

Section 172(1) statement

PROMOTING THE SUCCESS OF THE PARTNERSHIP

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If you want your team to work in the spirit of owners, you must give them the feelings of owners.

JOHN SPEDAN LEWIS

‘Partnership For All’, 1948



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 long-term consequences of decisions and safeguarding our reputation, incorporated throughout this Annual Report and Accounts.

In accordance with The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended by The Companies (Miscellaneous Reporting) Regulations 2018), this section, together with those pages incorporated by reference, also constitutes the Partnership’s statements on engagement with, and having due regard to, the interest of our customers, Partners, suppliers and other key stakeholders.

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 be most likely to promote the success of the company for the benefit of its members as a whole and in doing so have regard (amongst other matters) to:

- (a) the likely long-term consequences of decisions;
- (b) the interests of the company’s employees;
- (c) the need to foster the company’s business relationships with suppliers, customers and others;
- (d) the impact of the company’s operations on the community and the environment;
- (e) the desirability of the company maintaining a reputation for high standards of business conduct; and
- (f) the need to act fairly as between the company’s 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 Chairman, the Partnership Board and Partnership Council. The shared aim of the three governing authorities is to safeguard the Partnership’s future, to enhance its prosperity and to ensure its integrity. See the Governance Report on pages 52 to 89 for more information on how the Partnership is governed.

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

OUR PURPOSE AND VALUES

The purpose and values of the Partnership are set out in the Principles of its Constitution. The role of the Partnership Board is to ensure that the Partnership’s decision-making is consistent with its Principles. These Principles are set out on page 55 and are consistent with the requirements of Section 172(1) in that they say how the Partnership should operate and how it should conduct its relationships with our Partners (our members and employees), customers, suppliers and other stakeholders and the communities in which the Partnership operates. Every Partner is required to act in accordance with the Partnership’s Constitution and this equally applies to the Directors of the Partnership Board in their decision-making.

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 vitality, to finance its continued development, to distribute a share of those profits each year to its members, and to enable it to undertake other activities consistent with its ultimate purpose”.

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.

In setting the strategic direction of the Partnership, Directors take into account the principal risks facing the business and these are described on pages 46 to 51.



DECISION-MAKING AT THE BOARD

The responsibilities of the Partnership Board are also set out in our Constitution and are described in the Governance Report.

All matters on which the Partnership Board is required, under the Partnership’s governance arrangements, to reach a decision are presented at Board meetings. Supporting papers setting out to the Directors the relevant key facts are also provided. These papers set out the background and reasons for any proposal and the associated costs, benefits and risks. The papers also describe any potential impacts and risks for our customers, Partners and other stakeholders including our suppliers, the community and environment and how they are to be managed.

The Directors take all these factors into account before making a final decision which they believe is in the best interests of the Partnership and its members, our Partners. Further information about the key decisions made by the Board during the year can be found in the Governance Report on pages 52 to 89.

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I want to listen to what Partners and our customers are saying.

SHARON WHITE

Partner & Chairman

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.

Section 172(1) statement

LONG-TERM SUSTAINABILITY

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

PARTNERS

Our Partners are central in the differentiation of our business. Spedan 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 intrinsic 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:

Sharing knowledge and journalism – Partners receive updates on the Partnership's performance from regular dialogue with management, email updates, the Partnership's intranet and through the independent *Gazette*. See page 12 for more information.

Your Voice – Your Voice is a programme of activity designed to enable Partner opinion to be regularly heard, through the effective and innovative use of opinion tools. The programme provides data that can be used to develop insights into the cultural and commercial health of the Partnership.

FURTHER READING

[The Partnership Board](#), pages 59 to 62

[Partnership Council report](#), pages 81 to 84

[Gazette](#), page 12

[Empowering our Partners](#), pages 34 to 39

[Transforming how power and knowledge is shared](#), pages 44 to 45

[Whistleblowing](#), page 71

[Democratic vitality](#), page 85

[Human rights](#), see our [Modern Slavery Statement at www.johnlewispartnership.co.uk/csr](#)



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 and feeding in data to support strategic initiatives.

FURTHER READING

[Delivering more for our customers](#), pages 30 to 33

[Our markets and key trends](#), pages 26 to 27



Partner engagement is at the heart of the customer journey.

SIMON BURDESS

Partner & Director of Selling & Service Delivery

PRODUCERS AND SUPPLIERS

A strong, trusted and transparent supply chain is integral to our success as a retailer. We aim to conduct all of our business relationships with integrity and expect the same from our suppliers. We work closely with a diverse range of producers and suppliers from many different countries. It is the strength of these working relationships that allows us to source high quality, sustainable and ethically sourced responsibly produced products for our customers.

The Partnership's Responsible Sourcing Code of Practice (RSCOP) sets out the Partnership's expectations of suppliers on issues such as pay, working hours, child labour, worker rights and representation. The RSCOP focuses on Labour Standards. However, responsible sourcing also incorporates sustainable sourcing of raw materials, environmental stewardship and ensuring high standards of animal welfare. These issues are important to the Partnership, and Waitrose and John Lewis have a series of associated standards tailored to specific product areas.

The Board monitors the relationships with the Partnership's suppliers in a number of ways including: through the review by its Audit and Risk Committee of compliance with the Groceries Supply Code of Practice; reports by the Executive Director, Finance on the Partnership's payment practices in line with government requirements; and the steps the Partnership takes to meet its sustainability goals and prevent modern slavery and human trafficking in its business and supply chains through the Ethics and Sustainability Committee (and its predecessors).

FURTHER READING

[Producers and suppliers](#), pages 22 to 23

[Always Fair](#), page 33

[Waitrose's compliance with the Groceries Supply Code of Practice](#), pages 70 to 71

[Anti-bribery and corruption](#), page 23

[Payment practices](#), page 23

[See our Modern Slavery Statement at www.johnlewispartnership.co.uk/csr](#)



The Partnership's relationships with its suppliers must be based, as with its customers, on honesty, fairness, courtesy and promptness. It looks for a similar attitude throughout its supply chains. In particular, the Partnership expects its suppliers to obey the law and to respect the wellbeing of their employees, their local communities and the environment.

RULE 96

Constitution of John Lewis Partnership

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 bonds. 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 our financial updates and announcements, which gives them an opportunity to hear from, and engage with, the Chairman and the Executive Director, Finance.

FURTHER READING

[Further information is available at www.johnlewispartnership.co.uk](#)

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 Linking 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 landfill as possible.

In 2019 it was decided to disband the Partnership Board's Corporate Responsibility Committee and replace it with a new executive 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 business 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 pages 24 and 39 on additional activities designed to help Partners and communities thrive such as the Waitrose & Partners Foundation and John Lewis & Partners Foundation and The Golden Jubilee Trust.](#)

[See page 43 on initiatives aimed to reduce our environmental impact.](#)



MAINTAINING A REPUTATION FOR HIGH STANDARDS OF BUSINESS CONDUCT

The Constitution provides our framework for all Partners to maintain high standards of business conduct. In addition, our personal values set out how we expect Partners to behave (see page 13).

The Partnership Board's Audit and Risk Committee oversees how the business manages compliance and, during the year, this has seen a greater focus due to the changing nature of the external regulatory environment. Further information is provided in the risks section (pages 46 to 51 and the Audit and Risk Committee report (pages 63 to 71).



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

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 improve our business in the knowledge that we share the rewards of success. The share of profit is in the form of a Partnership Bonus.

FURTHER READING

[For more information about how the Partnership is governed see the Governance Report on pages 52 to 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