

**TERMS OF REFERENCE FOR THE  
REMUNERATION COMMITTEE  
OF THE BOARD OF JOHN LEWIS PARTNERSHIP PLC**  
(approved by the Partnership Board on 15 July 2021)

- Definitions:**
- “**Committee**” means the Remuneration Committee.
  - “**Company**” means John Lewis Partnership plc.
  - “**Independent Directors**” means the Independent Directors who lead the independent function in the Partnership.
  - “**Partnership Board**” means the Board of John Lewis Partnership plc.
  - “**Partnership**” means John Lewis Partnership plc and its subsidiaries.
  - “**Remuneration**” includes base pay, pension arrangements and other benefits, performance incentives or bonus arrangements, if any, but excludes Partnership Bonus.
  - “**Remuneration Policy**” means the Partnership’s policy and practices for Remuneration, including its pay policy as set out in the Partnership’s Constitution (Rules 61, 62 and 63).
  - “**Senior Management**” means the Partnership’s Deputy Chairman<sup>1</sup> (if a Partner) and the first layer of management below Partnership Board level, including its Executive Directors, its General Counsel & Company Secretary and those other Partners at “Director” level within the Partnership reporting to the Chairman. For the avoidance of doubt Senior Management does not include the Partnership’s Independent Directors and the President of the Partnership Council.
- Appointments:** Members of the Committee will be appointed and removed by the Partnership Board.
- Membership:** The Committee shall comprise at least four members, including two independent Non-Executive Directors and two Elected Directors as recommended by the Nomination Committee.
- The Committee Chair shall review membership of the Committee annually, as part of the annual performance evaluation of the Committee.
- Chair of the Committee:** The Chair of the Committee will be the Deputy Chairman of the Partnership provided that he/she is an independent Non-Executive Director, or failing that, one of the independent Non-Executive Directors recommended by the Nomination Committee and appointed by the Partnership Board. Wherever possible and suitable, before appointment as Chair of the Committee, the appointee should have served on a remuneration committee for at least 12 months.
- In the absence of the Chair of the Committee, the meetings will be chaired by a member appointed by the Chair of the Committee, or failing that the remaining members present will elect one of their number to chair the meeting.
- Secretary of the Committee:** The Company Secretary or a nominee appointed by the Company Secretary will act as Secretary to the Committee, ensuring it has access to sufficient resources and all necessary support (including training to enable it to carry out its duties), including the recording of Committee minutes and ensuring that the Committee receives information and papers in a timely manner to enable full and proper consideration of the relevant issues.

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<sup>1</sup> The use of the terms “Chairman and “Deputy Chairman” reflects the terminology used by the Partnership’s Constitution and should be construed as gender neutral throughout.

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**Meetings:** The Committee shall meet at least three times a year and otherwise at such other times as the Chair of the Committee may require.

Unless otherwise agreed, notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed, shall be forwarded to each member of the Committee and any other person required to attend no later than five calendar days before the date of the meeting. Supporting papers shall be sent to Committee members and to other attendees as appropriate, at the same time, but Committee papers may be forwarded at shorter notice with the approval of the Chair of the Committee.

Only members of the Committee and the Independent Directors have the right to attend Committee meetings. However, other individuals such as the Chairman, Executive Director, People and external advisers may be invited to attend for all or part of any meeting, as and when appropriate with the agreement of the Chair of the Committee.

Meetings of the Committee may be conducted when the members are physically present together or in the form of either video or audio conference.

**Quorum:** The quorum necessary for the transaction of business at a Committee meeting shall be three members, to include the Chair of the Committee (or his/her appointed deputy), at least one Non-Executive Director and at least one Elected Director.

When approving the Remuneration of Non-Executive Directors, the quorum necessary for the transaction of business will be two Elected Directors.

If there is difficulty in achieving a quorum, independent Non-Executive Directors and Elected Directors of the Partnership Board, who are not members of the Committee, may be co-opted as members for individual meetings.

No person shall participate at a meeting of the Committee (or during a relevant part) at which any part of their remuneration is being directly discussed or participate in any recommendation or decision specifically concerning their own remuneration.

**Minutes of meetings:** Once approved, minutes shall be circulated to all other members of the Partnership Board, normally by them being tabled at the next Partnership Board meeting, unless in the opinion of the Chair of the Committee it would be inappropriate to do so.

A resolution in writing and signed by all Committee members will be as effective as a resolution passed at a Committee meeting. Any written resolution shall be tabled and noted at the next meeting of the Committee.

**Authority:** The Partnership Board authorises the Committee to:

- (a) exercise the functions and powers and investigate any activity within its terms of reference;
- (b) seek any information it requires within its terms of reference from any Partner and/or call any Partner to be questioned at a Committee meeting as and when required;
- (c) have unrestricted access to the Partnership's documents and information and to obtain independent legal or professional advice, as and when required on any matter within its terms of reference as it considers necessary, at the Partnership's reasonable expense.

## **Purpose**

I. The purpose of the Committee is to support the Partnership Board in fulfilling its responsibilities by:

- (a) reviewing the Remuneration Policy in order to provide feedback to the Partnership Board on whether Partnership policies and practices: support the Partnership's 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;

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- (b) deciding any variations to the Remuneration Policy to apply to Senior Management;
  - (c) making recommendations to the Partnership Board so that it can decide the Remuneration of the Chairman;
  - (d) deciding the individual Remuneration of Senior Management;
  - (e) deciding the fees of the Partnership Board's Non-Executive Directors and any external independent members of the Partnership Board's committees.
2. The Committee will review annually both its terms of reference and its own effectiveness and recommend any necessary changes to the Partnership Board.
3. In order to fulfil its purpose the Committee will carry out the duties described below for the Partnership.

## **Remuneration Policy**

### **Design Principles**

4. The Committee will review the design of the Remuneration Policy and its ongoing appropriateness in order to provide feedback to the Partnership Board on whether it supports the Partnership's strategy, is aligned to the Partnership's purpose and values and drives the right behaviours.
5. The Committee will approve any variation to the Remuneration Policy to apply to Senior Management provided that any applicable changes satisfy the following principles (with the objective to attract, retain and motivate people of the quality required to run the Partnership successfully without paying more than is necessary) and align wherever possible to the design of the Remuneration Policy for Partners generally:
- (a) align to the Partnership's purpose and values set out in its Constitution;
  - (b) support the Partnership strategy to promote its long-term sustainable success;
  - (c) rewards fairly and responsibly against individual and Partnership objectives;
  - (d) has regard to best practice principles including those set out in the 2018 UK Corporate Governance Code of clarity, simplicity, alignment with risk appetite, predictability, proportionality and alignment to culture;
  - (e) takes account of statutory and regulatory requirements.

### **Rule 63**

6. Rule 63 of the Partnership's Constitution states that "the pay of the highest paid Partner will be no more than 75 times the average basic pay of non-management Partners, calculated on an hourly basis". The Committee will monitor the continuing relevance of Rule 63 within the Remuneration Policy and how the calculation is performed, making recommendations for any changes it considers to be appropriate to the Partnership Board.

### **Performance Related Pay Arrangements (excluding Partnership Bonus)**

7. The Committee will approve the design and implementation of any performance related pay scheme or bonus arrangements for Senior Management (for the avoidance of doubt excluding Partnership Bonus which is governed by the Partnership's Trust Settlements) ensuring that they:
- (a) only reward contribution to the Partnership which exceeds the level expected;
  - (b) use a range of financial, non-financial and strategic measures and targets to incentivise performance consistent with the design principles of the Remuneration Policy;
  - (c) identify and mitigate any potential behavioural risks that are inconsistent with the design principles of the Remuneration Policy;

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- (d) include safeguards such as malus and clawback or withholding payment to ensure performance-related payments reflect actual achievements and protect against rewards for failure.

### **Application of the Remuneration Policy**

8. In making a recommendation to the Partnership Board in respect of the Chairman's Remuneration or in deciding the individual Remuneration of Senior Management, the Committee will:
- (a) ensure that these are made in accordance with the Remuneration Policy and any variations to it applicable to Senior management, including Rule 63 of the Partnership's Constitution;
  - (b) take into account how the Remuneration Policy is applied to Partners generally;
  - (c) have regard to the advice of the independent external remuneration consultants in respect of external movements in pay and benchmarking with comparable organisations;
  - (d) take into account the performance of both the individual and the Partnership against objectives;
  - (e) take into account the recommendations of the Chairman, when deciding the individual Remuneration of Senior Management;
  - (f) in respect of any performance related pay award, have regard to any such arrangements for Partners generally;
  - (g) exercise independent judgement and discretion to avoid formulaic remuneration outcomes.

### **Remuneration of Non-Executive Directors**

9. The Remuneration of the Non-Executive Directors of the Partnership Board and any external independent members of committees of the Partnership Board shall be decided by two of the Committee's Elected Directors, who may from time to time co-opt to the Committee any of the other Elected Directors of the Partnership Board for this purpose. Levels of Remuneration for the Non-Executive Directors of the Partnership Board shall reflect the time commitment and responsibilities of the role.

### **Pensions**

10. The Committee shall review and approve the pension arrangements for Senior Management and consider the alignment of pension contribution rates, or payments in lieu of pension contributions, for Senior Management with those available to Partners generally.

### **Service Contracts**

11. The Committee shall approve the standard terms of the service contracts for Senior Management and any material amendments from the standard terms proposed for individual members of Senior Management.

### **Termination Payments**

12. In accordance with the Partnership's Constitution the term of notice of employment contracts should not exceed 12 months. The Committee will approve any non-standard contractual arrangements including payments to apply on termination of any member of Senior Management, ensuring that they are fair to the individual and the Partnership and do not reward poor performance.

### **Remuneration Consultants**

13. To help it to fulfil its duties and enable it to judge where to position the Remuneration Policy relative to other companies and organisations of comparable scale and complexity, the Committee shall:

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- (a) be responsible and have full authority for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Committee;
- (b) ensure that it receives reliable, up-to-date information about remuneration in other companies of comparable scale and complexity and keeps abreast of external remuneration trends and market conditions, and takes account of these when considering and approving remuneration proposals.

### **Reporting Responsibilities**

14. The Chair of the Committee is responsible for:

- (a) providing regular reports on the Committee's activities at meetings of the Partnership Board;
- (b) the preparation of a formal report on the Committee's work and activities to be included in the Company's Annual Report and Accounts to cover; an explanation of the strategic rationale for Senior Management remuneration policies, including why the remuneration is appropriate using internal and external measures, including pay ratios and pay gaps; the matters addressed when determining Senior Management remuneration; what engagement has taken place with Partners to explain how Senior Management remuneration aligns with the wider Remuneration Policy; and to what extent discretion has been applied to remuneration outcomes and the reasons why.
- (c) having regular engagement with Partnership Council to report on and answer questions on the Committee's activities including attending Partnership Council at the meeting at which it discusses the Partnership's annual performance with the Chairman ("holding to account");
- (d) ensuring that any feedback received from Partnership Council, Partners generally or other stakeholders is taken into account by the Committee in carrying out its duties.

15. The Committee will oversee the preparation and calculation of any required pay gap and pay ratio reporting and on behalf of the Partnership Board approve its publication. The Committee will also keep under review, on behalf of the Partnership Board, how the Partnership's pay practices address pay gaps and pay ratios between different groups of Partners.