

GENDER PAY GAP

REPORT 2017

INTRODUCTION



MESSAGE FROM TRACEY KILLEN, DIRECTOR OF PERSONNEL

The John Lewis Partnership sees the sharing of our Gender Pay Gap Report as an integral step in having more meaningful conversations with our Partners about equality. We place great importance on these conversations. We do recognise that, for a growing number of people, gender doesn't simply refer to male or female. For the purposes of this report, though, our gender pay gap is calculated using the approach required by the regulations, which compares the pay of males and females.

We have made good progress in diversity and inclusion in the Partnership, so we are encouraged to see that our gender pay gap is smaller than both the UK average and the retail sector in general*. However, we are uncomfortable with a gap and, even if it is driven largely by wider norms in society, we do see it as our responsibility to understand and address the reasons behind it.

What we must not do is fall into the trap of focusing too heavily on the numbers in this report, as that could lead us to unhelpful or regressive actions. For example, trying to fit people into jobs to influence statistics. Instead, we need to explore new opportunities to ensure that all our Partners are able to reach their full potential.

As with any data, its value is in the awareness it raises, the questions it prompts, and the action we take. These statistics provide a valuable means to challenge

ourselves by asking "how can we create an even more inclusive Partnership?" We pride ourselves on being an inclusive business, and already encourage flexibility, including part-time work. We have recently launched an internal interview bank to support Partners to be better prepared for the next step in their careers. However, this report reminds us that we must seek further opportunities to stretch our ambitions and there is more we can do.

We will continue to foster honest conversations that include all our Partners, regardless of gender or level of seniority, so that we can truly understand any barriers that prevent anyone fulfilling their potential within our unique business.

A handwritten signature in black ink that reads "Tracey Killen." with a horizontal line underneath.

Tracey Killen
Director of Personnel
John Lewis Partnership

* Based on estimates from ASHE Survey 2017

UNDERSTANDING THE GENDER PAY GAP

WHAT IS THE GENDER PAY GAP?

A gender pay gap is a measure of the difference in the average pay of men and women - regardless of the nature of their work - across an entire organisation, business sector, industry or the economy as a whole. It can be driven by the different number of men and women across all roles.

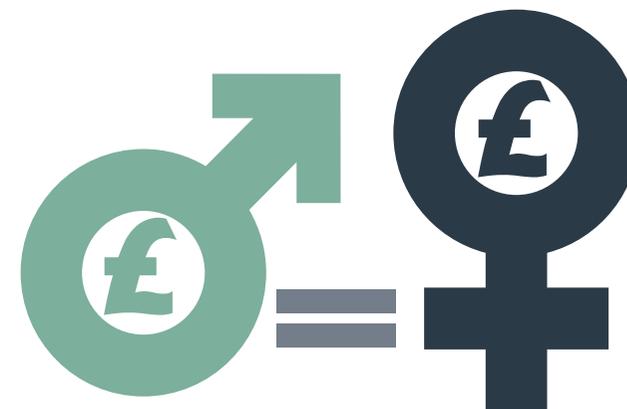
It is different from an equal pay comparison, which would involve direct comparison of two people or groups of people carrying out the same, similar or equivalent work.

The gender pay gap



One of the main reasons for the gender pay gap in our society is that men are more likely to be in senior roles.

Equal pay comparison



Male

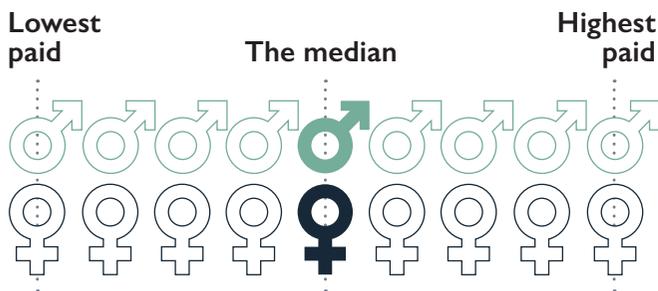
Female

UNDERSTANDING THE GENDER PAY GAP

HOW ARE THE MEDIAN AND MEAN GAPS CALCULATED?

Using the calculations set out in the gender pay gap reporting regulations, we have taken pay data from our entire business of more than 80,000 Partners. This data includes many different roles that bring a variety of rates of pay.

Imagine a picture where all our female Partners stood next to each other in one line in order of lowest hourly rate of pay to highest and imagine the same picture where all our male Partners did the same. The median gender pay gap is the difference in pay between the female Partner in the middle of their line and the male Partner in the middle of their line.



The other measure is the mean gender pay gap, which shows the difference in average hourly rate of pay between men and women. This is also affected by the different numbers of men and women in different roles.

These median and mean calculations are also carried out when comparing bonus pay over a twelve month period. The proportion of men and women awarded any bonus pay over that period is also reported.

HOW ARE THE PAY QUANTILES CALCULATED?

In the report we also share the percentage of men and women in each pay quartile. Quartiles are calculated by listing the rates of pay for each Partner across the business from lowest to highest, before splitting that list into four equal-sized groups and calculating the percentage of males and females in each. They should not be confused with the position of Partners within the Partnership's pay ranges set for each role.

WHAT'S INCLUDED IN OUR CALCULATIONS?

Calculations of mean and median pay and of quartile pay bands are based on data from April 2017 only, including ordinary pay and bonus pay.

Ordinary pay is not limited to basic pay, but also includes other types of pay such as pay for leave and shift premium pay. It doesn't include pay for overtime, pay relating to redundancy/termination of employment, pay in lieu of leave or the value of benefits which are not in the form of money.

Bonus pay includes any additional pay relating to profit sharing, productivity or performance, when in the form of money or vouchers. In our case, the vast majority of bonus pay is in the form of the annual Partnership Bonus but we do also have other performance-related incentives, such as our One Step Beyond scheme. Calculations of mean and median bonus pay use bonus pay from the twelve months ending on 5 April 2017.

OUR RESULTS 2017

DID YOU KNOW

- There are more women than men in our lower paid roles, but fewer in higher paid ones - this is the chief reason for our gender pay gap.
- Making a gender comparison across our supermarket assistants and selling assistants - almost 53,000 of our Partners - our gender pay gap is 1.4%.
- If each gender was represented equally by job level our mean gap would be more than halved, showing our biggest opportunity is through encouraging and promoting female talent.

PAY - HOURLY RATE

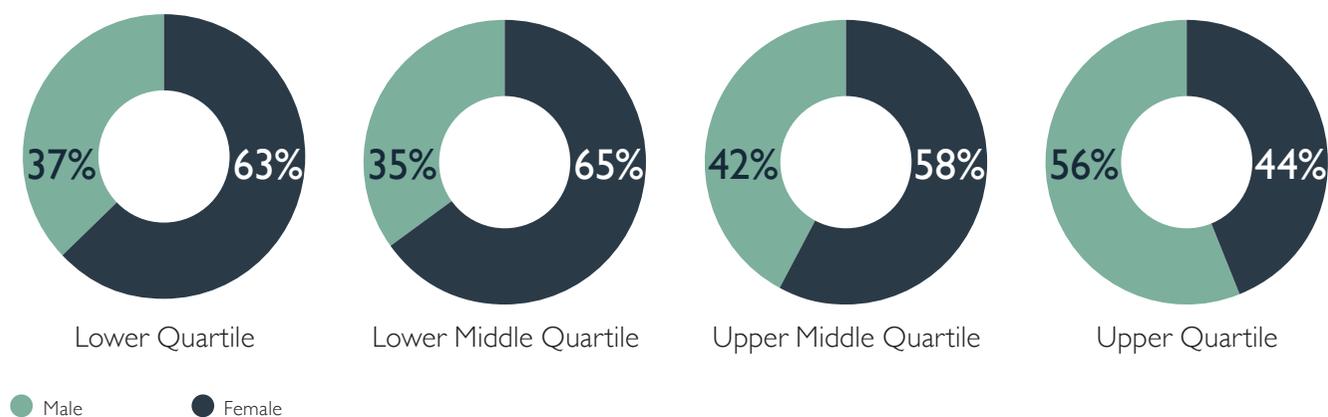
Difference between men and women

	PARTNERSHIP	RETAIL*	UK*
MEDIAN	7.8%	9.3%	18.4%
MEAN	13.9%	16.4%	17.4%

* Based on estimates from ASHE Survey 2017

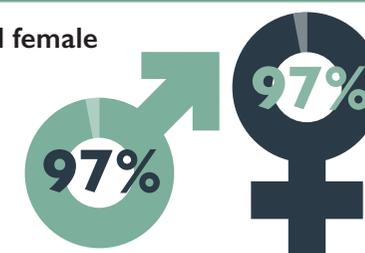
PAY QUANTILES

Proportion of male and female employees according to quartile pay bands



THE PARTNERSHIP'S BONUS PAY

97% of both male and female Partners received bonus pay



Bonus pay difference between men and women

MEDIAN	41.3%
MEAN	30.1%

(See page 7 for more details).

THE DETAIL BEHIND THE DATA

We place a great amount of emphasis on fairness, it's at the heart of who we are and our approach to pay is no different. But that doesn't mean we are complacent, so a lot of work has gone into understanding what lies behind the numbers in our report.

As with many organisations, and the economy as a whole, the key factor behind the Partnership's gender pay gap is the balance of men and women across job levels.

For example, if we break our job levels down into three distinct segments, we can see that:

- 40% of those in our highest paid senior leadership roles are women
- 46% of our specialist or non-senior management Partners are women
- 61% of our most junior workforce in our lowest paid jobs are women

As with most large businesses, there are significantly fewer senior roles and the turnover at this level is much lower than at more junior levels, which means vacancies for such roles do not arise as frequently.

Beneath the headline numbers there are variations in the proportion of men and women in different functional areas. Additionally, we employ more than 80,000 people in a variety of roles all with variable pay ranges informed by their market value. Our pay ranges differ by function as well as job level, meaning that the gender split between functions also has an effect. For

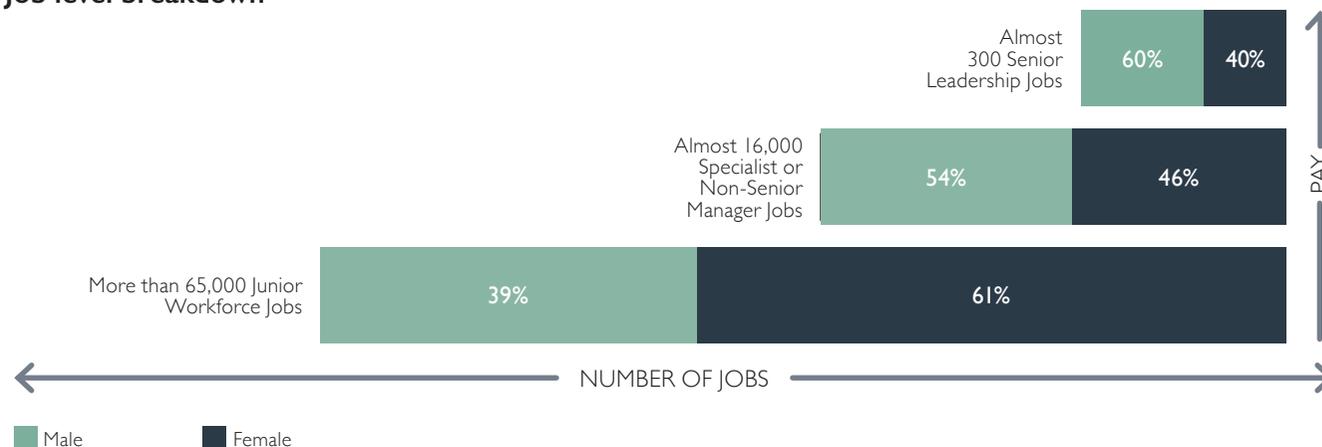
example, our Personnel function is made up of 80% women, compared to IT in which 35% of Partners are female. Where there are variations in market rates of pay between functions, this can contribute to the gender pay gap. How we address the gender balance across our functions is another question we are now asking ourselves.

The gender pay gap calculations also cover other pay elements. One example is a premium will usually be paid for night work, and this impacts the overall pay gap as 75% of our night-workers are men. We also operate a unique pay for performance model which recognises an individual's contribution through their pay. This brings thousands of individual pay rates across more than 550 locations, which will also impact our data.

We already mentioned the danger of 'chasing numbers' and if our priority was purely to reduce our gender pay gap figures, we could, for example, place our focus on increasing the male representation within our most junior population. This would have a big impact on our headline figures, but it would not help achieve our aim to remove barriers to progression and offer equal opportunities for all, regardless of gender.

One of the areas we will focus on is why a smaller proportion of our junior female workforce progress to senior levels. We want to work with Partners to help us understand the reasons and explore solutions. We will put our Gender Equality Network at the centre of this debate.

Job level breakdown



THE DETAIL BEHIND THE DATA - Continued

WHY IS THERE A MEDIAN AND MEAN DIFFERENCE IN BONUS PAYMENTS?

Last year Partners, regardless of level or role, received a Partnership Bonus that equated to 6% of their earnings between February 2016 and January 2017.

The hourly rate and the amount of hours worked are the two key factors that make up a Partner's ranking pay, which is what our annual Partnership Bonus is based on. Last year, on average, male Partners worked 20% more hours per week than female Partners, significantly impacting the average Bonus paid to men and women. If the amount of hours worked were equal for both men and women, the median and mean gaps would be in line with the hourly rate gender pay gap.

We take great pride in offering opportunities to help people get into work irrespective of gender. One of the ways in which we do this is by offering a variety of working patterns, with many of our part time roles taken by women. We would not want to discourage flexible working, so we will instead focus on encouraging both men and women to make the most of flexible working opportunities.



OUR COMMITMENTS TO UNLOCKING BETTER PROGRESSION AND GREATER INCLUSION FOR ALL PARTNERS

1 GIVING EVERYONE ACCESS TO NEW CAREER OPPORTUNITIES AND HELP WITH INTERVIEWS

We have an internal vacancy platform, allowing any Partner looking for that next step the opportunity to search for vacancies or be alerted when a suitable vacancy becomes available. Partners also have access to our in-house Interview Bank, providing interview support. In 2018 we will place more emphasis on our talent forums and use these to build diverse selection pools for senior roles.

2 STRENGTHENING ACCESS TO COACHES AND MENTORS

The Partnership has long understood the benefits of mentoring and coaching on progression. We have a bank of 90 internal coaches who are trained to an accredited standard. Our coaches and mentors enable Partners to seek support, build confidence and make connections.

3 BUILDING INTERNAL NETWORKS

Our Networks exist to inspire and influence Partners around the business on the topic of inclusion. All our Networks have senior sponsorship, for example our Group Finance Director, Patrick Lewis sponsors our network focusing on gender equality. We also have Networks that relate to sexuality, ethnicity, parenting, age, religion, neurodiversity and disability.

4 PROMOTING OUR POLICIES TO SUPPORT PROGRESSION

We believe there are two specific policies that can help make us an even more inclusive organisation to be part of and support the progression of our Partners. These are our flexible working policy and our shared parental leave policy. While having these policies is good, we do recognise that we could do a better job of making all Partners aware of them. So we will work with our Working Parents Network and Gender Equality Network to understand how we can promote these more.



OUR COMMITMENTS TO UNLOCKING BETTER PROGRESSION AND GREATER INCLUSION FOR ALL PARTNERS - Continued

5 DEVELOPING OUR ATTITUDES TO FLEXIBLE WORKING

All our Partners have the opportunity to request to work flexibly and research shows that flexible working helps support the progression of women, for instance those with caring responsibilities. We partner with Timewise to develop blueprints for more flexible roles at first line management level and will be identifying role models to demonstrate the value uncovered by a flexible working approach.

6 RAISING AWARENESS AND HELPING PARTNERS LEARN

We have two learning initiatives that are available for all Partners and will now be made mandatory in the case of those with line management or hiring responsibilities:

- Facing into bias e-learning
- Inclusion e-learning.

7 ENCOURAGING OUR PARTNERS TO LEAD THROUGH BRING YOURSELF TO WORK WEEK

Each year, we hold a Bring Yourself to Work week, organised by Partners for Partners. It has the active support of senior leaders, but is a grassroots movement to encourage Partners to recognise the importance of, and engage in conversations about, diversity and inclusion at work.

8 SENIOR LEADERS SUPPORTING NATIONAL CAMPAIGNS

Our Group Finance Director, Patrick Lewis and John Lewis Managing Director, Paula Nickolds, are both ambassadors for Retail Week's 'Be Inspired' campaign. Its purpose is to improve the representation of women in the retail industry by proactively engaging female leaders.



USEFUL RESOURCES AND DIRECTOR STATEMENT

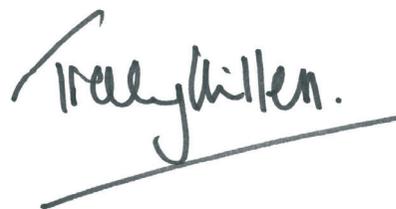
Even though we are proud of all the activity we undertake in the Partnership, the gender pay gap shown in this report demonstrates that male Partners receive a higher average pay rate. This is largely through them being underrepresented at our most junior level and overrepresented in the most senior or highly paid roles and functions.

We welcome the annual requirement to publish gender pay comparisons - it offers an important opportunity to reinforce our existing programme of work, as well as stimulus for fresh initiatives. All our work on diversity and inclusion is designed to enable Partners to maximise their abilities and contribution. Reporting annually also allows us to measure the progress that our interventions have made, and encourage all of our Partners to be aware of the contribution they can make to supporting opportunities for themselves and their fellow Partners.

The gender pay gap calculations covers more than 80,000 Partners and, across such a large population, the overall figures are unlikely to change significantly in the short term. Rather than focus simply on these headline figures, we will place our collective energy into the areas that this report shines a light on, to ensure we fulfil our commitment to allowing all Partners to reach their full potential.

This report covers employees of John Lewis plc, the main employing entity of the John Lewis Partnership, which incorporates the John Lewis and Waitrose operating divisions, plus the Group function. The report covers employees at all levels, including the executive team.

As Director of Personnel for the John Lewis Partnership, I, Tracey Killen, can confirm that the information contained herein is accurate.



Tracey Killen
Director of Personnel
John Lewis Partnership

USEFUL RESOURCES

ACAS guidance on Gender Pay Gap Reporting provides a full description of the reporting requirements, the distinction between Gender Pay Reporting and equal pay and links to useful communication materials:

www.acas.org.uk/genderpay

For more information on our CSR activities

John Lewis Partnership's corporate social responsibility activities are detailed on our website:

www.johnlewispartnership.co.uk/csr

Information on Timewise:

<https://timewise.co.uk>

Information on the Retail Week 'Be Inspired' campaign:

<https://beinspired.retail-week.com/>

To join the debate

The Women's Business Council provides some helpful resources to help improve gender diversity:

www.womensbusinesscouncil.co.uk/toolkits

The UK's leading charity campaigning for gender equality and women's rights:

www.fawcettsociety.org.uk/

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