Executive Team, as well as sharing their ideas and concerns, is a vital contribution to securing the long-term prosperity of our business.

Partners are able to influence business decisions at all levels of the Partnership through the democratic structure and representative bodies that are set out in our Constitution. PartnerVoice representatives collect Partner views and represent them through regular meetings with their senior leaders. These representatives ensure that, where possible, Partner views are reflected in local decisions and business plans.

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

DEMOCRATIC VITALITY

KNOWLEDGE

Partners receive updates on the Partnership's performance and other matters concerning them from regular dialogue with management, email updates, the Partnership's intranet and through information in the *Gazette*. Through our external website, we share information with Partners and financial stakeholders (primarily the Partnership's relationship banks and holders of John Lewis plc bonds) on the Partnership's performance, and provide contact details should they wish to discuss anything with the Partnership directly. We invite the investor community to join our financial updates and announcements, which gives them an opportunity to hear from, and engage with, the Partnership's senior management.

JOURNALISM

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

PARTNER IDEAS

Partner Ideas is an online platform available to all Partners through which they can submit and share ideas, as well as vote and comment on other Partners' ideas. Many ideas are submitted by Partners based on their experience of Partnership systems or processes, but any Partner can submit an idea on any open subject. The platform allows Partners to have conversations with and ask questions directly of decision makers, and find out what is happening in our business.

Any idea is welcomed, and since the platform was first introduced in 2015 Partners have submitted nearly 5,000 ideas. The platform can be accessed from both work and personal devices through a website or via an app. All ideas are reviewed over five weeks and feedback, and a decision on whether the idea merits further development, is given to the idea creator. Successful ideas are awarded a bonus, paid directly into the Partner's pay.

In February 2020, the Partner Ideas platform won the Technology for Employee Engagement category in the 2020 Peer Award for Excellence in People and Performance.

FUTURE DEMOCRACY

To support the changes to the business introduced by Future Partnership, a distinct programme of work called Future Democracy has been established.

It aims to ensure that Partners feel able to speak honestly, speak frequently and use the power of conversation to make a difference. Underpinning this is an intent that the Partnership creates the conditions necessary for our distinctive co-ownership model to thrive, with a specific focus on enabling a vibrant democratic voice.

The programme is sponsored by Chris Earnshaw, President of the Partnership Council, and is focusing on:
– Operational democracy and how we run the formal elements of democracy;
– Supporting our leaders to bring democratic vitality to their teams; and
– The education of all Partners on the importance of acting as a co-owner and how they can do this as part of the Partner lifecycle.

During the past year, the Programme has been seeking Partner input via workshops as well as through conversations at Forums and Partnership Council, and it will continue with this during 2020. Our future industrial democracy, and its citizens, will be central to our continuing success.

> We know that the Partnership was established as an experiment by John Spedan Lewis. Any democracy places responsibilities upon its citizens, as well as bestowing them with rights, and our industrial democracy is no different. And in the Partnership as in broader society, changes over time – increasingly relating to technology but also affecting trust and social values – have driven new expectations of us all, and especially our leaders.

CHRIS EARNSHAW
Partner & President of Partnership Council

Our Governance

DIRECTORS' REPORT

PETER SIMPSON
Partner & Company Secretary
John Lewis Partnership

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

The Directors' report for John Lewis Partnership plc ('the Partnership' or 'the Company') for the year ended 25 January 2020 comprises pages 52 to 89 of this Annual Report and Accounts, together with the sections of the Annual Report and Accounts incorporated by reference. The Company has chosen, as permitted under section 414C(11) of the Companies Act 2006, to include certain matters in its Group Strategic Report that would otherwise be required to be disclosed in the Directors' report as the Partnership Board considers them to be of strategic importance.

Specifically, these are:

FUTURE BUSINESS DEVELOPMENTS	PAGES 8 TO 9 AND 28 TO 29
RISK MANAGEMENT	PAGES 46 TO 51
EMPLOYEE ENGAGEMENT	PAGES 12 TO 13 AND 34 TO 39, AS WELL AS PAGES 81 TO 85
ENGAGEMENT WITH SUPPLIERS, CUSTOMERS AND OTHERS	PAGES 18 TO 25 AND 30 TO 33
EQUAL OPPORTUNITIES, DIVERSITY AND INCLUSION	PAGES 36 TO 37, AS WELL AS PAGES 74 AND 88
RESEARCH AND DEVELOPMENT	PAGES 28 TO 45

In accordance with the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended by the Companies (Miscellaneous Reporting) Regulations 2018), the Company's statement on engagement with, and having due regard to, the interests of key stakeholders is contained within the Section 172(1) statement in the Strategic Report on pages 14 to 17.

The Partnership's statements on corporate governance can be found in the Governance section of this Annual Report and Accounts on pages 52 to 89. This includes the Audit and Risk Committee report, the Nominations Committee report and the Remuneration Committee report.

For more detail on the progress the Partnership is making with its ethics and sustainability aims and for the latest Modern Slavery Statement, please visit www.johnlewispartnership.co.uk/csr

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

THE PARTNERSHIP'S CORPORATE GOVERNANCE STATEMENT

Following the revision of the UK Corporate Governance Code (the Code) and the publication of the Wates Principles, and in light of full reviews of its own governance arrangements, the Board agreed in 2018/19 that the Partnership would cease voluntarily reporting against the Code or any other formal corporate governance code, because it is governed by its own Constitution. The Constitution is broadly consistent with the Wates Principles. A full explanation of the Partnership's governance is provided in this Governance section of this Annual Report and Accounts on pages 52 to 89. However, we continue to use the Code as a benchmark against which to measure the continued relevance of the Constitution. Upholding good standards of corporate governance has always been, and will always be, part of the foundations for our model.

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

WHAT IS THE CODE?
The Code sets out standards of good practice on board composition and development, remuneration, shareholder relations, accountability and audit. It is published by the Financial Reporting Council (FRC). A new edition of the Code was published in July 2018 and became mandatory for accounting periods starting on or after 1 January 2019. However, the Code only applies to companies with a 'premium listing' on a UK stock market, and it is therefore not mandatory for the Partnership.

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

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

PRINCIPAL ACTIVITY

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

DIRECTORS' INTERESTS

Under the Constitution of the Partnership, the Executive Directors and Elected Directors, as employees of John Lewis plc, are interested in the 612,000 deferred ordinary shares in John Lewis Partnership plc, which are held in Trust for the benefit of employees of John Lewis plc and certain other subsidiaries.

Any conflicts of interest are disclosed in this report and details of the Directors' service agreements and notice periods are given on pages 62 and 80.

CAPITAL STRUCTURE

At 25 January 2020, the Partnership had in issue 612,000 deferred ordinary shares of £1 each and 104,169,594 SIP shares of £1 each. Under the Constitution, the 612,000 deferred ordinary shares in John Lewis Partnership plc are held in Trust for the benefit of employees of John Lewis plc and certain other subsidiaries within the Partnership. The total issued share capital of the Partnership was £104,781,594 at the year-end (2019: £104,781,594).

DIVIDENDS

No dividends were paid on the deferred ordinary shares (2019: £nil). John Lewis Partnership Trust Limited (the Trust Company) holds 612,000 deferred ordinary shares in Trust for the benefit of employees of John Lewis plc and certain other subsidiaries. Each year, the Partnership resolves not to recommend or declare a dividend upon the deferred ordinary shares, but to recommend the payment of Partnership Bonus to their eligible employees.

Dividends on SIP shares (issued in connection with BonusSave) during the year under review were £299,000 (2019: £344,000).

BONUSSAVE

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

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

Also, participating Partners are paid a cash dividend for every full year the investment remains in the plan. Details of SIP shares can be found in note 5.5 to the consolidated financial statements.

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

CONFLICTS OF INTEREST AND BOARD INDEPENDENCE

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

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

The Partnership Board has looked closely at the other appointments held by Directors, details of which are contained in their biographies on page 62. The Partnership Board considers that the Chairman and each of the Directors are able to devote sufficient time to fulfil the duties required of them under the terms of their contracts or letters of appointment.

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

STREAMLINED ENERGY AND CARBON REPORTING

The Partnership is committed to reducing the energy consumption and the carbon impact of our operations. This requires significant investment in new technologies and behaviour change. Last year we announced our target of net zero operational carbon emissions across the organisation by 2050. We are doing this by moving to renewable energy sources across our organisation. Where we cannot remove the use of carbon from our operations, for example our livestock, we will generate additional renewable energy and/or capture carbon to bring us to net zero. In support of this, we have also committed to reducing our absolute energy use by 25% in 10 years from a 2018 baseline.

We recognise that a large amount of emissions are produced by associated companies that work with us as part of our value chain, such as suppliers, and downstream activity including customer travel to our branches and the use of purchased products. We measure these emissions across a number of categories and are looking to increase the level of data we collect and analyse in 2020. This will focus our attention on where we have a significant impact and enable us to put a strategy and targets in place to reduce emissions.

Our Governance

BE YOURSELF. ALWAYS

Further information, including the Partnership gender and ethnicity pay gaps, as well as data on age, health and wellbeing, is available in the Be Yourself. Always report published in January 2020.

METHODOLOGY

The Partnership reports on all of the Greenhouse Gas (GHG) emission sources as required under the Streamlined Energy and Carbon Reporting (SECR) legislation.

The methodology used to calculate our GHG emissions and energy use is the GHG Protocol Corporate Accounting and Reporting Standard (revised edition), using the operational control approach on reporting boundaries, i.e. where the Partnership operates the facility or asset. Data has been calculated using BEIS 2019 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.

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

Global GHG emissions data[1]	2019	2018
Scope 1 (tonnes CO_2e)[2]		
Combustion of fuel and operation of facilities, refrigeration	*156,755	168,029
Scope 2 (tonnes CO_2e)[3]		
Electricity purchased and heat and steam generated for own use		
– Location-based	*160,018	182,978
– Market-based	*8,121	7,352
Scope 3 (tonnes CO_2e)[4]		
Water, business travel, waste to landfill and transmission and distribution losses from purchased electricity	40,478	44,373
Intensity measurement (tonnes CO_2e per £m sales)		
– Location-based	30.9	34.2
– Market-based	17.7	19.0

Energy usage	2019	2018
Partnership energy consumption		
Total energy consumed (gas and electricity) (kWh)	905,831	935,059
Partnership electricity renewable %		
Total electricity which is renewable %	97.3%	97.8%

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.
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 operational influences, e.g. business travel that isn't in company-owned cars.

ENERGY EFFICIENCY

This year the Partnership has significantly invested in energy efficiency measures within our estate which have delivered significant savings against our energy target. Major projects include:

- An LED upgrade programme in 8 John Lewis shops and 50 Waitrose shops;
- Shelf edge EcoBlade™ rollout across 273 Waitrose shops which has already improved overall refrigeration efficiency by reducing cold air spillage and is expected to save 11,000 MWh of electricity;
- Pioneering of a new concept called 'Air Door' which lessens hot and cold air infiltration into a building, which reduces refrigeration, heating and cooling energy consumption;
- New Water-Cooled Next Generation Refrigeration has been installed in 12 branches which has improved associated energy consumption on average by 20%; and
- Building Energy Management Systems, sub-metering and remote control capacity has been installed into 40 John Lewis branches. We are also investing in our Heating, Ventilation and Air Cooling system efficiency which has provided significant savings.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The Partnership has purchased and maintained throughout the year Directors' and Officers' liability insurance in respect of itself and its Directors. The Directors' and Officers' liability insurance provides cover for claims made, subject to certain limitations and exclusions, against Directors and key managers (Officers).

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

EQUAL OPPORTUNITIES, DIVERSITY AND INCLUSION

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

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

Rule 54	The Partnership takes no account of age, sex, marital status, sexual orientation, ethnic origin, social position or religious or political views.
Rule 55	The Partnership employs disabled people in suitable vacancies and offers them appropriate training and careers.

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

For further information please see page 37 in the Strategic Report and the Nominations Committee report on pages 72 to 74 for more information on the Diversity and Inclusion Policy and the Board Diversity Statement in respect of diversity on the Partnership Board.

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

Waitrose is subject to the Order and the GSCoP. Please see pages 70 to 71 of the Audit and Risk Committee report for more information on compliance with GSCOP and the Order.

POLITICAL DONATIONS

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

USE OF FINANCIAL INSTRUMENTS

The notes to the financial statements, including note 7 from page 135 onwards, include further information on our use of financial instruments.

RETIREMENT BY ROTATION

The Partnership does not operate a system of retirement by rotation or annual election or re-election at three-year intervals by shareholders. In accordance with the Articles of Association, all Directors appointed by the Partnership Board are subject to re-election by shareholders at the first Annual General Meeting following appointment.

If Partnership Council judges that the Chairman has failed to fulfil, or is no longer a suitable person to fulfil, the responsibilities of their office, it may pass a 'Resolution upon the Constitution' to dismiss the Chairman.

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

The Chairman, as the senior executive in the Partnership, is ultimately responsible for its commercial performance, including being responsible for the performance of the Directors, and is accountable to Partnership Council (see pages 52 to 62). These meetings are also attended by Partnership Board Directors.

GOING CONCERN

The Directors, after reviewing the Partnership's operating budgets, investment plans and financing arrangements, consider that the Company and Partnership have sufficient financing available at the date of approval of this report. Accordingly, the Directors are satisfied that it is appropriate to adopt the going concern basis in preparing the Annual Report and Accounts. Refer to pages 94 to 95 for further detail, in particular the assessment by the Directors of the impact on the Partnership of the Coronavirus pandemic.

A full description of the Partnership's business activities, financial position, cash flows, liquidity position, committed facilities and borrowing position, together with the factors likely to affect its future development and performance, are set out in the Group Strategic Report on pages 4 to 51.

VIABILITY STATEMENT

The Directors have assessed the prospects of the Company over a three-year period to January 2023. This has taken into account the business model, strategic aims, risk appetite, and principal risks and uncertainties, along with the Company's current financial position. Based on this assessment, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the three-year period under review. See page 51 for the Partnership's full viability statement.

EVENTS AFTER THE BALANCE SHEET DATE

Since 25 January 2020, there have been two subsequent events which require disclosure in the financial statements. See note 8.3 for further information.

AUDITOR AND DISCLOSURE OF INFORMATION TO AUDITOR

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

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

COMPANY SECRETARY

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

ANNUAL GENERAL MEETING (AGM)

It is anticipated that the Partnership's AGM will be held on 16 July 2020 at 171 Victoria Street, London, SW1E 5NN. The AGM is held and conducted in accordance with the Companies Act and the Company's Articles of Association. Representatives of the Trust Company and the Directors of the Partnership are entitled to attend the AGM. Voting is conducted by way of a show of hands, unless a poll is demanded.

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

PETER SIMPSON
Partner & Company Secretary
John Lewis Partnership plc
15 April 2020