

John Lewis Partnership Board

The Experiment

1. The two Settlements in Trust made by John Spedan Lewis in 1929 and 1950 established the John Lewis Partnership, to be owned in trust for the benefit of its members (employees), who are Partners from the day they join. This was Spedan Lewis' experiment in industrial democracy. He described it as "an attempt so to organise and conduct a business that all the advantages whatsoever of owning it shall be shared as fairly as possible by all who are working in it and that the qualification for having a position in it shall be ability (without overstrain) and will to fill that position in a way reasonably first-rate for the service of the general community, the service by which the business has to live".¹

Partnership Purpose and Values

2. Power in the Partnership is shared between three governing authorities; the Partnership Council, the Partnership Board and the Chairman. The shared aim of the three governing authorities is to safeguard the Partnership's future, to enhance its prosperity and to ensure its integrity. They should encourage creativity and an entrepreneurial spirit but must not risk any loss of financial independence.² Their power to direct the Partnership's affairs depends on the consent of Partners.³
3. The Partnership's ultimate purpose is the happiness of all its members, through their worthwhile and satisfying employment in a successful business. Because the Partnership is owned in trust for its members, they share the responsibilities of ownership as well as its rewards – profit, knowledge and power.⁴

Purpose, Role and Responsibilities of the Partnership Board

4. Within the shared aim of the three governing authorities of the Partnership (Rule 4), the Partnership Board's purpose is to support the Executive in its mission to ensure that the Partnership's continuing experiment succeeds.
5. The Partnership Board's role is⁵:
 - To provide the Executive with constructive challenge and make its advice, experience and specialist knowledge available to both the Executive and the Partnership Council;
 - To ensure that in delivering the continuing experiment the Partnership's financial condition remains sound and that the Founder's principle of "safety first" is upheld;
 - To ensure proper governance for the Partnership.
6. In performing its role, the Partnership Board's responsibilities are⁶:
 - approving the Partnership Strategy and Business Plan and setting risk appetite, (with a view to sustaining the commitment to labour employing capital) and encouraging creativity and an entrepreneurial spirit, whilst not risking any loss of financial independence and satisfying itself that the Strategy and Business Plan will safeguard the Partnership's future, enhance its prosperity and ensure its integrity (Rule 4);
 - overseeing and monitoring that the Business Plan is delivered in a way that promotes Spedan's "experiment in industrial democracy" and takes full commercial advantage of sharing knowledge, power and profit so that it is a better form of business;
 - overseeing behaviours within the Partnership to ensure that they are aligned and consistent with the Principles of the Constitution (i.e. the Partnership's "purpose" and "values");

¹ Partnership For All (1948)

² Rule 4 of the Constitution

³ Rule 2 of the Constitution

⁴ Principle 1 of the Constitution

⁵ Minute 51171 of 10 September 2019

⁶ Minute 51171 of 10 September 2019

- ensuring that there is appropriate engagement with Partners (so that their views are listened to and taken into account in a way that encourages their active engagement) and other stakeholders including its customers to satisfy itself that the business is operated in a way that is consistent with the experiment and the Principles of the Constitution;
- considering and approving any matters that are reserved for the Partnership Board's decision, including Partnership Bonus, capital and revenue expenditure plans, viability and liquidity;
- ensuring that as Directors they fulfil their legal duties to promote the success of the company.

Matters for the decision of the Partnership Board

7. There are certain matters which are reserved for the decision of the Partnership Board and these are set out below.

Strategy

8. The Partnership Board approves the Partnership's Strategy and Partnership Business Plan⁷.
9. The Partnership Board approves the Partnership's risk appetite.
10. The Partnership Board approves the Chairman's and the Partnership's Objectives.
11. The Partnership Board has ultimate responsibility for issues of major policy and for allocating the financial and other resources of the business. It decides the Partnership's policy for the prudent and adequate financing and development of its business, and monitors its efficient implementation. It takes responsibility for preparing financial statements, which must give a fair, balanced and understandable assessment of the state of affairs of the company.⁸
12. The Partnership Board determines each year the amount of the Partnership's profits that should be reserved for the maintenance and development of the Partnership's business, and thus the rate at which Partnership Bonus may be paid⁹.
13. The Partnership Board approves changes to the Partnership's capital structure including reduction of capital, share issues and share buy backs¹⁰ and any major changes to the Partnership's corporate structure including acquisitions or disposals.
14. The Partnership Board approves the extension of the Partnership's activities into new business concepts or areas or new geographic areas.
15. The Partnership Board approves the cessation of all or any material part of the Partnership's business.

Performance

16. The Partnership Board monitors the effective delivery of the Partnership strategy by the Executive, within the risk appetite as set out in the Partnership Business Plan, ensuring that the right outcomes are being achieved, approving adjustments where necessary and ensuring that knowledge gained from past delivery and implementation is taken into account when planning future activity.
17. The Partnership Board approves and monitors the Partnership's revenue and capital spending¹¹. It ensures that the Partnership pays its debts promptly, and does not enter into undertakings which would prevent it

⁷ Constitution Rule 39(i)

⁸ Constitution Rule 38

⁹ Constitution Rule 39(iv)

¹⁰ On 1 March 2007, The Partnership Board delegated:

(a) to a Committee of the Board, comprising any two directors, authority to issue SIP Shares of £1 each in the capital of the Company to John Lewis Partnership Trust Limited as trustee of the John Lewis Partnership BonusSavePlan; and

(b) to the Finance Director, authority to agree the rate of dividend payable by the Company each year on the SIP Shares in accordance with the methodology set out in the Memorandum of Understanding approved by the Board at its meeting on 2nd March 2006 (Minute 42164).

¹¹ Constitution Rule 39(iii)

from making all payments immediately they become due¹². It examines and approves each year the size and security of the Partnership's liquid reserves and unused borrowing facilities¹³. It approves cash and profit forecasts sufficiently far ahead to satisfy itself that the Partnership is not overreaching its financial and personnel resources¹⁴.

18. The Partnership Board will engage with Partnership Council, the President of the Council and the Independent Directors and Partners to ensure that the "PartnerVoice" is listened to and taken into account in a way that encourages their active engagement and provides the basis for them to understand and appraise the Partnership's direction.
19. The Partnership Board will satisfy itself that the Partnership is building relationships with customers, suppliers and other stakeholders and takes account of the impact of the Partnership's operations on the community and the environment in decision making, in order to be successful over the long-term.

Governance

20. The Partnership Board will assure itself that the Partnership's purpose and values as set out in the Principles of the Constitution are effectively embedded in operational policies and practices, and that behaviours within the Partnership are aligned and consistent with that purpose and values.
21. Through the Nominations Committee, the Partnership Board ensures that: the composition of the Partnership Board is regularly reviewed and refreshed, so that it is effective and able to operate in the best interests of the Partnership and Partners; there are plans in place for orderly succession to the Partnership Board and Senior Management and that there is a diverse talent pipeline for succession; there is a formal, rigorous and transparent procedure for appointments to the Partnership Board and Senior Management; and there is an appropriate programme for induction and training for members of the Partnership Board and its committees.
22. Through the Remuneration Committee, the Partnership Board ensures that the Partnership's Remuneration Policy and practices and any variations to it which apply to Senior Management: support the Partnership Strategy to promote the long-term sustainable success of the Partnership; are aligned to the Partnership's purpose and values as set out in the Principles of the Constitution; and drive the right behaviours.
23. The Partnership Board either authorises commitments to be made on behalf of the Partnership or delegates authority to individuals to make commitments on its behalf.¹⁵
24. The Partnership Board considers any proposal that places 12 or more Partners at potential risk of redundancy, either as part of the Business Plan or on a case by case basis¹⁶.
25. The Partnership Board approves proposals for the outsourcing of work which affects more than 100 Partners.
26. The Partnership Board approves major changes to the rules of the Partnerships Pension Scheme with the Pension Trustee and Partnership Council as determined by the rules of the Pension Scheme.
27. Through the Audit and Risk Committee, the Partnership Board satisfies itself that proper systems of audit and control are in place throughout the Partnership¹⁷. This includes reviewing and monitoring: the integrity of the Partnership's financial and narrative statements, other formal announcements relating to the Partnership's financial performance, and reviewing significant financial reporting judgements contained in them; the effectiveness of the Partnership's system of internal controls and risk management; the effectiveness of the Partnership's auditors and the internal and external audit process; the effectiveness of the Partnership's processes for compliance with laws and regulations.

¹² Constitution Rule 39(v)

¹³ Constitution Rule 39(vi)

¹⁴ Constitution Rule 39(vii)

¹⁵ Constitution Rule 5

¹⁶ Constitution Rule 39(ix)

¹⁷ Constitution Rule 39(viii)

28. The Partnership Board will ensure that there are means for Partners, suppliers and customers to raise concerns in confidence and – if they wish – anonymously and, supported by the Audit and Risk Committee, will routinely review this and the reports arising from its operation.
29. The Partnership Board approves the prosecution, defence or settlement of litigation involving above £10 million or being otherwise material to the interests of the Partnership.

Board Composition and Other Matters

30. The Partnership Board approves the Chairman's pay¹⁸.
31. The Partnership Board approves the Chairman's nominee to succeed him/her on his/her retirement¹⁹.
32. In carrying out his or her duties the Chairman will accept as fully as possible the recommendations of the Partnership Council. Before rejecting any, he or she must consult the Partnership Board²⁰.
33. The Partnership Board approves changes to the structure, size and composition of the Partnership Board, following recommendations from the Nomination Committee.
34. The Partnership Board approves appointments to the Partnership Board, following recommendations by the Nomination Committee, or election by the Council.
35. The Partnership Board approves continuation in office of directors at the end of their term of office.
36. The Partnership Board approves the suspension or termination of service of an executive director of the Partnership Board as an employee of the company.
37. The Partnership Board approves the appointment or removal of the Company Secretary.
38. No Partnership contract of employment will have a notice period longer than 12 months, unless the Partnership Board agrees²¹.
39. The Partnership Board determines the independence of non-executive directors in light of their character, judgement and relationships.
40. The Partnership Board authorises conflicts of interest where permitted by the Company's Articles of Association.
41. The Partnership Board approves the terms of reference of Board Committees which may include any matters it considers suitable for delegation.
42. The Partnership Board approves the membership of Board committees.
43. The Partnership Board approves the appointment, reappointment or removal of the external auditor, following the recommendation of the Audit and Risk Committee.
44. Overseen by the Nominations Committee, the Partnership Board undertakes a formal and rigorous annual review of its own performance, that of its committees and individual directors.

¹⁸ Constitution Rule 39(x)

¹⁹ Constitution Rule 39(xi)

²⁰ Constitution Rule 45(ii)

²¹ Constitution Rule 57