OUR FUTURE PARTNERSHIP
The world we live in is changing rapidly, undoubtedly now more than ever with the recent global spread of Coronavirus and its far-reaching and uncertain consequences. But right now, there’s never been a greater time for us to be a better and different kind of business. Our Founder, John Spedan Lewis, established the Partnership to be a force for good in society and this is what we need to continue. That’s why we are focused on reinvesting most of our profits, to make a difference to people’s lives and help create positive social change.

SHARON WHITE
Partner & Chairman
WHAT MAKES US DIFFERENT

Over 100 years ago, our Founder John Spedan Lewis began an experiment into a better way of doing business by including staff in decision-making on how the business should be run. He set out operating Principles and produced a written Constitution to help Partners understand their rights and responsibilities as employee-owners. He also stated that the Partnership should make sufficient profit, not maximum profit. This vision, so ahead of its time and remains true today, is what makes us different.

1 WAITROSE FARM
We are the only UK supermarket to operate our own farm. It supplies our Waitrose shops with milk, flour, cider, apple juice, sparkling wine, apples, pears, mushrooms and rapeseed oil.

3,000 DEMOCRATIC REPRESENTATIVES
We have over 3,000 elected representatives who feed into three governing authorities—the Chairman, the Partnership Board and Partnership Council.

1929 HEALTH & WELLBEING SERVICES
We were a pioneer of employee health and wellbeing services, introducing free in-house health and medical services to all Partners in 1929, 19 years before the NHS was established.

8/10 LOYAL CUSTOMERS
Eight out of ten of our most loyal customers shop in both John Lewis and Waitrose.

2013 HERITAGE CENTRE
In 2013 we opened our own archive, documenting the Partnership’s history. Partners and the public can visit the Heritage Centre to view photos, business documents and unique objects, such as fabric we supplied for the Titanic.

1 TEXTILE FACTORY
Since 1953 we have operated our own textile factory. Over 250 Partners at Herbert Parkinson make John Lewis own-brand soft furnishings, duvets and pillows, and all Made to Measure 7-day service curtains, and roman and roller blinds.

85% RECYCLABLE PACKAGING
Our commitment to reducing plastic waste means 85% of all Waitrose own-brand packaging is now widely recyclable and 99% of own-brand black plastic has been removed. Loose fruit and vegetable bags are now home compostable and all single-use Waitrose carrier bags have been discontinued.

2050 NET ZERO CARBON EMISSIONS
Our commitment to the environment means the year 2050 is the latest we will make our entire operations net zero carbon. However, all our transport fleet will achieve this by 2045 and our heavy goods vehicles will be switched to low-carbon biomethane by 2028, cutting emissions by over 80%.

1 ANIMAL WELFARE
Waitrose is one of the top five companies in the world for farm animal welfare standards, as confirmed for the sixth time by the Global Business Benchmark.

102 GAZETTE
We have the UK’s longest standing weekly internal publication that has not changed its name since launch. Running for 102 years, the Gazette is written by Partners, for Partners, and sets its own editorial agenda, operating separately from management.

2001 ONLINE SHOPPING
John Lewis became one of the first retailers in the UK to start selling our broad range of products online in 2001.

980+
THE GOLDEN JUBILEE TRUST
For the past 20 years we have run a unique Partner volunteering scheme – The Golden Jubilee Trust. Over 980 Partners have participated, with the Trust covering the cost of the secondment, for up to six months full-time, at a UK charity of the Partner’s choice.

74,122 BED NIGHTS IN PARTNERSHIP HOTELS
The Partnership owns five Partnership hotels specifically for Partners and their families and friends to use at a specially subsidised rate. This year, 74,122 bed nights have been recorded.

1929 HEIRLOM CENTRE
In 2013 we opened our own archive, documenting the Partnership’s history. Partners and the public can visit the Heritage Centre to view photos, business documents and unique objects, such as fabric we supplied for the Titanic.

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As expected, trading remained challenging throughout the year. At full year, profit before Partnership Bonus, tax, exceptional items and IFRS 16 was 23% lower than last year. However, our balance sheet and liquidity position remained strong and we improved our Debt Ratio. We continue to review our plans to secure our long-term future.

**OUR YEAR**

As expected, trading remained challenging throughout the year. At full year, profit before Partnership Bonus, tax, exceptional items and IFRS 16 was £146.4m, a weaker performance than we had hoped for, driven by a significant operating profit decline in John Lewis, which was partly offset by operating profit growth in Waitrose, and lower Group costs.

**PROFIT BEFORE TAX £m**

Our overall profit before tax has increased to £146.4m. This is due to an increase in exceptional profits driven by the reduction in pension obligations following the decision to close the defined benefit section of the pension scheme.

**REVENUE £bn**

Due to the challenging retail environment, we have seen a slight drop in revenue. This drop was more pronounced in John Lewis, which experienced a decline in like-for-like sales of 1.8%, compared to 0.2% in Waitrose.

**DEBT RATIO**

Our Debt Ratio improved to 3.9x, the lowest level since January 2016, and we continue to review our plans to reduce it to around three times cash flow within four years.

**LIQUIDITY £bn**

We have maintained a strong liquidity position at over £1.4bn, despite repaying our £275m bond in April 2019.

**BORROWINGS £m**

We have reduced our borrowings by over £200m in the year, which allowed us to improve our Debt Ratio to 3.9 times.

**RETURN ON INVESTED CAPITAL (ROIC) %**

The Partnership’s ROIC declined by 1.5 percentage points, with 0.8 of this due to the impact of adopting IFRS 16, the latest accounting standard for leases, with the remaining 0.7 being driven by the fall in the Partnership's operating profit.

**NET INCOME**

Our Partnership profit before Bonus, tax, exceptional items and IFRS 16 was £122.6m. This is due to an increase in operating profit driven by the reduction in pension obligations.

**PROFIT PER AVERAGE FULL-TIME EQUIVALENT PARTNER £**

In line with the reduced Partnership profit, our profit per average FTE has also reduced to £3,500. However, last year’s number has not been restated to include the effect of IFRS 16, which accounts for £900 of the £1,500 decline.

**PROFIT BEFORE PARTNERSHIP BONUS, TAX, EXCEPTIONAL ITEMS AND IFRS 16 £m**

Our Partnership profit before Bonus, tax, exceptional items and IFRS 16 was £122.6m, a weaker performance than we had hoped for, driven by a significant operating profit decline in John Lewis, which was partly offset by operating profit growth in Waitrose, and lower Group costs.

**EXCEPTIONAL ITEMS £m**

Exceptional income totalled £107.4m with £30.6m charge in Waitrose, £101.0m charge in John Lewis and £239.0m income in Group. Read more about our exceptional items on pages 104 to 106.

**Our Annual Report and Accounts includes alternative performance measures (APMs) which we believe provide readers with important additional information on the Partnership. A glossary of terms is included on pages 158 to 163.**

**At a glance**
These are extraordinary times in society and in retail. The Partnership is well placed to successfully navigate the changes that face us.

Our Future Partnership

The Partnership does not have external shareholders. Indeed, our Constitution requires us to make ‘sufficient’ profit, not the maximum amount possible.

Dear Partner

I am honoured to be the new Chairman of the John Lewis Partnership. The Partnership is the biggest employee-owned business in the UK, and amongst the biggest in the world. Through our two brands – John Lewis and Waitrose – we have been serving customers for over 135 years.

As a co-owned business we seek to provide our customers with exceptional service and over the past few months we have been going above and beyond for our customers as we deal with the impact of Coronavirus. This is a Partnership at its best, coming together for collective good, supporting the community and helping the most vulnerable at a time of global crisis. At moments like this, our purpose – people and the community before profit – and the trust in our brands come to the fore.

Our Partners have been outstanding – supporting each other and responding to the huge surge in demand at Waitrose and at JohnLewis.com. Thousands of John Lewis Partners have transferred into Waitrose and our online businesses to help and even more so when we had to make the challenging decision to temporarily close our John Lewis shops for the first time in our 135 year history. I am truly grateful to everyone for their hard work and commitment and that’s why it was important we provided a recognition award.

The Partnership is focused on providing our Partners with fulfilling work, that pays a decent wage and offers the chance to progress. We are investing substantially in apprenticeships, mental wellbeing services working closely with Samaritans, and in leadership programmes. We believe that happy Partners make for happy customers. With that in mind, making the decision to furlough was extremely tough. It was made with the safety and wellbeing of Partners in mind, ensuring we were creating satisfying and meaningful work, while also preserving the financial sustainability of this Partnership.

The Partnership does not have external shareholders. Indeed, our Constitution requires us to make ‘sufficient’ profit, not the maximum amount possible. This means we can invest in the business for the long-term good of our customers and give back to our communities. Last year the John Lewis & Partners Foundation donated £805,000 to UK and overseas communities where John Lewis operates. The Waitrose & Partners Foundation accrued funds of £1.8 million to support our overseas producers.

We are a business that was established with the very objective to put people and the community ahead of profit. We are setting standards in animal welfare and Waitrose is one of the top five companies in the world for farm animal welfare standards. Last year we launched a trial of ‘Unpadded’ in four of our Waitrose shops, taking head-on the use of plastics. And in John Lewis Oxford, fashion and beauty packaging buy-back schemes have been introduced and will be rolled out to a further six shops and one Waitrose shop. We are also working towards our ambition to be net zero carbon in our heavy goods vehicles fleet by 2028. The Partnership should be seeking the most ethical and sustainable business in the UK.

Coming new to retail, I am all too conscious of the rapid pace of change caused by technology. Customers have more choice of how and when they shop, and more value than ever before. I saw several changes in my old industry – the motor industry – where established TV companies face competition from streamers like Netflix and Amazon. The Partnership is not immune to these changes and we need to up the pace of change in order to continue to serve customers with the ease, convenience and high levels of service they expect.

Profits last year of £123m were weaker than we had hoped for and we want to improve our profitability so that we can invest in our customers and in our Partners in the way we would wish. In the last year we have begun a major reorganisation to streamline and standardising of our central functions to take out duplication and cost, make it easier for customers to shop between our two brands and for Partners in branches to promote more local assortments of product and services. More than 1,200 Partners left the business through redundancy in the last year and there will be further job losses in the coming year. These decisions are never taken lightly and there is a need to reassess these future plans and the achievable timescales due to the impact of Coronavirus.

Nevertheless, to date we have been investing significantly in the expansion of waitrose.com and in anticipation of the new tie-up between Ocado and M&S in September. Waitrose online will then be the only digital place that customers can buy Waitrose products delivered by Partners. We hope to invest more in our customer service which has not always been as consistent as it should be, particularly where customers might feel that touch on different parts of the business and our supply chain.

We will also be ramping up our Home offer in John Lewis to provide a better range of products at more accessible prices. With more of us shopping online, we will continue to look at our store estate to ensure that it is fit for the future. In some instances that will mean repurposing or reducing the size of existing stores as we have done at John Lewis Peterborough and Waitrose Cheltenham. In other cases it may mean opening new stores in different formats or it may mean closing stores. In the last year we closed 12 Waitrose shops and one John Lewis shop – Knight & Lee in Southsea.

We also need to secure the future of the Partnership over the long term, not just the next few years. We have launched a Strategic Review which will consider how we further develop our existing services and products, as well as new services outside retail. We will undoubtedly be required to represent the phasing and shape of the Strategic Review over the coming months as the Coronavirus pandemic evolves. Therefore, it is clear that our Strategic Review will take longer than originally planned. What is certain is that however our plans develop and however long this takes, customers and Partners remain firmly at the heart of everything we do and every decision we make.

We will engage with the Partnership’s three governing authorities, which include our Partnership Council, and with Partners more widely as we set our course for the future.

Finally, I want to pay tribute to Charlie Mayfield, my predecessor as Chairman, and to Paula Nickolds and Rob Collins, former Managing Directors respectively of John Lewis and Waitrose. Charlie leaves the Partnership after 20 years, 13 of them as Chairman. He leaves an extraordinary legacy having established John Lewis’ online business. Paula and Rob have served the Partnership with passion and professionalism. I also want to give thanks to Keith Williams, the Partnership’s Deputy Chairman and Non-Executive Director who will step down on 15 April after six years. He has made a significant contribution and I wish him well for the future.

The impact of Coronavirus means none of us know what is going to happen over the coming weeks and months. All of us will have anxieties about the wellbeing of friends and families and the disruption to normal life. My priority is that Partners and the people we love are safe and cared for.

I also know that the Partnership is well placed to successfully navigate these tough times – we are two of the best loved brands on the high street. We have a corporate structure that allows us to take a long-term view; we have a trade record of enterprise and innovation; and we have knowledgeable and passionate Partners, committed to the highest levels of customer service.

Page 6 to 71 comprise the Group Strategic Report. The Group Strategic Report was approved by the Partnership Board on 15 April 2020.

We are a business that was established with the very objective to put people and the community ahead of profit.

Sharon White
Partner & Chairman
John Lewis Partnership plc
15 April 2020
OUR PARTNERSHIP BUSINESS MODEL

The John Lewis Partnership is the UK’s largest employee-owned business and parent company of our two cherished retail brands: John Lewis and Waitrose.

HOW IT WORKS

OUR PARTNERSHIP

We are the largest employee-owned business in the UK, and amongst the largest in the world. We are to all intents and purposes a social enterprise: the profits that we make are reinvested into the business — for our customers and our Partners. Our Constitution requires us to make sufficient profit to keep the Partnership going. We do not create the highest amount possible, and to put our customers and our Partners ahead of profit.

OUR RESOURCES

We have 80,800 Partners, 338 Waitrose shops, 50 John Lewis shops, 33 customer delivery hubs and distribution sites, five Partnership hotels, two international offices, five Waitrose cookery schools, two customer contact centres, one soft furnishings factory, one heritage centre, one Waitrose farm, one specialist plant nursery and one content production hub. These resources all implement our Partnership business model on a daily basis.

OUR STAKEHOLDERS

The value and impact of our business and the decisions we make for all our stakeholders are important to us. Further information on how we deliver more for our customers, empower our Partners and support our producers and suppliers and the communities and environments we operate in are covered on pages 30 to 45.

IN OUR WORDS

“Designing a new look for a room can be a lot of fun and a chance to express our personalities. However, customers tell us uncertainty about what new products will look like in their home can make decision-making hard. Our virtual reality experience, ‘Visualise your Space’, enables customers to be braver in their choices, and test technology that architects and interior designers have been using to visualise their designs in their home.”

NICOLA WALLER
Partner & Head of Category Proposition Group for Home Furnishings

“Waitrose.com growth is rapid and we know there are many more new customers who would like to buy our products from us online. Acquiring a new customer fulfilment centre in Enfield, north London, is the latest in an exciting raft of operational investments we are making that will ensure customers have a really convenient, easy way to buy from us.”

BEN STIMSON
Partner & Digital Director

IN NUMBERS

Average hourly rate of pay for non-management Partners...£9.58 up from £9.16 in 2018/19.

Over 8,000 Partners have subscribed to the free mental wellbeing app Unmind.

Over 1,940 Partners enrolled in an apprenticeship scheme since the scheme launched in 2017.

Over £4m donated through our Community Matters charitable giving scheme at Waitrose and John Lewis.

Waitrose committed to halving food waste by 2030.

Profit per average full-time equivalent Partner...£3,500 down from £5,000 in 2018/19.

DELIVERING MORE FOR OUR CUSTOMERS

We work to build brand trust and loyalty and provide customers with increasingly personalised, unique and exclusive products and services that are authentic and inspiring. We are designing, sourcing and curating products and services that are ethically focused, that customers can trust, as well as creating experiences that help customers live healthier lives, enjoy their homes, and manage their finances.

PAGES 10-19 & 30-33

EMPOWERING OUR PARTNERS & TRANSFORMING HOW POWER AND KNOWLEDGE IS SHARED

We’re more than employees, we’re Partners, which makes the Partnership a better and different way of doing business. We share the responsibilities and rewards of employee-ownership through sharing profit, power and knowledge. By putting Partners first and empowering them, we believe we can better honour our commitment to not only offer our customers quality products and outstanding service but also support the communities and environments we operate within.

PAGES 20-21, 34-39 & 44-45

GENERATING MORE VALUE FOR OUR EMPLOYEE–OWNERS

The Partnership does not have external shareholders and this means we can invest in the business for the long term. Indeed, our Constitution requires us to make ‘sufficient’ profit, not the maximum amount possible from the trading operations of Waitrose and John Lewis. We are committed to driving value for our customers, Partners, producers and suppliers and giving back to the communities and environments we operate within. We are also mindful of reducing our environmental footprint and further details can be found about our ethics and sustainability aims by visiting www.johnlewispartnership.co.uk/sustainability.

PAGES 40-43
How we are different

OUR VALUES

The Partnership is the business for our times, with Principles and values that are as meaningful and relevant today as they were in Spedan’s day.

OUR CULTURE

The Partnership operates on democratic principles, sharing power with all Partners. Our first Democratic Council was set up over 100 years ago and today our Partnership Council, Forums and PartnershipView enable Partners to participate in decision-making, challenge management on performance and have a say in how the business is run.

We have over 3,000 elected representatives who feed into our three governing authorities – the Chairman, the Partnership Board and Partnership Council – which govern the Partnership. See pages 52 to 87 in the Governance Report for more information.

Today, it’s more important than ever to use our democracy effectively, enabling Partner opinion to make the Partnership more successful. But how do we help facilitate that?

The Partnership has always had strong business values which are set out in Principles 2 – 7 of the Constitution. We also have a set of five personal values that were created by Partners to explain what it means to be a Partner and what makes a great one.

PARTNERS’ VOICES ARE HEARD AND ACTIONED VIA:

- DIALOGUE Regular dialogue with their People Manager.
- PARTNERSHIP INTRANET AND WEBSITE In 2019, both www.johnlewispartnership.co.uk and the Partner Intranet were refreshed to make them simpler to use and compatible to view on mobile phones and tablets.
- PARTNERSHIP COUNCIL Partnership Councillors.
- GAZETTE News articles and the letter pages. Any Partner can write a letter, anonymously if they wish, and express their opinions on any topic, without fear of repercussions. A letter must be published with comment from an appropriate member of management, within 21 days.
- PARTNERSHIP VIEW REPRESENTATIVES PartnershipView collects local Partner views and represents them through meetings with senior leaders to ensure they are reflected in local decisions and business plans. Issues raised can also be pursued, if appropriate, at Partnership Council.

As employee-owners we all have a share in the business and a shared commitment to go above and beyond for each other, our customers and the communities and environments we operate in.

I think we should put heart, enthusiasm and a desire to be the best into everything we do. For me, that personifies All Or Nothing. By going all in, we’re displaying all of the values.

My vision is for customers to forget they’re in a supermarket when they stand in front of my counters, and to feel like they’re getting a tailor-made traditional service similar to the one they’d get in a farm shop. I want my customers to leave feeling inspired by my passion and get the same level of service every day, whether that’s on a Monday morning or Fish Friday.

Everything I do is driven by a desire to give customers an experience and I always aim to make someone’s day.

JOHN BARKER
Partner & Meat and Fish Specialist

I felt empowered to Do Right when I saw the Waitrose Chocolate Easter ducks which included a dark chocolate one labelled ‘ugly’. I parked my personal feelings to bring about change for the better. I wrote a letter to the Gazette, which led to a face-to-face meeting with the Customer Director and Head of Production Innovation and Own Brand. I love that as a business we provide the channels for two-way conversations and feel encouraged and supported to speak up.

DEBORAH CLARKE
Partner & Resourcing Manager

As employee-owners we all have a share in the business and a shared commitment to go above and beyond for each other, our customers and the communities and environments we operate in.

Our values are:

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

- ALL OR NOTHING
We put everything we have into everything we do.

- GIVE MORE THAN YOU TAKE
We put more in, so everyone gets more out.

- BE YOURSELF ALWAYS
We’re quirky, proud and at our best when we are free to be ourselves.

- WE NOT ME
When we work together; anything is possible.

Our values also drive our ‘For us, it’s personal’ customer manifesto which is displayed in our shops.
PROMOTING THE SUCCESS OF THE PARTNERSHIP

WHAT IS SECTION 172(1) AND WHY ARE WE REPORTING ON IT?
This is the first year that large companies must publish a statement setting out how their Directors have complied with Section 172(1) of the Companies Act 2006. This requires Directors to act in the way they consider would most likely to promote the success of the company for the benefit of its members as a whole and in doing so have regard (amongst other matters) to:
(a) the likely long-term consequences of decisions;
(b) the interests of the company’s employees;
(c) the need to foster the company’s business relationships with suppliers, customers and others;
(d) the impact of the company’s operations on the community and the environment;
(e) the desirability of the company maintaining a reputation for high standards of business conduct; and
(f) the need to act fairly as between the company’s owners.
These pages 14 to 17, and the pages incorporated by reference, describe how the Directors of the Partnership Board take these factors into account in their decision-making.

WHO ARE OUR MEMBERS?
The Partnership is owned in Trust for the benefit of its members, our Partners, Power is shared between three governing authorities: the Partnership’s Section 172(1) statement.

SECTION 172(1) STATEMENT
This section, together with those pages incorporated by reference, acts as the Partnership’s Section 172(1) statement. However, because the Partnership has a written Constitution – a framework that defines the Partnership’s Principles and the way it should operate – you will find more information about engagement with stakeholders, building relationships powered by our Principles, considering the likely longer-term consequences of decisions and safeguarding our reputation, incorporated throughout the other pages. See the Governance Report on pages 52 to 89.
We are focused on responding to the needs of, and building long-term relationships with, our customers. Other key stakeholders are the producers and suppliers who we purchase goods and services from, and the communities in which we operate. With the increased focus on ethics and sustainability, engagement with existing stakeholders in this area, including campaign groups and non-governmental organisations, will be key to our Future Partnership. We also have financial stakeholders, including relationship banks and holders of John Lewis plc financial bonds.

STRATEGY AND RISK
The purpose of the Partnership is set out in Principle 1 of the Constitution: “The Partnership’s ultimate purpose is the happiness of all its members, through their worthwhile and satisfying employment in a successful business”. Principle 3 of the Constitution says that “The Partnership aims to make sufficient profit from its trading operations to sustain its commercial viability, 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”.
These two Principles are the core fundamentals that underpin the Partnership’s strategic direction. In our 2019 Annual Report and Accounts we described our updated ‘One Partnership’ strategy, and since the year-end we have launched a Strategic Review which will consider how we can further develop our existing services and products to secure the future of the Partnership over the long-term. See pages 28 to 29 for more information on Future Partnership.

WHO ARE THE PARTNERSHIP’S KEY STAKEHOLDERS?
Effective engagement with our stakeholders is vitally important. Our key stakeholders are first and foremost our Partners; Partners work in service of our customers, they are at the heart of our purpose. We are focused on responding to the needs of, and building long-term relationships with, our customers. Other key stakeholders are the producers and suppliers who we purchase goods and services from, and the communities in which we operate. With the increased focus on ethics and sustainability, engagement with existing stakeholders in this area, including campaign groups and non-governmental organisations, will be key to our Future Partnership. We also have financial stakeholders, including relationship banks and holders of John Lewis plc financial bonds.

I want to listen to what Partners and our customers are saying.
SHARON WHITE
Partner & Chairman
LONG-TERM SUSTAINABILITY

Our Constitution requires us to make sufficient profits to sustain the Partnership’s commercial vitality. This is balanced against the need of our customers, Partners, other stakeholders and the community to ensure we are conducting all our business relationships with integrity. The Constitution mandates the Partnership Board – alongside the Chairman and Partnership Council – to safeguard the Partnership’s future, to enhance its prosperity and to ensure its integrity.

The long-term sustainability of the Partnership is at the forefront of our decision making, particularly in response to the challenging conditions in retail over the past two years and, since the year-end, those facing all of us as a result of the Coronavirus pandemic.

PARTNERS

Our Partners are central to the differentiation of our business. Spenden Lewis talked about not just sharing profit, but also sharing knowledge and sharing power. The Constitution empowers all Partners to shape the future of the Partnership. Hearing Partner opinion and ensuring this is taken into account in decision-making is integral to our employee ownership model and our long-term sustainability and success.

The Directors engage with Partners in many different ways. Our Constitution formalises some of this engagement by having Partners on the Partnership Board and all members of the Partnership Board are also members of Partnership Council.

Other ways in which Directors can take account of the views of Partners include our quarterly Partner updates, the Partnership’s intranet and through regular dialogue with management, email updates, the Partnership’s Gazette and updates, the Partnership's intranet and through our financial updates and announcements, which are available to financial stakeholders such as the investor community to join them in the conversation of anything they wish to discuss with the Partnership directly. We invite the investor community to join us in the conversation and provide contact details should they wish to discuss anything with the Chairman and the Executive Director, Finance.

CUSTOMERS

Our Partners work in service of our customers, they are at the heart of our purpose. We aim to build long-term relationships with our customers and play a role in key moments in their lives.

The Customer Research Team is the voice of the customer within the business, understanding how customers and potential customers think and feel, their experiences and expectations through surveys, face-to-face research, customer feedback to our Partners and contact centres and external data sources.

Regular customer reports are produced for management and these are now regularly shared with Directors with the papers for Partnership Board meetings. These reports track and review emerging trends and why they are occurring, as well as measuring the business response to evolving in data to support strategic initiatives.

FINANCIAL STAKEHOLDERS

The Partnership seeks to make information available to financial stakeholders such as the Partnership’s relationship banks and holders of John Lewis plc stock. Through our external website, we share information with Partners and financial stakeholders 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 us in the conversation and provide contact details should they wish to discuss anything with the Chairman and the Executive Director, Finance.

COMMUNITY & ENVIRONMENT

The Partnership aims to contribute to the wellbeing of the communities where it operates, including those which create and grow our products and minimise any detrimental effects its operations may have on the environment. Partners are encouraged to support their local communities through volunteering opportunities with charity partners and the Partnership continues to support programmes which contribute to societal causes. This includes working with the Farming Community Network and Lending Environment and Farming (LEAF) to support current and future farming communities. The Partnership is working to decarbonise our operations as quickly as possible through significant investment in new greener technologies and is setting bold targets including net zero carbon across our entire operations by 2050. We are also working across our own operations and supply chains to find creative and innovative solutions to divert as much waste from profit as possible.

In 2019 it was decided to disband the Partnership Board’s Corporate Responsibility Group and replace it with a new executable Corporate Responsibility Group, chaired by Rob Collins, who was Managing Director, Waitrose and a member of the Partnership Board. The change was designed to strengthen the embedding of the Partnership’s corporate responsibility aims within business initiatives and day-to-day operations.

The work of the Corporate Responsibility Group during the year was reviewed by the Partnership Board in December 2019. In February 2020, the Corporate Responsibility Group was replaced with a new Ethics and Sustainability Committee, chaired by the Chairman, the work of which will continue to be reviewed by the Board. See page 29 for more on the purpose of the Ethics and Sustainability Committee.

FURTHER READING

See page 43 on initiatives aimed to reduce our environmental impact.

For more information about how the Partnership is held in Trust for the benefit of its members, all Partners share an obligation to promote good environmental practice.

PRINCIPLE 6

Constitution of John Lewis Partnership

ACTING FAIRLY AS BETWEEN THE COMPANY’S OWNERS

Because the Partnership is held in Trust for the benefit of its members, all Partners share an obligation to promote good environmental practice.

FURTHER READING

For more information about how the Partnership operates, see the Governance Report on pages 89.

The Partnership must take all reasonable steps to minimise any detrimental effect its operations may have on the environment, and to promote good environmental practice.

RULE 109

Constitution of John Lewis Partnership
Our better way of doing business

CUSTOMER

We believe in creating exceptional service from an ethical brand that our customers can trust. Our Partners support this by providing specialist expertise and personalised advice.

REMOVING UNNECESSARY PACKAGING

To help customers shop differently and save thousands of tonnes of unnecessary plastic, our ‘Unpacked’ trial launched at Waitrose Botley Road, Oxford in June 2019. Aisles show more than 200 products out of their packaging, a dedicated refillable zone, the UK’s first supermarket frozen ‘pick and mix’ section and four different wines and beers available on tap. Such was the trial’s success that three more shops in Cheltenham, Wallingford and Abingdon are now ‘Unpacked’. John Lewis Oxford is also trialing fashion and beauty packaging buy-back schemes. See page 32 for more details.

NEW PRODUCTS

In Waitrose, 59 category reviews were completed. We also launched our largest summer food range – Scrumptious Summer – and relaunched Waitrose No.1 with more than 200 new and improved product lines. Autumn saw the most significant investment to date for John Lewis menswear with a 280-piece collection designed by our Partners. This was supported by a new men’s personal styling experience at John Lewis Oxford Street. During the two-hour service, guests are fed, watered or whisked, while a personal stylist sets to work.

ONLINE DELIVERY AND COLLECTION

Both our brands have been providing customers with more flexibility and convenience when it comes to online shopping. At Christmas, John Lewis Click & Collect orders could be collected until 24 December. We also extended our Click & Collect network to third party retailers, starting with a trial with Boden. This followed the introduction of partnerships with Co-op and Booths, offering customers access to our Click & Collect service in areas where we have a lower shop presence. John Lewis also launched a new evening delivery service offering customer slots between 6pm and 10pm, Monday to Friday. John Lewis returns can also now be returned to waitrose.com delivery drivers.

ONE SHOP, TWO BRANDS

Waitrose Lincoln and Lymington are giving shoppers access to more products and services from both brands. At John Lewis Southampton, we have brought services from both brands together under one roof, offering customers expertise and exciting experiences such as cooking, gardening, interior design and style advice. This included opening our first Waitrose cookery school in a John Lewis shop, launching The World of Design interior design concept, and the opening of a rooftop garden and shop from the Waitrose Farm and our Leckford Estate.

FOOD AND SERVICE AMBASSADORS

To ensure every Waitrose Partner becomes a food ambassador, we launched School of Food. Classes are held at our cookery schools in Finchley Road, London and Salisbury, and combine cooking and learning sessions with chefs so Partners can gain confidence in sharing recommendations and inspiring customers to try new products. This included opening our first Waitrose cookery school in a John Lewis shop, launching The World of Design interior design concept, and the opening of a rooftop garden and shop from the Waitrose Farm and our Leckford Estate.

SPEAKING YOUR LANGUAGE

A trial to help customers feel more at home by helping them identify Partners at Waitrose and John Lewis stores that speak their language launched at ten Waitrose shops and seven John Lewis shops.

The UK is made up of a wealth of different languages and cultures and we want to celebrate that diversity by offering an even more tailored level of customer service by providing our Partners with badges to show which languages they speak.

JODIE GIBSON
Partner & Organisation Change Manager

SHOP WITH YOUR DNA

Retailers have an important role to play in helping shoppers who want to be healthier, so we are pleased to team up with DNA Nudge to offer shoppers the opportunity to use their unique DNA profile to help ‘nudge’ them towards healthier and personalised choices.

MOIRA HOWIE
Partner & Nutrition and Health Manager

Our partners and nutrition and health manager, Moira Howie, comments: ‘The UK is made up of a wealth of different languages and cultures and we want to celebrate that diversity by offering an even more tailored level of customer service by providing our Partners with badges to show which languages they speak.’

We have trialled a new pop-up service in Waitrose Canary Wharf and John Lewis White City, offering shoppers the opportunity to make healthier choices, based on their unique DNA and lifestyle.

ROOM FOR IMPROVEMENT

Looking ahead, we want to build on our success and continue to make improvements to customer experience. This includes further extending our ‘Unpacked’ model and increasing our ‘Click & Collect’ network.

We are committed to providing our customers with the best possible service from our ethical and sustainable brands. We believe in creating exceptional service from an ethical brand that our customers can trust. Our Partners support this by providing specialist expertise and personalised advice.

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Our better way of doing business

CUSTOMER

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REMOVING UNNECESSARY PACKAGING

To help customers shop differently and save thousands of tonnes of unnecessary plastic, our ‘Unpacked’ trial launched at Waitrose Botley Road, Oxford in June 2019. Aisles show more than 200 products out of their packaging, a dedicated refillable zone, the UK’s first supermarket frozen ‘pick and mix’ section and four different wines and beers available on tap. Such was the trial’s success that three more shops in Cheltenham, Wallingford and Abingdon are now ‘Unpacked’. John Lewis Oxford is also trialing fashion and beauty packaging buy-back schemes. See page 32 for more details.

NEW PRODUCTS

In Waitrose, 59 category reviews were completed. We also launched our largest summer food range – Scrumptious Summer – and relaunched Waitrose No.1 with more than 200 new and improved product lines. Autumn saw the most significant investment to date for John Lewis menswear with a 280-piece collection designed by our Partners. This was supported by a new men’s personal styling experience at John Lewis Oxford Street. During the two-hour service, guests are fed, watered or whisked, while a personal stylist sets to work.

ONLINE DELIVERY AND COLLECTION

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Our better way of doing business

PARTNER

The people that work here are more than employees, they’re Partners. They give the Partnership our unique point of difference.

EMPOWERED LEADERSHIP

We have invested significantly in leadership development, with more than 8,000 managers across the Partnership attending a series of one-day ‘Empowered Leadership’ events. It marked the start of a broader training programme for line managers to be People Managers and ‘specialists in people’, taking a more personal approach to managing their teams.

MENTAL WELLBEING SUPPORT

Seven of the UK’s biggest retailers, including the Partnership, uniquely teamed up to fund a new online guide to help retail workers look after their mental wellbeing. Developed with the expertise of Samaritans, Wellbeing in Retail aims to support the 2.9 million people that work in retail. It helps workers to look after their own mental health, gives advice on how to support others who may be struggling, and signposts where to go for extra help.

NEW APPRENTICESHIPS

We expanded our apprenticeship programme, introducing new apprenticeships including butchery, fishmongery, chef specialisms, customer service, accountancy and taxation, and vehicle maintenance and repair. Since 2017, 1,940 Partners have signed up to our apprenticeship scheme.

£9.58

We continued to invest in non-management Partner pay and our average hourly rate of pay for non-management Partners is £9.58, up 4.6% from January 2019 and 16.7% above the National Living Wage.

8,000

Almost 8,000 retail workers have accessed the tool since it launched. Partners can access the guide via the Partner Development Website (PDW).
In 1953 we purchased the Herbert Parkinson textile factory in Lancashire and ever since it’s been a shining example of UK design, quality and craftsmanship. Combining the best of modern technology and traditional skills, over 250 Partners make John Lewis own-brand soft furnishings, curtains, cushions, and Roman and roller blinds.

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Our better way of doing business

PRODUCERS & SUPPLIERS

We take a responsible and ethical approach to selling products, sourcing raw materials and working with our supply chain partners.

QUALITY & CRAFTSMANSHIP

The quality is right up there. It’s in our DNA. The team’s got a motto. Whatever they’re doing through the process, if it’s not good enough for them, it doesn’t go to the customer.

MARGARET RUSH Partner & Senior Production Manager

For us as a business, it’s the right thing to do to ensure we are sourcing our cocoa sustainably.

JANE GOODSON Partner & Confectionery Buyer

HAPPY BIRTHDAY

2019 marked 90 years since the Leckford Estate in Hampshire was purchased by our Founder John Spedan Lewis, who was a keen naturalist. Waitrose is the only UK supermarket to operate our own farm and supply Waitrose shops with milk, flour, cox cider, apple juice, sparkling wine, apples, pears, mushrooms and rapeseed oil. In seven years we will also produce one of the culinary world’s most sought-after ingredients – truffles – after creating a new oak and hazel plantation to honour our birthday.

100% target for all cocoa in own-brand confectionery to be sourced on Fairtrade terms.

ANTI-BRIBERY AND CORRUPTION

The Partnership does not condone bribery or tax evasion in any form and manages risks in respect of bribery, corruption and offences under the Bribery Act 2010 and Criminal Finances Act 2017 through policies, standards, guidance and mandatory training. The Partnership has a Policy on Anti-Bribery and Corruption and Gifts and Hospitality. The Policy is clear that the Partnership is committed to preventing bribery in all forms and prohibits Partners and other personnel from making, offering or accepting bribes. Facilitation payments are also prohibited, and gifts and hospitality are permitted only where the requirements of the Policy are followed. Charitable donations are permitted only where the requirements of the Charitable Giving Standard are met, and the Policy also states that the Partnership does not make political donations. The Partnership is also committed to ensuring our third-party suppliers adhere to our policies and relevant legislation, through stringent supplier assurance processes.

PAYMENT PRACTICES

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

In summary, at Waitrose we pay our smallest suppliers within seven days and the average payment length for all Waitrose suppliers is 37 days. For all John Lewis suppliers, it is 40 days.

13% online growth in 2019/20.

DEVELOPING MORE SUSTAINABLE PRODUCTS

John Lewis became the first British retailer to join The Egyptian Cotton Private Sector Working Group, a UNIDO (United Nations Industrial Development Organisation) backed initiative working to improve Egypt’s sustainable cotton production in collaboration with the Better Cotton Initiative (BCI). We also made strides with our fashion suppliers and over 60% of the cotton sourced for our John Lewis own-brand fashion products comes from more sustainable sources.

Waitrose was the first UK supermarket to achieve ‘Fine to Flush’ certification for its own-brand wet wipes and launched its target for all cocoa in own-brand confectionery to be sourced on Fairtrade terms from the start of 2020.

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JANE GOODSON Partner & Confectionery Buyer
COMMUNITIES

We believe that our business should give more than it takes – to our customers, the communities we operate in, and each other.

FESTIVE FEASTS
As part of our Christmas charity campaign, 1,500 people across the country enjoyed a community festive feast provided by our Partners. Organised alongside food redistribution charity FareShare, it formed part of our joint campaign to bring people together at Christmas.

MILLION POUND CHALLENGE
Waitrose launched a £1m grant fund to support projects focusing on reducing unnecessary plastic pollution in the UK. Plan Plastic – The Million Pound Challenge – was funded by our 5p carrier bag levy and saw Waitrose allocate grants to five projects, each receiving grants from £150,000 to £300,000. Projects ranged from technology that tags fishing nets to plastic-eating fungi. In a similar commitment to reducing plastic waste, all plastic hangers in John Lewis can now be recycled, enabling the recycling of up to 10 million hangers a year.

Mental Health at Work Commitment
The Partnership joined forces with other UK businesses, mental health charities and non-governmental organisations in the most widespread collaboration of its kind to promote a nationwide commitment on improving mental healthcare in the workplace. The Mental Health at Work Commitment provides a framework for employers who recognise the importance of promoting staff wellbeing. For more information visit www.mentalhealthatwork.org.uk/commitment.

FORCE FOR GOOD

The Golden Jubilee Trust is a real jewel in our Partnership. It has been a huge honour and privilege to be a Trustee for over four years, a role that I have found immensely humbling, rewarding and satisfying. It is great to see the real difference our fantastic Partners make at charities big or small, across the UK. I’m particularly proud of the work the Trustees have done more recently with Samaritans and, going forward, as we celebrate the Trust’s 20th anniversary, with FareShare and SeeAbility, which are opening up significantly more secondment opportunities for Partners.
THE ECONOMY

The economy remained sluggish through 2019, with Gross Domestic Product (GDP), which measures the country’s economy and the total value of everything produced by all people and companies in the UK, close to flat. Inflation, which measures price increases in products and services, slowed, from 2.1% at the end of 2018 to 1.3% in 2019. With price inflation low, the lowest unemployment figures since the 1970s and continuing wage growth, consumers should have had more money in their pockets, but that didn’t translate into retail spend. Instead, consumers were cautious, choosing to focus on paying down debt and putting money into savings. However, in light of Coronavirus, we now expect to see significant changes to both the UK and world economy, with a global recession a strong possibility and consumer spending changing.

WHAT THIS MEANS FOR OUR PARTNERSHIP

Prior to Coronavirus, consumer confidence remained low. Retail spend, even over the usual ‘golden quarter’ was slow, with Christmas as a ‘golden quarter’ was slow, with Christmas as a

RETAIL CHANGES

During 2019/20, UK politics was almost entirely focused on the ongoing uncertainty around Brexit. With three ‘hard Brexit’ deadlines, legal challenges and a deadlocked House of Commons, there was very little space for other policy issues to rise up the agenda. This culminated in the December General Election. For some retailers, the uncertainty contributed to weak demand during the festive trading period. Prior to Coronavirus, many commentators had hoped to see an increase in consumer confidence in 2020, but that is now in doubt.

WHAT THIS MEANS FOR OUR PARTNERSHIP

As consumer demand for physical retail has declined, there has been an issue with oversupply – particularly for many large retailers with extensive store estates. Sales per store have declined, but retailers have continued to face high costs connected to their properties. Major retailers have been forced to address the oversupply problem with store closures and rent renegotiations. The experience economy continues to grow retail spending as a proportion of income is expected to decline in the next ten years, with more spend on experiences, eating out and services. However, it is expected that measures to mitigate the Coronavirus pandemic may have a serious effect on consumers’ interest in experiences outside the home, and these may take some time to recover.

EMPLOYMENT

During 2019, the unemployment rate fell to 3.8%, the lowest since the 1970s, and the tight labour market meant that wage growth stayed well ahead of inflation. This improvement in UK employment was not reflected in retail employment, where the difficulties faced by retailers have resulted in a net reduction in both the number of people employed in retail and the number of hours worked. While 3.2 million people are employed in retail today, the BRC estimates that this will fall to 2.1 million by 2025.

WHAT THIS MEANS FOR OUR PARTNERSHIP

When unemployment is low, recruitment becomes more competitive. Increasingly, pay is also a key part of staying competitive. The Partnership’s commitment to pay Partners market rate means that we’ve seen growth in our overall wage bill. The Partnership is starting to reap the benefits of automation, looking at new ways of working, finding ways to automate repetitive tasks – from product launch processes, to thinking Never Knowingly Undersold undersales, to experimental projects like Small Robots at our Waitrose Farm. All the same time we are actively developing and upskilling our Partners to do more complex, valuable tasks. This, along with social distancing measures implemented as a result of Coronavirus, inevitably means that the way that work is structured, and the way we work with Partners, is changing, and is likely to continue to do so for some time.

ETHICS AND SUSTAINABILITY

Businesses are under increasing pressure from campaign groups, organisations including the government, and customers, to be responsible citizens in the communities in which they operate. The Partnership recognises that society is at the early stages of a sustainability revolution and the will transform the way we operate our business. In order to thrive we must take bold steps to ensure we are part of this transformation.

WHAT THIS MEANS FOR OUR PARTNERSHIP

Packaging and plastic waste is an example of an area where we have seen increased focus and pressure to change. We have seen a very positive response to our Waitrose ‘Unpacked’ and John Lewis BeautyCycle and Fashion Buy-Back trails. ‘Unpacked’ saw packaging removed from a range of products, including fruit and vegetables, refillable alcohol, washing-up liquid, and self-serve dry goods such as rice and grains. Many companies are now undertaking plastic free and plastic reduction initiatives, similar to ‘Unpacked’. Vegetarianism and ‘Flexitarianism’ are also on the rise, with consumers actively reducing the amount of meat in their diet. This is partially driven by concerns that eating animals is bad for the environment. As a result, Waitrose will continue investing in vegan and inclusive product ranges.

Market review

It is important for the Partnership to have a good understanding of the markets we operate in, as it helps us plan for our future.
We are stepping into a vital new phase for the Partnership and in March 2020 we launched a Strategic Review. We need to reverse our profit decline and return to growth so that we can invest more in our customers and in our Partners. This will require a transformation in how we operate as a Partnership and could take three to five years to show results. The Strategic Review will be led by the Executive Team but all Partners, those who are active in the democracy and those who are not, will have the chance to contribute and shape our future. The review will focus on how we strengthen our core retail business and develop new services outside retail. As part of this we will also look at ‘right sizing’ our store estate across both brands, through a combination of new formats and new locations; repurposing and space reductions of existing stores; and closures, where necessary. Through these changes the Partnership will:

- Continue to be employee-owned.
- Retain our two brands – John Lewis and Waitrose.
- Put exceptional customer service at the heart of what we do – whether in store, online or in customers’ homes.
- Focus on quality and value, with Partners empowered to offer products and services that are more local, and
- Put even greater emphasis on ethics and sustainability.

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The Strategic Review

**OUR PRIORITIES WERE:** WHAT WE FOCUSED ON IN 2019/20:

- **DELIVERING MORE FOR OUR CUSTOMERS**
  - Pages 30–33
  - Designing, sourcing and curating products and services that are good value and create experiences that help customers live healthily, enjoy their homes, and manage their finances.
  - Backwards and forwards, closer together, as one Partnership, and transforming online experiences.
  - Increasing our focus on sustainability by launching our ‘Unpacked’ trial and reducing plastics.

- **EMPOWERING OUR PARTNERS**
  - Pages 34–39
  - Investing in and enhancing the quality of our leadership through training events and restructurating our leadership team by a third.
  - Becoming a workplace leader on health and wellbeing with the Working Well and Be Yourself. Always reports as examples.
  - Reviewing and modernising Partner pensions and pay.

- **GENERATING MORE VALUE FOR OUR EMPLOYEE-OWNERS**
  - Pages 40–43
  - Strengthening our balance sheet, equally post and Debt Ratio.
  - Improving gross margin and operating efficiencies.
  - Reducing costs in pensions, supply chain, property and head offices.

- **TRANSFORMING HOW POWER AND KNOWLEDGE IS SHARED**
  - Pages 44–45
  - Making changes to our leadership and democracy structure to provide the right framework for our Future Partnership plan.
  - One team of Executive Directors now run both John Lewis and Waitrose. The size of the Partnership Board was reduced and Divisional Boards and Councils were removed.
  - Electing a new President of the Partnership Council and two Independent Directors and supporting the appointment of a new Chairman.

- **ETHICS AND SUSTAINABILITY:**
  - ALWAYS FAIR
    - Embedding the use of sustainable material sources and practices throughout our own-brand key raw material supply chains.
    - Developing sustainable farming practices and continuing to raise the baseline on animal welfare standards.
  - Rooted in key industry programmes that aim to ensure people working throughout our supply chains are treated with respect, kept safe, are fairly rewarded and have a platform to voice their opinions.

- **TRANSFORMING LIVES:**
  - Our Partners and customers working together to deliver local, national and international programmes supporting those in need.
  - Supporting the health and wellbeing of our Partners and customers by providing new initiatives and tools to ensure they are well supported and enabling them to make healthier food choices.
  - Continued to further build our inclusivity movement through our employee engagement networks, democracy and diversity champions.

- **NEVER WASTEFUL:**
  - Discouraging our operations through significant investment in new greener technologies to run our operations, e.g. biomethane trucks.
  - Diving as much waste from landfill as possible across our supply chains and own operations.
  - Providing customers with creative and innovative solutions for product reuse or a way to dispose of their products responsibly, such as through our BeautyCycle programme.

- **REPORTING REQUIREMENTS:**
  - HOW WE MANAGE THESE ISSUES, POLICIES, STANDARDS, RISKS AND ADDITIONAL INFORMATION:
    - Environmental matters, pages 24–25
    - Customers, pages 44–45
    - Employees, pages 20–21
    - Sustainability, pages 26–27
    - Suppliers, pages 22–23
    - Tax, pages 24–25
    - Modern Slavery Statement, pages 46–47

- **LINKS:**
  - Our markets and key trends pages 26–27.
  - Our progress Empowering our Partners, pages 36–37
  - Our progress, pages 24–25
  - Modern Slavery – see separate Modern Slavery Statement at www.johnlewispartnership.co.uk/our
  - Our better way of doing business: Partner, pages 33–34
  - Always Fair, page 33
  - Transforming Lives, page 39
  - Never Wasteful, page 35
  - Transforming Partnerships, page 37
  - Our better way of doing business: Customer, pages 28–29
  - Always Fair, page 33
  - Transforming Lives, page 39
  - Never Wasteful, page 35
  - Transforming Partnerships, page 37
  - Our better way of doing business: Community, pages 23–24
  - Always Fair, page 33
  - Transforming Lives, page 39
  - Never Wasteful, page 35
  - Transforming Partnerships, page 37
  - Our better way of doing business: Product & suppliers, pages 22–23
  - Communities, pages 24–25
  - Always Fair, page 33
  - Transforming Lives, page 39
  - Never Wasteful, page 35
  - Transforming Partnerships, page 37
  - Our better way of doing business: Policy embedding, due diligence and outcomes, pages 46–51
  - Our risks and uncertainties, pages 56–57
  - Our business model, pages 46–51
  - Our risks and uncertainties, pages 46–51

- **ETHICS AND SUSTAINABILITY:**
  - Our approach to sustainability is key to our Future Partnership. It’s fundamental not only for our business longevity but the planet too and we recognise its importance to Partners and customers, as well as the commercial opportunities of being an environmentally responsible and ethically focused business. Our strategy is currently underpinned by three commitments: Always Fair, Transforming Lives and Never Wasteful. However, as part of the Future Partnership Strategic Review we will be placing even greater emphasis on business ethics and sustainability.

In February 2020, the Corporate Responsibility Group was disbanded and replaced with a new Ethics and Sustainability Committee, chaired by our Chairman and made up of senior leaders from across the business. Its purpose is to ensure ethics and sustainability are a core to the Future Partnership strategy and that the Partnership continues to build inclusive, sustainable and transparent relationships between its suppliers, customers, products, services and the environment. This is supported through the responsible and environmental challenges faced by today’s society. Our Corporate Responsibility team now sits within the Strategy area, to reflect the Partnership’s ambition.

We are committed to understanding the climate risks and opportunities within our business and expect to begin to report this via the Task Force on Climate-related Financial Disclosures (TCFD) from next year. For further details visit www.johnlewispartnership.com/our

**NINA BHATIA**
Partner & Executive Director, Strategy & Commercial Development

A key priority for the year ahead will be developing a single strategy for the Partnership as a whole. In the past, we have had multiple strategies which were not always fully aligned and missed cross-cutting opportunities. As a consequence, we did not always make the most of our assets for the benefit of our customers and Partners.

The Strategic Review, which we kicked off in March, will look at how we strengthen our core retail business in an increasingly competitive market and in the face of continued technology disruption. We will also assess new potential services where our ownership model and trusted brands can make a difference.

Going forward, we will have a much greater focus on sustainability, which is an increasing concern for our customers. Some things won’t change, however: our co-ownership model, Waitrose and John Lewis as our core retail brands, and our commitment to service, quality and our communities.

**KEY PERFORMANCE INDICATORS**

The following sections detail our progress against our strategy over the past financial year. This progress is reported against the Key Performance Indicators (KPIs) set out under the Partnership’s position on key non-financial matters, as these were applicable for 2019/20. From 2020/21, new KPIs will be set as the new Future Partnership plan evolves.

**NON-FINANCIAL REPORTING STATEMENT**

The section of this Strategic Report constitutes the Partnership’s Group Non-Financial Information Statement in accordance with sections 414AC and 414CB of the Companies Act 2006. The information listed is incorporated by cross-reference. The table below, and the information it refers to, is intended to help our Partners and other stakeholders understand the Partnership’s position on key non-financial matters.

*By ‘non-financial information’ we mean quantitative and qualitative information on the strategies, policies or activities we pursue towards our business model, products, services and impact of business activity described in this report, with the exception of the information it refers to, is intended to help our Partners and other stakeholders understand the Partnership’s position on key non-financial matters.*

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*You can read more about our ethics and sustainability aims at www.johnlewispartnership.co.uk.*
Our progress

DELIVERING MORE FOR OUR CUSTOMERS

We want to deliver more for our customers by understanding their most important needs and creating brilliant, differentiated propositions, in order to build valuable, long-term relationships.

KPI COMMENTARY

We are a unique business, continually differentiating ourselves through the services we offer, our product innovation, and product quality in both brands. Although the Partnership remains profitable, 2019/20 saw a decline in gross sales growth for both brands. In John Lewis, like-for-like sales reduced by 1.8% year-on-year, whilst Waitrose saw a slight decline of 0.2%. However, for waitrose.com, sales growth was 10% up, reflecting an accelerating shift to online.

Delivering exceptional customer service is at the heart of what we do, however there are areas where we know we can do better. Our focus to bring our brands closer together as one business and heavily investing in the services we offer, our product differentiation, and customer satisfaction and service further. As part of it, we will be launching new mechanisms to listen to and act upon customer-facing Partners and customers’ feedback; we will review processes and resources to address instances where shortfalls cause our service levels to fall short; and finally, we will be providing our customer-facing Partners greater freedom to use their judgement when they serve customers.

Customer service is the bedrock of both our John Lewis and Waitrose brands. Our reputation for service remains strong, as evidenced by customer satisfaction results and external recognition in the form of national awards for service. However, we know that too often we let our customers down, and we will continue to be restless in addressing all the root causes behind these failures. We have a plan to improve customer satisfaction and service further.

Comparing sales between two periods in time such as this year to last year, removing the impact of branch opening and closures. Waitrose like-for-like sales were down 10% and John Lewis, like-for-like sales were down 13%.

In Waitrose we completed 59 category reviews, alongside launching our largest-ever summer food range – Scrumptious Summer – and relaunching our World of Design in our Peterborough and Southampton shops, bringing together our Home Stylist expertise in one new dedicated space at the heart of our Home department. We also launched our own-brand gift food and our first gin-tasting bars proved popular.

In John Lewis, we launched our third season of own-brand Menswear following the full redesign of our range last year, as well as launching our own-brand swimmingwear and nightwear and lingerie. In addition, we relaunched our own-brand Menswear with a 280-piece collection.

Style Studios were rolled out to all shops, putting them in the centre of the fashion floor. We launched our own-brand gift food and our first Hot on the heels of Waitrose Wine Tasting At Home, Discover Whisky was also launched. The two-hour, at-home experience showcases five whiskies from around the world, plus demonstrates making three simple cocktails and pairing whiskies with chocolate and cheese.

Designing, Sourcing and Curating Products and Services

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280 piece own-brand Menswear collection.
Our progress

DELIVERING MORE FOR OUR CUSTOMERS

ONE PARTNERSHIP TWO BRANDS
This year more than ever, our brands have been working closer together as one business. Our new concept stores at Waitrose Lincoln and Lemington are giving shoppers access to more products, services and Partner skills from across the Partnership, such as fashion and style talks, calligraphy classes, barista workshops and photography courses. Particular focus is on providing customers with the ‘Perfect Pairings’ such as choosing the perfect wine glasses for your red wine.

John Lewis Southampton also became a pioneer for the future of the department store. We brought services from both brands together under one roof, offering customers expertise and existing experiences such as cooking, gardening, interior design and style advice. This included opening our first Waitrose cookery school in a John Lewis shop, launching The World of Design interior design concept, and the opening of a rooftop garden and shop from the Waitrose Farm and our Lasfield Estate.

To bring the brands closer still, we have our first pan-Partnership branch manager who oversees Waitrose and John Lewis (ewich).

For the first time, our two brands ran a joint Christmas advertising campaign. Excitable Edgar is one of the most successful to date for both brands and the advert was viewed on social media 38 million times. The main character, Edgar, was loved by customers, leading to a record number of toys and books sold for one of our Christmas campaigns.

Both brands have been providing customers with more flexibility and convenience. John Lewis customers can now return their online purchases to Waitrose delivery drivers at the same time as they receive their groceries. The service was created to make returns more convenient for our customers and means shoppers can return clothing and home purchases without leaving the comfort of their own home.

As our Click & Collect service is so loved by our customers, it also gave us the confidence to explore the area further and the service is now available in selected Co-op and Boots shops. We also took this decision to offer the service to third party retailers, starting with a trial with Boden at 30 Waitrose stores, expanding to 150 over the peak period.

In Waitrose we saw strong progress against our plans to strengthen our online capabilities, as we build towards trebling the size of waitrose.com over the next three years. In 2019/20 we saw growth of 13%.

CUSTOMER SERVICE
There are areas of the business where we know we need to serve customers better. Going forward, in John Lewis we will be refreshing our Home offering, introducing more inspirational and contemporary ranges with improved pricing and delivery. We will also be making improvements to John Lewis online to make it easier to shop. We have already launched a new evening delivery service offering customer slots between 6pm and 10pm, Monday to Friday. We are also investing significantly in waitrose.com, ahead of our partnership with Ocado ending in September 2020.

John Lewis opened a new Customer Delivery Hub (CDH) in Southampton. The state-of-the-art South Central CDH was built with sustainability in mind and features solar panels, electric vehicle charging pots and efficient lighting.

FASHION AND BEAUTY
PACKAGING BUY-BACK SCHEMES
Following our successful Waitrose Unpacked trial in four shops (see page 18), John Lewis Oxford is trialling the removal of all single-use carrier bags and offering 50p reusable polypropylene carrier bags, replacing traditional lidded waste with an eco alternative and recycling unwanted plastic, wooden or metal items from our partners. The store is also offering for all Click & Collect panels to be ticked and unwrapped by Partners before being handed over to customers to ensure the packaging is recycled. We are trialling a beauty products recycling scheme, exclusively for myJohnLewis members. In partnership with TerraCycle, BeautyCycle enabled over 11,000 customers to bring in their used beauty products to 36 John Lewis shops, saving over 56,000 beauty empties from landfill. myJohnLewis customers can also bring in their used beauty products to 36 John Lewis shops, saving over 56,000 beauty empties from landfill. myJohnLewis customers can also participate in Fashion Buy-Back in seven shops, where they can bring back pre-loved items from brands stocked at John Lewis to receive a voucher to spend in the Partnership.

SUSTAINABLE TUNA
Waitrose celebrated its 15 year anniversary of its exclusive commitment to selling only pole and line caught tuna across its own-brand label canned tuna offers and remains the only dedicated food supermarket retailer to do so. It is a highly selective way to fish, helping to minimise the risk of catching other species, including endangered sea turtles, dolphins and sharks. Waitrose is also the only current supermarket in the UK to exclusively have all its own-label canned tuna MSC (Marine Stewardship Council) certified.

It has twice as many loading docks as our previous CDH, provides a more efficient working environment for Partners and easier access to the motorway network.

PAT PHILLIPS
Partner & CDH Regional Manager
To support during Coronavirus we have implemented measures to help meet the needs of our customers, with a particular focus on the elderly and the vulnerable. We have created protected shopping times in Waitrose for them and are exploring offering online classes and advice from our expert Partners.

We have also set aside a proportion of hard-to-find and essential products exclusively for NHS staff and they are given priority at Waitrose checkouts. At John Lewis we are sending care packages to NHS workers to help make their breaks more comfortable. We are donating items such as pillows, phone chargers, eye masks, hand cream and Easter treats.

To help customers shop safely in Waitrose and to protect Partners we are limiting customer numbers, there is safe distance floor signage, two-metre marshals to help manage queues, protective screens at checkouts, additional security and we are encouraging contactless shopping.

ANIMAL WELFARE
Waitrose continued to demonstrate its commitment to farm animal welfare and received the ‘Best Retailer Award’ from Compassion in World Farming for the third time in a row, beating competition from 27 other retailers across Europe. We also ranked in the top tier in the Global Business Benchmark on farm animal welfare for the sixth year in a row. Waitrose scored out of six in the World Wildlife Fund’s 2019 report comparing retailers’ soya policies.

ALWAYS FAIR
To source and sell our products with integrity.

PROMOTING BETTER JOBS IN THE JOHN LEWIS SUPPLY CHAIN
Our innovative ‘Better Jobs Programme’ aims to promote better jobs for the people who make our John Lewis own-brand products. We’re using our values and expertise to support our suppliers so they can provide good jobs and develop their employees. Suppliers are provided with guidance and dedicated resources through an online portal based on a framework spanning seven areas of work. In 2019 we had 22 suppliers complete the framework and 850 workers complete the employee survey. We are using these insights to influence our own suppliers should prioritise, tracking progress year-on-year.

“...and we are encouraging contactless shopping.”
Our progress

EMPOWERING OUR PARTNERS

Partners are at the heart of our business as the Partnership was created for Partners. Partners are central to our Future Partnership plan going forward.

KPI COMMENTARY

Our employee ownership means we are continually committed to empowering and investing in our Partners. Being Partners, not just employees, enables an improved contribution from everyone across the business. We have continued to invest in Partner pay, increasing Partner pay as a percentage of sales, with a particular focus on non-management Partners. As well as pay, the Partnership looks to reward Partners through other means referred to as above market rewards. Beyond those typically paid by our Partner discount, which are benefits limited to, our pension, long leave and market rewards include, but are not above market rewards. Our above market rewards are Central to our Future Partnership plan going forward.

Partnership was created for Partners. Partners are Partners. As well as pay, the Partnership looks to reward Partners through other means referred to as above market rewards. Our above market rewards include, but are not limited to, our pension, long leave and Partner discount, which are benefits paid by our Partner discount. As well as pay, the Partnership looks to reward Partners through other means referred to as above market rewards. Beyond those typically paid by our Partner discount, which are benefits limited to, our pension, long leave and market rewards include, but are not above market rewards. Our above market rewards are 

Society as we know it is undergoing dramatic change and so is our business. So it’s more important than ever for us to stay true to our Partnership Principles and our point of difference: our Partners. As an employee-owned business, we’ve always put the happiness and wellbeing of our Partners as our first priority. But in those challenging times, we need to support each other more than ever before. We will provide health and wellbeing support for our Partners and we have refreshed our commitment to inclusion and our communities. We would like to be the UK’s most inclusive business — for our Partners and for our customers, reflecting and connecting with the diverse communities that we serve.

Investing in and Enabling our Leadership

Our ultimate purpose (Principle 1 in our Constitution) is to create worthwhile and satisfying employment for our Partners in a successful business. This year we have demonstrated this by our commitment to Empowered Leadership and supporting all managers to become ‘specialists in people’.

Almost 8,000 managers from across the Partnership gathered over two weeks in May for Empowered Leadership one-day sessions. This was the first step in a new learning and training series for new and existing People Managers to become ‘specialists in people’. Managers learnt to take a more personal approach to managing their teams and use these six characteristics – engage, motivate, develop, coach, empower and drive.

During the sessions Partners could preview tools such as 360 feedback, coaching and mentoring services, Workday, which is replacing our existing personnel and HR system, and the new look Partner Development Website (PDW). Interactive sessions on self-awareness, the Partnership’s culture and examples of good leadership were also provided. Since the event, managers have been able to attend regional workshops, courses and learning modules on Empowered Leadership.

Tracey Killen
Partner & Executive Director, People

Empowered Leadership really reminded me of the importance of motivation and knowing each Partner personally. We do it for our hotel guests, but it can be easily missed with your own team when you’re busy. It was also useful to network and see the six characteristics of people management brought to life.

Andrew Craig-Mair
Partner & Manager of Brownsea Castle

Average non-management Partner hourly pay above National Living Wage %

<table>
<thead>
<tr>
<th>20.1</th>
<th>20.4</th>
<th>18.8</th>
<th>17.0</th>
<th>16.7</th>
</tr>
</thead>
<tbody>
<tr>
<td>16</td>
<td>17</td>
<td>18</td>
<td>19</td>
<td>20</td>
</tr>
</tbody>
</table>

Average non-management Partner hourly pay for those on permanent contracts and aged 25 years and over, as a percentage of the April 2019 National Living Wage of £8.21 for 25 years and over. Non-management Partners are Level 9 and Level 10 Partners, excluding Assistant Team Managers. Our average hourly rate of base pay for non-management Partners increased from £9.16 to £9.58, a 4.3% increase, in Partner pay, increasing Partner pay as a percentage of sales, with a particular focus on non-management Partners. As well as pay, the Partnership looks to reward Partners through other means referred to as above market rewards. Beyond those typically paid by our Partner discount, which are benefits limited to, our pension, long leave and market rewards include, but are not above market rewards. Our above market rewards are 

8,000

Almost 8,000 managers from across the Partnership gathered over two weeks in May for Empowered Leadership one-day sessions.

Definitions, where applicable, reconciliations, of our KPIs can be found in the glossary on pages 158 to 163.
Our progress

EMPOWERING OUR PARTNERS

BECOMING A LEADER OF HEALTH AND WELLBEING

We introduced this in-house health and medical services to all Partners in 1929, 19 years before the NHS. Today, we continue to offer comprehensive health and wellbeing services, investing over £20 million a year to enable our Partners to feel well, enjoy life and have support when they need it. This financial year our Partnership Services provided 7,056 physiotherapy sessions to 3,488 Partners, 6,007 psychological therapy sessions to 1,215 Partners and 4,883 podiatry treatments to 1,888 Partners. 1,016 People Managers attended Mental Health Awareness training and over 8,000 Partners have downloaded the Ulredit app. We also now have 742 Wellbeing Champions in the business across 217 locations. Our in-house Partner Support phone helpdesk took 28,814 calls and over £1 million was given by the Partnership for financial assistance, with the greatest number of claims for additional support when Partners have exhausted their sick pay entitlement.

£20m

Over £20 million investment a year to enable our Partners to feel well.

BE YOURSELF. ALWAYS

We became one of the first major UK high street retailers to publicly report both our gender and ethnicity pay gaps, as well as provide data on age, health and wellbeing by publishing our new Be Yourself Always Report. This is just the first step and we know there is much more we need to do to enable Partners from all walks of life to feel valued for their individuality, thrive in our business and share a sense of belonging, which is reflected in our Partnership values. To read the full report, visit www.johnlewispartnership.co.uk/ourreport.html

Our gender pay mean gap for April 2019 is 13%, which is a slight increase of 0.3% since April 2018. The median gap is 8%, which is a slight decrease of 0.2% since April 2018. The key reasons for our gap are structural as there are more women than men in lower paid roles but fewer in higher paid ones. We employ 80,800 Partners in a variety of roles, all with variable pay ranges informed by their market value. Calculations also cover other pay elements; for example, a premium is usually paid for night work and this impacts the overall pay gap as the majority of night workers are men.

To calculate our ethnicity pay gap, we designed the methodology ourselves, using data from the number of Partners in the business in April 2019. Because of this, the data may not be comparable to future years if mandatory ethnicity reporting is introduced by the government. Our ethnicity mean gap is 3% and our median gap is 1.2%.

The factors that can affect ethnicity pay gap data are different to gender. In particular, location can play a key role. As a national retailer, we have a higher proportion of Partners from ethnic minority backgrounds in London. This is in line with the diverse demographics in the capital, where hourly pay is higher compared to the rest of the UK, which explains our mean gap. But having a minus median pay gap means pay for our ethnic minority Partners is higher than that of Partners not from ethnic minority backgrounds.

DIVERSITY

Gender diversity of the Partnership

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>FEMALE %</td>
<td>MALE %</td>
</tr>
<tr>
<td>Partnership Board</td>
<td>38%</td>
<td>62%</td>
</tr>
<tr>
<td>Directors &amp; Management Board</td>
<td>34%</td>
<td>66%</td>
</tr>
<tr>
<td>Senior Managers</td>
<td>49%</td>
<td>51%</td>
</tr>
<tr>
<td>All Partners</td>
<td>48%</td>
<td>52%</td>
</tr>
</tbody>
</table>

Note: As at the year-end date.

The convicted split of the Partnership

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>FEMALE %</td>
<td>MALE %</td>
</tr>
<tr>
<td>Asian or Asian British</td>
<td>6.8%</td>
<td>6.6%</td>
</tr>
<tr>
<td>Black or Black British</td>
<td>4.7%</td>
<td>5.7%</td>
</tr>
<tr>
<td>Other or other ethnic group</td>
<td>1.3%</td>
<td>1.3%</td>
</tr>
<tr>
<td>Mixed origin</td>
<td>2.5%</td>
<td>2.7%</td>
</tr>
<tr>
<td>Not given</td>
<td>1.6%</td>
<td>1.5%</td>
</tr>
<tr>
<td>Others</td>
<td>10.1%</td>
<td>10.7%</td>
</tr>
</tbody>
</table>

Note: As at the year-end date.

HOW DO WE DEFINE OUR LEVELS?

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

PARTNERSHIP ROLE LEVELS

1 Chairman and Executive Director
2 +3 Director
4 Head of Department/Head of Branch
5 +6 Leadership, Specialist and Senior Specialist
7 +8 +9 Specialist Partner and Junior Management
10 Partner entry roles

WORKING WELL

In June, we launched our Working Well campaign, calling on the government to make all employer-provided occupational health services tax exempt so UK workers can get early clinical support if they need it. We also want to encourage more employers to invest in workplace health and wellbeing and make it available for all, regardless of job title or length of service, because we think no one should have to struggle with a physical or mental health condition at work unsupported.

After minor illnesses, mental health and musculoskeletal conditions are the two largest causes of sickness absence at work. Supported by research from the Centre for Economics and Business Research, our report revealed the total cost of absenteeism and reduced productivity due to these conditions for UK businesses could be as much as £87.8 billion by 2025. However, these costs could be reduced to £86.1 billion by 2025 if more employers invested in early clinical interventions for these conditions.

Many businesses, large and small, find their efforts hampered by the complex tangle of tax rules. No one, especially those on low pay, should be stung by a surprise tax bill after getting early support through their employer if they need it. We therefore created a coalition of small and large employers, business groups, charities and health experts. Together we are lobbying the government by collectively writing letters, hosting events in Parliament and ping-pong comments to government consultations.

In the 11 March 2020 Budget, the Chancellor of the Exchequer announced that counselling services like cognitive behavioural therapy would become tax exempt, therefore enabling employers to invest in mental health services for employees thanks to this tax saving. For more information, visit www.jlp.workingwell
EMPLOYING OUR PARTNERS

PARTNER DINING ROOMS

A new round of investment in Partner Dining Rooms (PDRs) saw £10,000 given to 83 John Lewis and Waitrose branches to improve their dining rooms. Branches were able to order furniture, plants and finishes from a set catalogue.

£750,000 to improve Partner Dining Rooms.

REVIEWING PAY AND PENSIONS

We have been strengthening pay for performance and structuring Partner pay ranges in line with newly designed jobs. Our average hourly rate of base pay for non-management Partners increased to £9.38 from £9.16, which is 16.7% above the National Living Wage.

£3m An additional £3 million has been set aside to make financial education available to help Partners make decisions about their pension.

RESTRUCTURING

As part of our Future Partnership plan to enable the organisation to be managed and operated as a single business and ensure we are delivering truly great customer service, a number of areas across the business have been restructured or are undertaking a restructuring process. This includes reconfiguring our IT and Charge teams, which will become Technology & Change. Technology & Change plays a key role in the business and is critical to the long-term sustainability of the Partnership. This new integrated function will provide a smarter way of working, allowing the Partnership to consolidate decision-making, while benefiting from advances in operational best practice and technology, which will ultimately provide a better digital experience for our customers.

£4m This year £4 million was donated via the Community Matters.

20 YEARS OF PARTNER VOLUNTEERING

Our unique volunteering programme – The Golden Jubilee Trust – celebrates 20 successful years of awarding Partner secondments. In two decades, it has given practical help to over 900 national and local charities across the UK by placing Partners on secondments at a charity of their choice for up to six months, while still on full Partnership pay and benefits. Over 980 Partners have participated during that time, equaling to over 393,000 hours donated and representing a community value of over £25 million. To honour this milestone, the Trust has chosen to work closely with two charities during 2020. Some 27 Partners from all parts of the Partnership will be seconded for up to six months to FareShare and SeeAbility, to help the charities grow.

£23.5m contributed to The Prince of Wales’s Charitable Foundation.

CUSTOMIZING OUR VOLUNTEERING

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DONATING SURPLUS FOOD

The FareShare Go scheme is now in 286 of our Waitrose branches, giving charities and community groups access to free surplus food to turn into meals for those in need. By the end of the financial year we reached the landmark of donating two million meals.

£29,000 to the British Red Cross for their special appeal following Cyclone Idai and the Christchurch incident.

RED CROSS DONATIONS

In 2019 the Partnership made a donation of £100,000 to the Red Cross Disaster Relief Alliance fund with additional donations of £293,000 to the British Red Cross for their special appeal following Cyclone Idai and the Christchurch incident.

£100,000 to the Red Cross Disaster Relief.

SUPPORT DURING CORONAVIRUS

In order to help the most vulnerable during the Coronavirus pandemic, we have created a £1 million Community Support Fund which our Waitrose shops are using to support those most in need in their local communities. In addition, a donation of £235,000 has been shared equally to Age UK, Parcharchs and the Russell Trust which will give vital help to those in local communities undergoing isolation and food insecurity.

£235,000 contributed to The Prince of Wales’s Charitable Foundation.

THE PRINCE OF WALES’S CHARITABLE FOUNDATION

Total sales of the Waitrose Duchy Organic brand have now surpassed £1 billion, generating a contribution of more than £23.5 million to The Prince of Wales’s Charitable Foundation, which supports many good causes.

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CORONAVIRUS SUPPORT DURING

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GENERATING MORE VALUE FOR OUR EMPLOYEE-OWNERS

This year’s Bonus of 2% reflects our continued commitment to our Partners whilst retaining a consistent proportion of profits for future investment. This will secure our ability to meet the needs of our customers, deal fairly with our suppliers and make a difference in our communities for many years to come.

KPI COMMENTARY

Long-term financial sustainability underpins our Partnership strategy. We measure it through the following three Key Performance Indicators (KPIs): Return on Invested Capital (ROIC), Debt Ratio and Partnership profit per average full-time equivalent (FTE) Partner. Our ROIC and Profit per average FTE Partner have reduced, reflecting significantly lower profits and also the impact of IFRS 16, the new accounting standard for leases. Our Debt Ratio has improved and we have been on track to reduce this to around three times within four years. This will be reviewed in light of the recent Coronavirus pandemic.

WHAT IS IFRS 16?

IFRS 16 is a new mandatory accounting standard relating to leases. It requires leases, a form of debt, to be included on the balance sheet, whereas previously, for the vast majority of leases (including a large proportion of our shop assets), we simply recognised a rental charge in the income statement.

The impact on cash flows. Further details of the impact of our lease portfolio, it does not change the before tax by £52.7m, primarily due to the length of those actions we have retained robust cash reserves. We have maintained a liquidity position of £1.4bn despite repaying our £275m bond in April 2019, out of cash reserves, as part of our financial strategy to deleverage the business. We have no financial debt maturing this year.

In readiness for Brexit, we also ensured our financial resilience and have been taking steps to increase our foreign currency hedging, build stock where sensible to do so, and improve customs readiness.

PATRICK LEWIS
Partner & Executive Director, Finance

CONTRIBUTING TO THE UK TAX SYSTEM

The Partnership believes that paying taxes arising from our activities is an important part of how the business contributes to the communities in which we operate. This year the Partnership paid taxes of £162m and collected £772m. Our tax strategy can be found at www.johnlewispartnership.co.uk/financial/financial-results.html

RECENT EVENTS

To help manage the impact Coronavirus is having on British retailers, the government’s decision to introduce a business rates holiday will save the Partnership around £275m over the next 12 months. In addition, VAT and wages support is welcomed.

Our current scenario, which takes into account the temporary closure of our John Lewis department stores and marks a significant net cash outflow in the year, shows that we have sufficient liquidity. However, we are not complacent; the scale of the societal and business impact of Coronavirus is like nothing we have seen in recent times.

We will continue to take further steps to protect our liquidity as far as possible by reducing expenditure such as:

– Reducing our capital and investment expenditure by pausing projects and change activity.
– Deferring or cancelling discretionary spend, reducing non-essential spend at all levels and freezing non-essential recruitment; and
– Reducing the supply pipeline in general merchandise to reflect the impact of our temporary shop closures.

STRENGTHENING OUR BALANCE SHEET

Against this background, we continue to pursue sustained cash generation, allowing us to further strengthen our balance sheet and maintain our level of investment. Our balance sheet and liquidity position remained strong and 2019/20 saw an improvement in our Debt Ratio at 3.9 times, the lowest level since January 2014. We previously had a commitment to meet our Debt Ratio target of three times, in around four years. This will be reviewed in light of the spread of Coronavirus.

We took a set of actions over the last four years knowing our profit could be volatile, and because of those actions we have retained robust cash reserves. We have maintained a liquidity position of £1.4bn despite repaying our £275m bond in April 2019, out of cash reserves, as part of our financial strategy to deleverage the business. We have no financial debt maturing this year.

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RETURN ON INVESTED CAPITAL

Operating profit before Partnership Bonus and exceptional items, but after IFRS 16, adjusted for above market reward and a notional tax charge, as a proportion of average operating net assets. The definition for 2018/19 and all preceding years is before market reward, a notional tax charge, as a proportion of average operating net assets (excluding other significant items, but after IFRS 16, adjusted for above market reward and a notional tax charge).

The definition for 2018/19 and all preceding years is before IFRS 16.

This measure is important as it provides the best indication of the industry’s profit per average FTE Partner, £253 is adjusted by £1,230, with £90 due to the impact of IFRS 16 in 2019/20.

Debt Ratio

Conciseness of our total debt (including excess deficit and debt raised to support cash flow we provide each year) to our annual cash flow. We aim to reduce our Debt Ratio to around three times within four years. We will review this in light of the recent Coronavirus pandemic.

We are planning for the market to remain volatile, in particular in light of the current political and economic uncertainty related to Coronavirus. In the short-term we may be required to reassess our financial priorities, and take measures such as paying suppliers early, and increasing the number of Partners dedicated to serving our customers immediately needs on the shopfloor, on the road and in our warehouses. However, we remain confident that in the longer term our focus on new products and service offerings will reinforce the strength of our brands and harness the power of our key differentiator, our Partners.
SUPPLY CHAIN

Over the last decade we’ve made significant investments in our supply chain in automation, systems, physical capacity, new format replenishment, online and in customer fulfilment. The time is now right to bring all that firepower together. We are planning to bring our supply chains together into a single operation serving both John Lewis and Waitrose during 2020. This is designed to make the Partnership’s distribution and supply chain more efficient, as well as supporting both brands’ future ambitions.

2020 will see supply chains coming together into a single operation serving both John Lewis and Waitrose.

PENSION

On 1 April 2020, the defined benefit section of our pension scheme closed to future accrual. The closure will save approximately £80m annually and the pension scheme is also considered to be sustainable for the future. Going forward, we continue to focus on right sizing our estate as part of the Strategic Review in order to drive maximum value from our existing stores.

PROPERTY INITIATIVES

We continue to seek opportunities for cash generation and asset optimisation. During the year, we completed sale and leasebacks of seven stores, generating cash proceeds on sale of approximately £100m. In January we announced the sale completion of a parcel of land belonging to our Waitrose Farm in the Leckford Estate. The 1,200 acres were sold to a private buyer and the land is primarily under arable use. We will continue to provide the new landowner with farming services under a Contract Farming Agreement for an initial period of three years. The sale will not impact the Leckford Estate’s product lines for Waitrose and we have 2,800 acres of land still remaining.

MAINTENANCE SERVICES

At each reporting date, we are required to perform a review of the future economic benefits expected to be generated from our estate. For those stores and sites where these future cash flows do not support the current value held on the Partnership’s balance sheet for these assets, we are required to recognise an impairment charge. In tougher trading conditions we would anticipate a higher level of impairments, but would expect to see these reverse in circumstances where individual branch performance improves.

In 2019/20, there has been a reasseessment of the role that shops play in driving online purchases. With online becoming a stronger channel in its own right, that link isn’t as strong any more. The Partnership has therefore reduced the online sales used in the estimation of how much money the shop might make in the future. This has led to a lower proportion of those online cash flows being considered attributable to individual shops. Combined with challenging trading conditions, this resulted in a net impairment charge in the year of £110.3m in John Lewis. For further detail, including future considerations, please see page 141.

RECRYCLING

We are phasing out some refrigeration units containing HFC greenhouse gases and investing in renewable energy. We’ve also developed innovative solutions for our refrigeration systems to ensure they are as environmentally friendly as possible, introducing EcoBlade™ technology – shelf edge strips – to reduce energy consumption by up to 25%. This will also have the added benefit of creating an improved shopping environment for our customers and Partners due to warmer aisles. These and other measures should result in CO2 savings equivalent to removing 16,000 petrol cars from the roads each year by 2028.

GOOD AS NEW

John Lewis customers have helped disadvantaged people across the country by paying John Lewis to collect their old clothes. These are re-used where possible, diverting thousands of items from landfill.

REDUCING PLASTIC WASTE

In Waitrose, 83% of all our own-brand packaging is now widely recyclable and 99% of own-brand black plastic has been removed. Loose fruit and vegetable bags were replaced with home compostable alternatives and 5p single-use Waitrose carrier bags removed, saving in total 134 million plastic bags a year.

A result, Waitrose moved up two places in this year’s Greenpeace plastic survey to be in first position on their scorecard, reflecting our efforts to eliminate unnecessary packaging. Nevertheless, we appreciate that we still have a huge amount of work to do.

In John Lewis, we have committed to ensuring all our plastic packaging is reusable, recyclable or compostable by 2020. All plastic hangers can now be recycled and shrink-wrap plastic has been reduced by 61%.

The Partnership also signed up as a member of The UK Plastics Pact.

FOOD WASTE

At Waitrose, we set a new target that no good food will be wasted in our UK operations and we are committed to helping tackle food waste by 2020 to minimise and prevent food that is safe to eat utilised. Waitrose stores now donate unsold food as soon as four days old. A number of Key Performance Indicators and Partners are encouraged to reduce waste in a number of ways. This includes using surplus food in our Partner Dining Rooms, selling it to Partners and redistinguting it to charities in the local area via the FanShare Go app.

At John Lewis, we have already achieved a 50% reduction in waste by 2030.
The Partnership operates on strong democratic principles, sharing power with all Partners, meaning we all have a say in how the organisation is run.

NEW GOVERNANCE STRUCTURES

Our Future Partnership plan means we are becoming one business and over the past year we have seen democratic changes where we are transforming our sharing of knowledge and power in order to be more customer-centric, faster, simpler and more joined up in our decision-making. In uncertain times, it’s more important than ever to use our democracy effectively, enabling our opinion to make the Partnership even more successful and ensuring our customers remain at the centre of our focus. How do we do that? We all need to engage more with democracy and allow our employee-ownership model to work harder.

In April, Partnership Council, which is our body of democratically elected representatives that represent the views of Partners across the business, voted in support of changes to the Constitution which ensure the way in which power is shared across the business is fit for purpose for the future. These changes included the appointment of a new Independent Directors and an enhanced role for a new President of Partnership Council. Our two separate Directorial Councils for John Lewis and Waitrose ceased to exist from the start of the 2020/21 financial year and our current PartnerVoice and Forums will be reviewed to align with the Future Partnership structure. We still have over 3,000 democratic representatives who voice opinions on behalf of Partners.

PARTNER & VISUAL MERCHANDISER

SEAN TOWNSEND

Partner & Visual Merchandiser

Based on first-hand experience, I 100% believe that, if a Partner puts in the effort to provide constructive feedback or thought-through ideas, opinion is heard at any level of the business, no matter what role you play in the Partnership.

NEW APPOINTMENTS

NEW INDEPENDENT DIRECTORS

Clare Tikell and Michael Herlhy were appointed as the Partnership’s first Independent Directors. Reporting to the Chairman, they play a critical part in ensuring the integrity of the Partnership which is linked to our Constitution and includes aspects that relate to Partners, democracy, suppliers and commercial matters. They have the right to Nominate and investigate any area of the business and are supported by a group of Independent Advisors.

SHARING KNOWLEDGE

Following last year’s Your Voice Principle 1 survey a few key responses were actioned. The Voyager programme was further established to boost and develop senior leadership engagement. The Empowered Leadership training programme was created, following Partner feedback about inconsistent line management experiences, for all People Managers across the business. A new 360 degree feedback tool, which gives Partners an opportunity to give feedback to managers on their areas of strength and where they need to develop their line management skills further, was also launched. And inconsistencies of the application of the pay policy were voiced by Partners, with the People Directorate set to undertake a review of all aspects of the total reward proposition.

NEW PARTNERSHIP COUNCIL PRESIDENT

As part of a major review of the Partnership’s democratic and governance structure, we announced a new Partnership Council President, Chris Earnshaw, who was Head of Shop Trade, North, for Waitrose, was appointed Partnership Council President. Chris is responsible for helping to shape the Partnership’s democracy and promote its independence and works with the Partnership’s representative bodies, supporting them with the necessary practical arrangements to maximise their effectiveness. The President also works closely with the two Independent Directors and the Trustees of the Constitution.

APPOINTING A NEW CHAIRMAN

One of the most important decisions you have to take as a Chairman is to appoint a new Chairman when your tenure comes to an end. Although appointing new Chairman Sharon White may have ultimately been past Chairman Charlie Mayfield’s decision, the process also involved oversight from the Nominations Committee and the Partnership Board. Two of the Partner representatives on the Board, Elected Directors who also sat on the Nominations Committee, supported the appointment.
Our risks and uncertainties

EFFECTIVE RISK MANAGEMENT

We define risk as anything that can adversely affect our ability to meet the Partnership’s objectives and comply with regulatory standards.

OUR APPROACH

Risk is inherent in our operations and the decisions we make in pursuit of our Partnership goals. The Partnership Board is responsible for the nature and extent of the principal risks that we are willing to take. It has undertaken an assessment of the principal risks to the Partnership in relation to achieving our goals and our future performance, including solvency and liquidity. See pages 48 to 49 for more information. The Partnership Board is also responsible for ensuring that risk is effectively managed through our governance structure in line with our risk appetite. All Partners should be aware of risks in their area of responsibility and manage those risks intelligently in their day-to-day activities.

We have a structured approach designed to identify, manage and communicate risks consistently through our governance structure, and take advantage of opportunities across the Partnership. Monitoring of our principal risks supports Directors’ assessment of the long-term viability of the Partnership. The downside scenarios over our financial plan are based on the potential financial impact and likelihood of the risks landing. Further detail on the approach taken to assess the long-term viability of the Partnership is on page 37.

GOVERNANCE

The risk management governance structure, in place for the year under review, and the new structure, launched in February 2020 as part of Future Partnership, is illustrated on page 47. The governance supporting our brands and functions over the past year has been simplified to make our risk conversations more connected, take less time and focus more keenly on the areas of most value to the Partnership. In our new operating model, the Executive Team has ownership of Partnership level management, risk management and is supported in its governance by Leadership Teams and through our strategic measures to constantly challenge our direction and decision-making. For further details about key roles and responsibilities within the governance structure, please see the Audit and Risk Committee report on page 63 to 71.

EMERGING RISKS

The identification of emerging risks is integral to our risk management. Emerging risks are reported regularly at each stage in our governance structure, utilising relevant horizon scanning where available depending on their proximity. The emerging risk continues to be monitored under a watchful lens until the time is right to take action.

Coronavirus is being actively managed in response to the impact on our customers, Partners and business, most significantly across our supply chains, stores and online operations. A crisis response team was formed in February 2020 and meets on a daily basis to plan, adapt and respond to the latest developments in order to maintain customer service and protect customers, Partners and trade. The Partnership will continue to follow Public Health England (PHE) and government guidance to implement contingency mitigations as appropriate and do the best possible for our customers, Partners and community groups. In addition to exacerbating our overall principal risk profiles, Coronavirus has presented two emerging risks: Liquidity as a result of the economic downturn and John Lewis stores closure impact on profit, and Customer and Partner Health and Safety. These are both being actively managed by the Executive Team.

RISK APPETITE

The Partnership’s risk appetite is set by the Partnership Board. It governs the amount of acceptable risk within which we operate. This is derived from our Constitution and takes into consideration the acceptable level of risk across strategic, operational, financial and regulatory risks faced by the Partnership. Our appetite provides direction and boundaries for consistent, risk-aware decision-making throughout the Partnership, and guides us to take the right level and type of risk.

A scale of one to five illustrates the range of our risk appetite for each type of risk. For example, we will take more risk in pursuit of our strategic objectives to drive our business forward and less risk in the delivery of our day-to-day operations. If too much risk is being taken for the expected return, a response is required to bring the risk back within an acceptable level, in an appropriate and agreed time period.

PRINCIPAL RISKS

Our principal risks are those that have been assessed in the red zone and risk owners have plans in place to reduce the risk, which are monitored and assessed on a quarterly basis. We measure risk in terms of its potential impact and likelihood of occurrence. We assess what the potential Partner, customer, financial and regulatory impact could be if the risk materialises.

Our principal risks

1. Competitive Customer Proposition
2. External Environment
3. Operating Model Strain
4. Change Delivery
5. Information Security
6. Pension Obligations
7. Ownership Model Strain
8. Regulatory Non-Compliance

We assess the likelihood of a risk occurring across a spectrum from remote to very likely to happen.
Our risks and uncertainties

MANAGING OUR PARTNERSHIP RISKS
As at year-end, our top eight principal risks cause us most concern, with new risks emerging as a result of external factors. We are actively managing and monitoring these risks as a priority to protect and develop the Partnership. The trading environment over the past year was challenging. It is now both changed and unprecedented as a result of the Coronavirus pandemic. Brexit continues to provide a less immediate but nevertheless uncertain backdrop.

WHAT’S CHANGED SINCE LAST YEAR?
Our principal risks evolve over time and in the way in which we mitigate our risks changes as we develop our goals and business plan. The likelihood of Change Delivery risk materialising has increased due to the implementation of significant organisational change through Future Partnership. This is key to mitigating our Operating Model Strain risk. Regulatory Non-Compliance was elevated to a principal risk during the year due to the increasing and changing nature of the regulatory environment; and an increasing reliance on third party suppliers to comply with the law and our policies. The impact and likelihood of External Environment risk increased to reflect the current economic downturn in relation to Coronavirus. A significant number of Partners have been focused on risk mitigation activity across all areas of the Partnership in relation to Brexit and towards the end of the year, on Coronavirus.

LOOKING AHEAD
At the end of the year a new risk governance structure and a revised approach to risk management was implemented. The new Executive Team has reviewed the principal risk portfolio ahead of year-end reporting, resulting in the principal risks and mitigations being developed to reflect unprecedented change across the external environment and the changes made by the Partnership to respond in line with our values. Our principal risk portfolio will continue to be developed as our strategy evolves later in the year. In addition to embedding the new governance structure, the focus of activity will remain on proactively managing our response to the outbreak of Coronavirus, maintaining customer service and protecting Partners, local communities and trades; alongside our response to Brexit and government information becomes more clear. Further details are included on page 50.

HOW OUR RISKS LINK TO STRATEGY
- Delivering more for our customers
- Empowering our Partners
- Generating more value for our employee owners
- Transforming how power and knowledge is shared

RISK TREND
- Increasing
- No change
- Decreasing

1. COMPETITIVE CUSTOMER PROPOSITION
- Continuing to secure value for all of our customers through our price matching commitments.
- Regular strategic risk review and monitoring by the Executive Team.
- Horizon scanning to inform strategic reviews to continually enhance our customer offering.
- Regular strategy implementation, customer and performance metrics evaluation.

2. EXTERNAL ENVIRONMENT
- External economic pressures, due to the impact of government policy, Brexit, a weaker economic and lower pay increases, reduce our customers’ spending power and harm our suppliers’ social resilience. This could result in customers moving away from our core product offers or losing less, or key suppliers demanding higher prices or failing. This could impair our ability to grow profitably.

3. OPERATING MODEL STRAIN
- Annual business plan process radically reviewed
- Monthly Executive Team business performance review and action taken
- Regular review of programmes to help support the ongoing development of our operating model.

4. CHANGE DELIVERY
- The complex nature and scale of interdependencies of the change programmes may affect our ability to implement programmes/projects to time, budget and quality, ability to manage, and ability to embed the change into the business and realise the benefits. This could result in increased costs, disruption to our trading activities impacting our customer experience, missing our growth ambitions and losing the engagement of our Partners.

5. INFORMATION SECURITY
- Loss of key Partner, customer or business data, due to a breach of IT or data security and/or failure to protect integrity and availability of data. This could cause financial, regulatory, legal and reputational damage, and disruption to business operations.

6. PENSION OBLIGATIONS
- Increases in the pension liabilities, driven by a decrease in the real discount rate for example, and a significant devaluation in the assets being held could cause a significant increase in the size of the pension deficit. This could result in additional funding required by the Partnership, diverting resources away from other investment opportunities.

7. OWNERSHIP MODEL STRAIN
- Partners and their engagement are key to the success of our co-ownership model. Commercial decisions made to secure the economic success of the business as well as external pressures on Partners could unconnectedly impact Partners’ belief in, and commitment to, our co-ownership model. This could compromise individual Partner performance, collective productivity and brand advocacy (Principle 1), thus losing the competitive advantage of our co-ownership model.

8. REGULATORY NON-COMPLIANCE
- Failure to comply with key regulatory requirements, due to lack of awareness or understanding and/or failure to follow guidance on regulations. This could cause financial, regulatory, legal and/or reputational damage, which, depending on scale, could cause major trading impacts.

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RISK
- Programme and project governance in place enables early identification and resolution of issues considering the impact on Partners and interdependencies on other programmes and projects.
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CONTROLS IN PLACE
- Change team operating model centric, to support delivery of the Partnership change portfolio.
- Implementation of the new change governance structure to align to Future Partnership.
- Embedding and maturing Partnership tools, framework and reporting to support decision-making.

MITIGATIONS
- Enhanced continuance made to systems and controls that hold Partner, customer and business data to improve resilience, through implementation of the IT Security programme.
- Improvements to prevent, detect and respond to external cyber attacks.
- Continuous Awareness campaign.
- Simplify the IT estate.
- Implementation of operating model change for IT Security as part of Future Partnership transformation.

- Triennial valuation under way.
- Revised biennial review approved by Partnership Council and the Partnership Board. Changes to the pension scheme are being implemented, including closure of the defined benefit section of the scheme.

- Leadership engagement through change.
- Annual Voice Partner survey to assess Partner sentiment.
- Oversight of Partnership Board, Executive Team and our democratic bodies.

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- Annual Voice Partner survey to assess Partner sentiment.
- Oversight of Partnership Board, Executive Team and our democratic bodies.

- Continue focus on initiatives to empower Partners. All leadership included an Empowered Leadership event to support their leadership development.
- A review of democratic engagement under way to align to the new Future Partnership structure. Partnership Council to agree and implement changes.
- Continue to lead on wellbeing in the workplace.
- Increased communication in response to Partner feedback.

- Clear accountability for personal data security and privacy across the Partnership.
- Regular review of valuation assumptions through internal and external monitoring.
- Regular monitoring of external factors to inform hedging strategy.
- Security impact assessments undertaken for projects to ensure compliance with security standards.
- Partner training.

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- Regular review of valuation assumptions through internal and external monitoring.
- Regular monitoring of external factors to inform hedging strategy.
- Security impact assessments undertaken for projects to ensure compliance with security standards.
- Partner training.

- Ongoing horizon scanning of new regulation and potential Partnership impact and response.
- Data owners continue to work with Information Security teams to develop and deliver data protection priorities.
- Implementation of HR system to support improved functionality for HR compliance.
- Embed new supplier assurance process and system.
- Development and implementation of the Partnership’s regulatory framework.
- Ongoing horizon scanning of new regulation and potential Partnership impact and response.
Our risks and uncertainties

CORONAVIRUS

The Coronavirus pandemic is the most significant risk facing the Partnership and is likely to impact our customers, Partners, supply chain, stores and online operations. A summary of the key elements of Coronavirus and our response is included below.

Customers and the community: During the crisis, whilst there is understandable reluctance to do more than we can to help, we will continue to do all we can to support our customers, local communities and those who are most vulnerable. The Partnership has created a £1m community support fund for Waitrose branches to use where help is needed most, donated £325,000 to charities, introduced a priority shopping hour for elderly and vulnerable customers and set aside essential goods for NHS workers.

Partners: The safety and wellbeing of our Partners is our priority. Extra steps and precautionary measures have been introduced in our stores to protect Partners, including our five point plan, which includes limiting the number of customers in stores, dedicated monitors to mark social distancing, screens introduced at checkouts, protective visors made available to Partners and cash payments being encouraged.

Supply chain: Our grocery supply chain has been under immense pressure to meet consumer demand for both in-store and online. We continue to support our suppliers as we see some stabilisation, and remain vigilant to the risks and priorities the most important goods to serve our customers, whilst not compromising on our sourcing principles.

Temporary store closures: For the first time in the Partnership’s history, 50 of our John Lewis department stores and John Lewis at Home stores have temporarily closed and the Partners supporting these branches, where possible, have been redeployed to support areas of greatest need across the Group. We supply chain, branches and online operations in order to feed the nation. johnlewis.com continues to operate to serve our customers.

liquidity: While the temporary closure of John Lewis department stores has a significant impact on cash flow, a number of steps are being taken to maintain sufficient liquidity. For example, significantly reducing capital expenditure, deferring the year, reducing discretionary spend such as on marketing and reducing the supply pipeline in general merchandise to reflect the impact of our temporary shop closures. Furthermore, the Government’s decisions to introduce measures to reduce VAT and VAT and wages support is included.

The Partnership will continue to follow Public Health England (PHE) and government guidance to implement containment mitigations as appropriate and as the best possible for our customers, Partners and community groups.

BREXIT

The Partnership continues to take a proactive approach to prepare for Brexit. During the year, the Partnership prepared for a worst-case, no-deal scenario throughout the year. Brexit-related risk dates, as this would have caused the greatest disruption to customers, Partners and trade. The Partnership will monitor closely the negotiations on the future EU-UK economic relationship, contributing to the process where relevant, and taking the necessary steps to prepare for either the new trading relationship or a potential no-deal Brexit scenario from 2021.

A Partnership-wide approach continues to be taken to assess the potential impact of Brexit as the outcomes of trade negotiations become clearer through to the end of 2020.

VIABILITY STATEMENT

The UK Corporate Governance Code (the Code) requires Directors of all Companies with a Premium status to make a statement on the viability of their business within their annual reports. Although this is a mandatory requirement, we believe that the requirements of the Code (page 86), in the case of John Lewis Partners, are best met by providing the full framework for the Directors to show how they believe Partnership’s ability to remain commercially viable in the long-term is safeguarded, and to outline any steps that they continue to uphold their constitutional obligation to provide the best long-term interest of the Partnership as a whole. The Partnership’s ability to remain commercially viable in the long-term is safeguarded, and to outline any steps that they continue to take into account the Partnership’s current position (including the risk factors within strategic reports 28,45) and risks and uncertainties (pages 46 to 50).

The Partnership’s strategy is designed to deliver our business plan that the long-term viability of the Partnership is underpinned by robust financial planning, and financial sustainability, with £1.5bn in total liquidity available, at the date of approval of these financial statements.

Conceded with previous years, the Directors have assumed the Partnership’s ability to survive indefinitely to the worst case period to January 2023. This matches our business planning horizon, as we consider this is the period to be supported by the budget and business plan (Plan) approved by the Partnership Board.

Given the pace of change in the retail sector and the recent political and economic uncertainty due to Coronavirus, we expect to see significant wins in terms of the short-term environment, and our expected performance for 2022/23. This includes the temporary closure of John Lewis stores to ensure we take necessary measures to protect the health and safety of our Partners and our customers, but also supply chain challenges and redeploy Partners to Grocery to support the increased demand. This action, and any action we take now will help to protect us against future uncertainty, particularly relating to the potential impact of the world where the pandemic was first felt, where many businesses are struggling to recover as we move through 2021/22.

In assessing the viability of the Partnership, the Directors consider the Partnership’s revenue, profit, net assets and cash position under the most recent Plan (Plan), £2.3bn, the financial position and the context of a challenging retail sector. This took into account the factors of increased competition, sustained cost pressures and Brexit uncertainty, however they did not reflect the impact of Coronavirus, Severus plus plausible downside scenarios were therefore applied to the Partnership’s revenue, profit, net assets and cash position of the Partnership’s Plan.

As a result, this leads to a potential one-off risk to the Partnership’s Plan, £2bn over the 3 years. In order for the mitigations above, we have also performed a worst case, no-deal Brexit scenario which we might face over the next 3 years that is more severe, and plausible based on best available evidence. We note that the severe but plausible downside scenarios that we might face over the next 3 years, could impact the Partnership significantly, potentially impacting the Partnership and all of our key stakeholders.

The Partnership’s business plan for 2020/21 is based on a number of assumptions, including robust financial assumptions and trends which place some reliance on the external environment. Several initiatives to improve recruitment, employee engagement and business performance have been undertaken, and has previously invested in currency options in line with best practice, and to show how they believe the Partnership’s ability to remain commercially viable in the long-term is safeguarded.

Uncertainty and, given the experience in regions where the pandemic was first felt, the Partnership has a hedging programme in place and has previously invested in currency options in line with best practice, and to show how they believe Partnership’s ability to remain commercially viable in the long-term is safeguarded.

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