How we make decisions

POWER

SIR CHARLIE MAYFIELD
Partner & Chairman
John Lewis Partnership

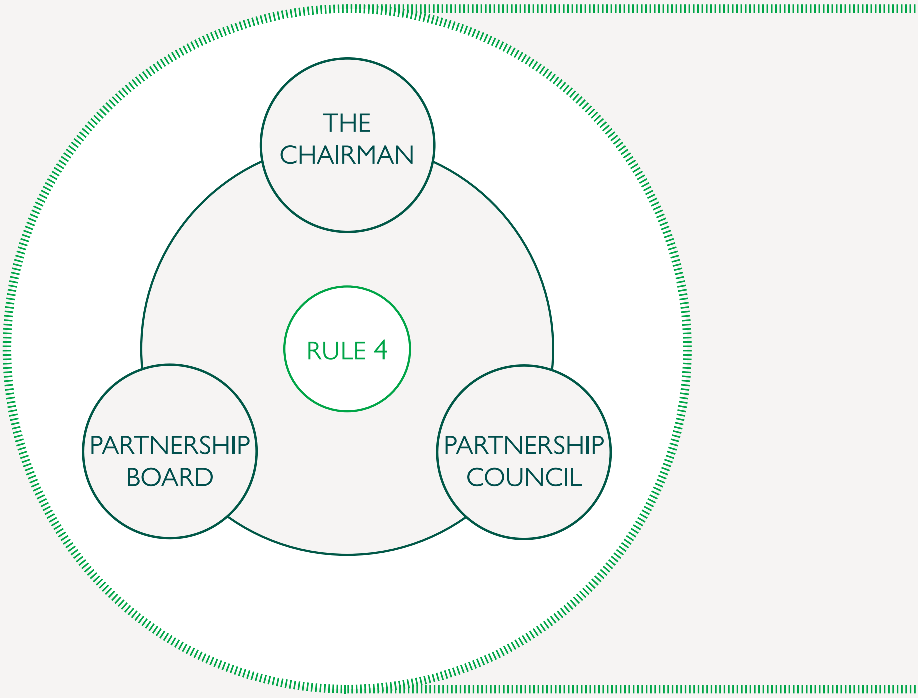
This section of the Annual Report and Accounts sets out the roles and responsibilities of our three governing authorities, and summarises changes to our governance model proposed during the year.

The Partnership is owned in Trust for the benefit of our Partners and is governed by our Constitution. This has been a year of review and renewal of our governance arrangements, against a backdrop of challenging trading conditions for our business and changes to external corporate governance standards. We have closely examined our governance model in order to ensure that it is fit for the future and supports our Founder's vision of an experiment in industrial democracy where employees share profit, knowledge and power.

> The experiment may be summed up 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...
>
> **JOHN SPEDAN LEWIS**
> "Partnership For All", 1948

THE THREE GOVERNING AUTHORITIES

Power in the Partnership is shared between the three governing authorities:



THE CHAIRMAN

Ensuring that the Partnership develops its distinctive character and democratic vitality, and ultimately responsible for its commercial performance.

PARTNERSHIP BOARD

Supporting the Executive Team with advice and challenge; ensuring financial prudence and providing governance.

Partnership Secretary's introduction

FIT FOR THE FUTURE

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 (Rule 4).

Their power to direct the Partnership's affairs depends on the consent of Partners, whose opinion is expressed through:

i. Formal arrangements for sharing knowledge

ii. Representative bodies

iii. Personal contact between Partners, both formal and informal

PARTNERSHIP COUNCIL

Using Partner opinion to provide insight and views which help the Chairman and Executive ensure that the experiment succeeds, sharing in decisions on governance and holding the Chairman to account.

MICHAEL HERLIHY
Partner & Partnership Secretary
John Lewis Partnership

"Governance is the way something is run – the system of rules, practices and processes (formal and informal) by which an organisation is directed and controlled. Governance ensures we have the right checks and balances in place to safeguard the Partnership."

Michael Herlihy was appointed to the newly created position of Partnership Secretary in April 2018. This report sets out information about our governance model and the proposals to make changes to it that have been recommended from the reviews which have been taking place during the year.

'Governance' is simply the way something is run and how decisions are made – the system of rules, practices and processes (formal and informal) by which an organisation is directed and controlled. Governance ensures we have the right checks and balances in place to safeguard the Partnership.

In the Partnership our formal governance model is made up of our three governing authorities: the Chairman, the Partnership Board and its Committees and the Partnership Council. The three governing authorities work together in constructive, dynamic tension to ensure the Partnership continues to be a successful business.

This model is overseen by the Partnership Trust Company Board whose role is to uphold the Constitution and to promote in every possible way the wellbeing of the Partnership.

WHY ARE WE REVIEWING OUR GOVERNANCE?

In last year's Annual Report and Accounts we explained that we were reviewing our governance arrangements to ensure that they continued to provide the necessary framework fit for the next decade.

Although we were confident that we had a good governance system, it was felt that it was not realising its full potential. In addition, we needed to make sure that it would support our new strategic approach. The goal of all the recommended changes is to enhance our unique democracy and improve the speed and quality of our decision making.

Partnership Secretary's introduction — continued

WHAT WE'VE BEEN DOING TO REVIEW GOVERNANCE

THREE GOVERNANCE REVIEWS STARTED IN THE AUTUMN OF 2017

DEMOCRACY COMMISSION

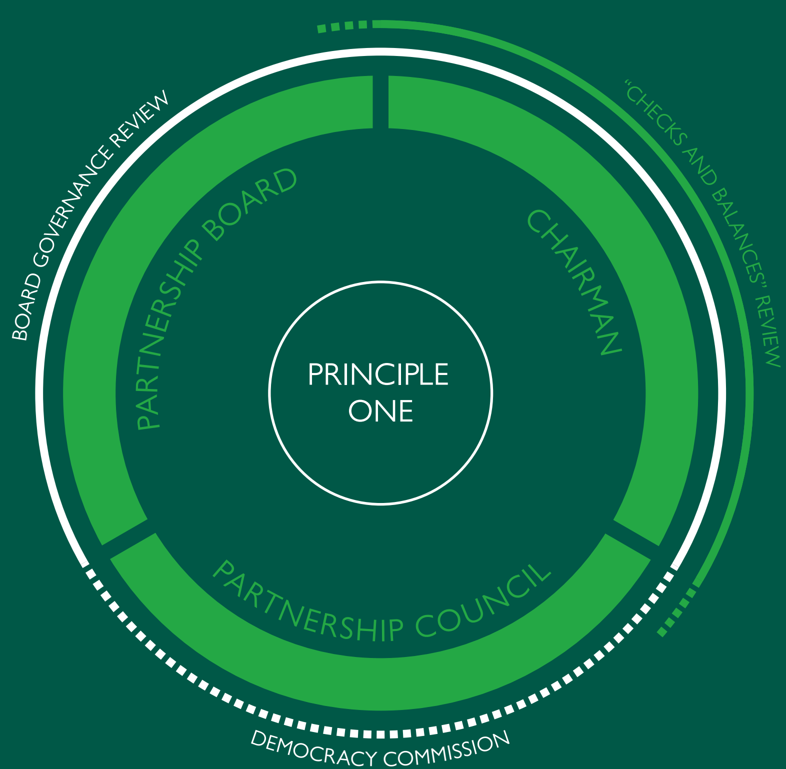
Set up by Partnership Council to develop proposals to enhance its effectiveness today and for the future.

"CHECKS AND BALANCES" REVIEW

To explore ways in which we could strengthen the "critical" or "independent" influence within the Partnership so that the internal checks and balances of our governance and Constitution could work to their full effect for the benefit of Partners and the Partnership.

BOARD GOVERNANCE REVIEW

Coming out of the Board Effectiveness Review in 2017 this review focused on Board governance, particularly the roles of the Partnership Board and the Chairman.



THE FOUR THEMES WHICH UNDERPINNED THE PROPOSALS

The reviews concluded towards the end of 2018. Although they had focused on different areas, there were common themes to the recommendations. The Partnership needs:

1. To renew our confidence in our own model of governance, placing more emphasis on what we need to do to make it work well, rather than seeking to adapt it or align it with other models of corporate governance;

2. To look back and consider the original intent of the Partnership whilst rising to the challenge of finding our own interpretation of the Partnership's purpose to achieve our current strategic objectives;

3. To address our systems and structures of governance, but equally address our behaviours, belief and courage as we face into current challenges; and

4. Finally, to ensure the linkages between our governing authorities are in good order so that they work together effectively.

WHAT CHANGES ARE PROPOSED AND WHO NEEDS TO APPROVE THEM?

The five main proposals to strengthen the governance model are:

GOVERNING AUTHORITIES

We will reaffirm that our three governing authorities are independent, equal and collectively responsible to Partners for the success of the Partnership.

ONE PARTNERSHIP

We will ensure our governance model supports our strategic approach to work as One Partnership with two brands. Unnecessary duplication and divisionalisation will be removed, in favour of pan-Partnership working.

ENHANCED ROLE FOR THE PRESIDENT OF PARTNERSHIP COUNCIL

An enhanced role for the President who is appointed by Partnership Council will give them the ability to represent the collective view and power of the Council outside of meetings and to support the organisation of its work.

ROLE OF THE PARTNERSHIP SECRETARY

The Partnership Secretary is a new role focused on bringing good governance to life across the Partnership and building effective relationships between the governing authorities.

REINVIGORATING THE PARTNERSHIP'S INDEPENDENT SIDE

Over time, the number of senior roles providing critical thinking and insight on the health of our employee ownership model has reduced. A new independent function will be led by two Independent Directors, one focused on Partners and the other on customers and suppliers.

Many of the changes are within the scope of the Chairman's own authority, though he has consulted the Partnership Board, which is supportive, on all of the proposed changes.

A number of matters, however, either fell to Partnership Council to determine or needed amendments to the Constitution which require a two thirds majority vote of Council. These matters were approved by voting at Partnership Council at their meeting held on 4 April 2019.

FURTHER CHANGES PROPOSED BY THE DEMOCRACY COMMISSION

The Commission proposed three sets of changes relating to Partnership Council and our democratic structures:

- To build on current work such as better training and development for Councillors, more time for them to do their role and a clearer job description.
- Changes which strengthen the power and independence of Partnership Council: a stronger President, better communications support for Council, a clearer budget and a more robust communication flow of information and agenda planning between the Council, Chairman and Board – a process coordinated by the Partnership Secretary.
- Changes which aim to remove administration and duplication from our other democratic bodies – for example, removing the current requirements around PartnerVoice meetings and administration so that leaders and Partners can choose how PartnerVoice should work to better suit their local circumstances. The Commission also recommends further work to consider whether, in the future, Divisional Councils could form subgroups of Partnership Council.

On 4 April 2019, Partnership Council agreed to set up a Special Committee to take forward the work of the Democracy Commission, including the development of PartnerVoice, Forums and Divisional Councils.

BOARD GOVERNANCE REVIEW

As reported in the 2018 Annual Report and Accounts, an externally facilitated board effectiveness review was carried out by Dr Tracy Long of Boardroom Review Limited and her report was presented to the Partnership Board in July 2017. In September 2017 the Partnership Board asked the Deputy Chairman, Keith Williams to lead a review to consider and make recommendations on its findings with a particular focus on Board composition, the roles of the Chairman and the Deputy Chairman and the process for succession, against the backdrop of the changing external corporate governance landscape. The results of this review are covered later in the Governance report in their relevant sections.

IN CONCLUSION

All of these changes are designed to ensure that our governance model is aligned to our strategic plan to work as One Partnership with two brands and allow us to achieve our goal to enhance our unique democracy and improve the speed and quality of our decision making.

Together, the changes will combine to create an environment in which Partners have clarity on the outcomes we're aiming to achieve as One Partnership and feel responsibility for delivering them, whilst being enabled to experiment and learn from best practice across the organisation.

MICHAEL HERLIHY
Partner & Partnership Secretary
John Lewis Partnership

Our Constitution

DEFINING OUR RIGHTS AND RESPONSIBILITIES

OUR CONSTITUTION

Our founder, John Spedan Lewis, believed there was a better way of managing a business. This was his experiment in industrial democracy. In 1948 he wrote "the design was complete by October of 1910 and has been developing ever since". 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...".

Spedan Lewis created his experiment through Trust Settlements in 1929 and 1950 (the Settlements), when he transferred his shareholding and the ownership of the Partnership into a Trust to be held for the benefit of its members (employees), who are Partners from the day they join.

The Trustee of the Settlements is John Lewis Partnership Trust Limited (the Trust Company).

The Partnership is governed according to a written Constitution, which is subordinate to, and must not conflict with, the Settlements. Our Constitution contains the Principles and Rules for how we run our business. Our purpose is set out in Principle 1. The Constitution governs how the Partnership behaves both in relation to Partners' rights and responsibilities and in relation to our responsibilities to others. The Constitution also sets out the role of the Partnership in society, defining our responsibilities to customers, suppliers and the environment.

The Partnership is the general body of Partners, working together for the success of the business to fulfil the purpose and principles of this Constitution.

The Constitution has been refreshed over the years to reflect the changing societal, business and economic environment facing a business operating today, yet retains a direct connection with the fundamental principles established in 1928.

The Constitution is available to all Partners on the Partner intranet and to other interested parties on our website.

www.johnlewispartnership.co.uk

PRINCIPLE

1

PURPOSE

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.

PAGES 12 TO 13

PRINCIPLE

2

POWER

Power in the Partnership is shared between three governing authorities, the Partnership Council, the Partnership Board and the Chairman.

PAGES 44 TO 85

The Introduction, Principles and Rules of the Constitution may be amended or cancelled by agreement between two thirds of the voting membership of the Partnership Council and the Chairman.

PRINCIPLE

5

CUSTOMERS

The Partnership aims to deal honestly with its customers and secure their loyalty and trust by providing outstanding choice, value and service.

PAGES 30 TO 33

PRINCIPLE
3

PROFIT

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.

PAGES 34 TO 37

PRINCIPLE
4

MEMBERS (PARTNERS)

The Partnership aims to employ and retain as its members people of ability and integrity who are committed to working together and to supporting its Principles. Relationships are based on mutual respect and courtesy, with as much equality between its members as differences of responsibility permit. The Partnership aims to recognise their individual contributions and reward them fairly.

PAGES 26 TO 29

PRINCIPLE
6

BUSINESS RELATIONSHIPS

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

PAGES 18 TO 19

PRINCIPLE
7

THE COMMUNITY

The Partnership aims to obey the spirit as well as the letter of the law and to contribute to the wellbeing of the communities where it operates.

PAGES 20 TO 21

“The challenge for Partners today is to prove that a business which is not driven by the demands of outside shareholders and which sets high standards of behaviour can flourish in the competitive conditions facing a modern retailing business. The Constitution provides the Principles and Rules within which we aim to demonstrate, through Partners, customers and profit, that we are a better form of business.

FOREWORD TO THE CONSTITUTION

The Chairman

CHAIR OF THE TRUST COMPANY

The role of the Chairman of the Trust Company is to "support the Constitution in all proper ways for all proper purposes".

The role of the Trust Company is:

To carry into effect with or without modification the Deeds of Settlement

To uphold the Constitution and to promote in every possible way the wellbeing of the Partnership

In addition to the Chairman and the Deputy Chairman, three Directors are elected to the Trust Company every three years by Partnership Council. The last elections took place in May 2018 when Mark Anderson and Claire Barry (succeeding Karen Crisford and Cathy Houchin) and Johnny Aisher (re-elected) were appointed. They are known as the 'Trustees of the Constitution'.

The separate role of the Trustees of the Constitution is to:
- Determine constituencies/number of Councillors and rule on election procedures;
- Approve the Chairman's outside appointments;
- Agree to disciplinary action or the dismissal of the President of Partnership Council (if the person elected is a Partner), Independent Directors and Partnership Secretary (as a 'check and balance');
- Receive an annual report from the Independent Directors and President of Partnership Council on their work; and
- as Directors, approve the appointment of the successor to the Chairman should a 'Resolution upon the Constitution' be passed by the Partnership Council.

The Trustees of the Constitution may, whenever they believe it necessary, call a meeting attended by the Independent Directors and President of Council to discuss any matter.

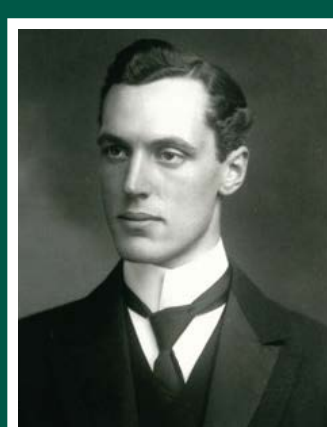
HISTORY AND THE ROLE OF THE PARTNERSHIP'S CHAIRMAN

The role of the Chairman is central to our governance structure. Our Chairman has three roles:

- Chair of the Trust Company
- Chair of the Partnership Board, by virtue of his appointment as Chairman of the Trust Company.
- The senior executive in the Partnership. As such he is ultimately responsible for its commercial performance and leads the Executive Team (see page 52).

1929–1955

JOHN SPEDAN LEWIS



1955–1972

SIR BERNARD MILLER

CHAIR OF THE PARTNERSHIP BOARD

The role of the Chairman is central to the Partnership's governance model including responsibility for developing its distinctive character and its democratic vitality and for its commercial performance.

A key principle of the UK Corporate Governance Code is that there should be a clear division of responsibilities between running the board and executive responsibility for managing the business. One of the main objectives of the Board Governance Review was therefore to consider whether the responsibilities of the Partnership's Chairman should continue to be held by a single individual.

On balance the Board Governance Review concluded that under the Partnership's Trust arrangements and Constitutional model it was not feasible to split the key responsibilities into separate roles as they are inherently interlinked. However, it recognised that it was therefore essential that the Partnership's system of 'checks and balances' required both a high level of transparency and disciplined execution to demonstrate the integrity of the governance system.

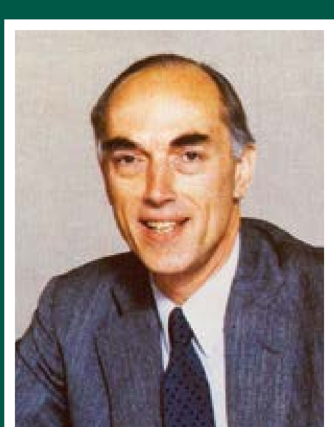
These checks and balances include:

- the Deputy Chairman, an Independent Non-Executive Director, chairing the Nominations Committee;
- the Deputy Chairman carrying out the Chairman's appraisal;
- the Deputy Chairman being available as a focal point for other stakeholders (such as the other Non-Executive Directors, Elected Directors and President of the Council);
- the new Independent Directors providing knowledge and insight to the Chairman and feedback on his own performance;
- the Partnership Board having a veto over the Chairman's nomination of his successor;
- the power of the Partnership Council, if it judges that the Chairman has failed to fulfil (or is no longer a suitable person to fulfil) the responsibilities of office, to propose a resolution upon the Constitution to dismiss the Chairman; and
- the Partnership Secretary monitoring Board agendas and debates to identify times when the Chairman needs to ask the Deputy Chairman to take the chair to enable the Chairman to participate fully in discussions and debate in leading the Executive.

The expectation is that the role of the Deputy Chairman will be performed by an independent Non-Executive Director. However, should the role of Deputy Chairman ever be held in the future by a Partner, then the responsibilities of the Deputy Chairman described above would be allocated to one of the independent Non-Executive Directors on the Partnership Board.

1972–1993

PETER LEWIS



1993–2007

SIR STUART HAMPSON

2007–PRESENT

SIR CHARLIE MAYFIELD

The Chairman — continued

LEADING THE EXECUTIVE TEAM

As the Senior Executive in the Partnership, the Chairman is ultimately responsible for its commercial performance and leads the Executive Team.

In addition to the Chairman, the Executive Team at the date of this report are:

Rob Collins	Managing Director, Waitrose & Partners
Michael Herlihy	Partnership Secretary
Tracey Killen	Director of Personnel
Patrick Lewis	Group Finance Director
Andrew Murphy	Chief Information Officer
Paula Nickolds	Managing Director, John Lewis & Partners

STRATEGY

The main priority for the Executive Team in the first part of the year was to finalise the development of the plans to deliver the strategic objectives first set out in 'It's Your Business 2028' by seeking growth through differentiation. The next phase of the business strategy was formally launched in June 2018 and formed the basis for the three-year business plan. This includes plans to free up £500m over three years and maintain investment levels at £400m–£500m a year to deliver the level of distinctive difference and innovation we need for the future.

The business plan was submitted to and approved by the Board in July 2018 and progress against it is described in the Strategic report.

PLANNING FOR 2019

As announced in the half-year results, the outlook foresaw substantially lower profits. This was due to continuing uncertainty facing consumers and the economy (in part due to ongoing Brexit negotiations) driving increased promotional activity and continuing margin pressure in John Lewis & Partners, and also as a result of the incremental costs of investment in the business. With the Brexit outcome becoming more uncertain as the year progressed, the Executive Team recognised that it was increasingly likely that 2019 trading conditions would remain challenging.

In developing the Partnership's budget for 2019/20, it therefore sought to counter the uncertain outlook by maintaining liquidity, continuing to focus on removing duplication and increasing efficiency within the business and targeting ways to reduce central costs over the period of the business plan. The 2019/20 budget was submitted to and approved by the Board in December 2018. In February 2019 the Board approved an updated budget which formed the basis for the Directors to assess the Partnership's long-term viability (see pages 43 and 85 for further details).

> “The purpose of the Executive Team is to define how the Partnership's continuing experiment will succeed, identifying what needs to change and galvanising Partners around this.
>
> **SIR CHARLIE MAYFIELD**
> Partner & Chairman
> John Lewis Partnership

CHANGING THE WAY WE WORK

The Chairman established the Executive Team towards the end of 2016 because he recognised that the response to the pace of change in retail and customer behaviour needed to include adapting the way in which the Partnership was run.

The Executive Team has led a transition over the past two years to align the direction for the Partnership's Waitrose & Partners and John Lewis & Partners brands. At the same time it has overseen major reorganisation within the business to create single functions in IT, Personnel, Property and Finance to support both brands. These functions work across the whole Partnership providing greater operational and cost efficiencies by removing duplication and streamlining processes.

Having defined the direction and intent for the Partnership and with the even greater pressures on retail, the Executive Team recognised the increasing urgency to complete the transition to the One Partnership with two brands model. In June 2018 the Executive Team participated in a two-day workshop which focused on its own ways of working and how it could most effectively lead the Partnership to deliver the strategic objectives.

The transition work continued during the course of the year and most recently has concentrated on simplification and empowerment to increase the speed of decision making and delivery within the new model. The Executive Team has defined its role as defining the strategic objectives and setting out the activity required for these to be achieved as well as the associated outcomes and timescales. The role of the brands and supporting functions is to deliver the outcomes within the direction set by the Executive Team, in a way that delivers an ever more differentiated customer experience to maximise the value for the Partnership overall.

This has included the launch of integrated objectives for the Executive Team and senior leaders. These sit under the headings of Partner, Customer, Profit, and Power, which describe the key shifts that need to be made to deliver success and the high level priorities to deliver them. More details are on pages 24 to 37.

In February 2019 the Executive Team announced its decision to simplify governance and decision making for the areas of Risk, Corporate Responsibility, Health & Safety and Wellbeing by consolidating at the executive-level the various separate groups supporting the brands and the functions. Continuing simplification work is ongoing at the date of this report.

The Executive Team is currently dedicating time to define the implications that One Partnership will have for its operating model. This includes understanding the current internal challenges and benefits associated with working in a different way, as well as looking outside the Partnership to understand how other organisations are structured to deliver their strategic priorities. By putting our customers and Partners right at the heart of One Partnership, we will unlock opportunities for our customers in the fastest and most effective way, and create better jobs and more meaningful careers for our Partners.

1. TRACEY KILLEN ▲
Partner & Director of Personnel

Appointed to the Partnership Board:
April 2007

Tracey has spent her working life with the Partnership, joining in 1982 as an A-Level trainee at John Lewis & Partners Bristol. After several retail roles, Tracey was promoted to Managing Director, John Lewis & Partners Cribbs Causeway in 2000 and became Personnel Director for John Lewis & Partners in July 2002. She has developed extensive knowledge of the Partnership and joined the Partnership Board as Director of Personnel in April 2007.

Tracey is also the Chair of the John Lewis Partnership Golden Jubilee Trust. She is a Non-Executive Director of Morgan Sindall Group plc and Chair of their Remuneration Committee and a member of their Nominations and Audit Committees.

2. MICHAEL HERLIHY
Partner & Partnership Secretary

Michael joined the Partnership in April 2018 as Partnership Secretary. Prior to joining the Partnership, Michael was General Counsel at Smiths Group plc for almost ten years. Prior to his time at Smiths, Michael spent 26 years at Imperial Chemical Industries plc. He has also held a variety of non-executive roles including that of Senior Independent Director at Imperial Brands plc. He is a solicitor.

3. ANDREW MURPHY
Partner & Chief Information Officer

Since joining the Partnership in 1992 Andrew has held a number of roles including Managing Director of John Lewis & Partners Aberdeen and of John Lewis & Partners Edinburgh. In 2009 Andrew was appointed Director, Operational Development before becoming Retail Director, John Lewis & Partners in 2010 and Group Productivity Director in 2015, where he led the Partnership's change programme. Andrew commenced his current role of Chief Information Officer on 1 February 2018.

Over the last decade Andrew has worked extensively in the pursuit of sustainable improvement in the economic performance of the UK's cities and city-regions – most notably as a Board member of London First and the New West End Company, the founding Chair of Scotland's first city centre Business Improvement District – "Essential Edinburgh" – and, latterly, as Chairman of both the UK China Visa Alliance and the Scottish Retail Consortium.

4. PAULA NICKOLDS ▲
Partner & Managing Director,
John Lewis & Partners

Appointed to the Partnership Board:
January 2017

Paula joined the Partnership in 1994 as a graduate trainee at John Lewis & Partners Oxford Street. Paula has developed her extensive retail leadership and customer proposition expertise through various roles in the John Lewis & Partners buying and marketing teams including as Head of Buying, Furniture and Head of Product Development for Fashion and Home. She joined the John Lewis & Partners Management Board in 2013 as Buying and Brand Director and was latterly Commercial Director, before joining the Partnership Board as Managing Director of John Lewis & Partners in January 2017.

5. SIR CHARLIE MAYFIELD ●▲
Partner & Chairman

Appointed to the Partnership Board:
September 2001

Sir Charlie Mayfield joined the Partnership in 2000 as Head of Business Development and the Partnership Board as Development Director in 2001. He was appointed Managing Director of John Lewis & Partners in 2005 and Chairman of the Partnership in 2007. Knighted in 2013 for services to business, he has extensive retail and business leadership experience.

Sir Charlie is Chairman of John Lewis Partnership Trust Limited. He is also Non-Executive Chairman of QA Group, a member of the Industrial Strategy Council and Retail Sector Council, President of the Employee Ownership Association, Non-Executive Chairman of the Productivity Leadership Group (charity), a member of the Blueprint Trust Advisory Council, Director of Central Surrey Health Trustee Limited, Trustee of Place2Be, the children's charity, and a Governor of Radley College.

6. ROB COLLINS ▲
Partner & Managing Director,
Waitrose & Partners

Appointed to the Partnership Board:
April 2016

Rob joined the Partnership in 1993 as a graduate trainee in John Lewis & Partners Oxford Street and progressed to a number of other store roles, including Managing Director of John Lewis & Partners Aberdeen and John Lewis & Partners Cribbs Causeway. Rob was appointed to the Waitrose & Partners Management Board as Personnel Director in 2010 and Retail Director in 2012. His career in the Partnership has given him in-depth knowledge of markets and changing business environments as well as expertise in operational success. He joined the Partnership Board as Managing Director of Waitrose & Partners in April 2016.

Rob is also a Trustee and Vice Chairman of The Prince's Countryside Fund.

7. PATRICK LEWIS ▲
Partner & Group Finance Director

Appointed to the Partnership Board:
February 2009

Patrick joined the Partnership in 1994 and has held a variety of shop roles in John Lewis & Partners. Patrick has extensive experience in strategic planning and became Director, Retail Operations in April 2007. In 2009 he took up the role of Partners' Counsellor and subsequently became Managing Director, Partnership Services in October 2012. He was appointed Group Finance Director in September 2015.

Patrick is also the Non-Executive Chair of Trustees for 3BM, and a Director of Girls Education Company Limited, Wycombe Abbey School.

MEMBER OF:

▲ Partnership Board
● Nominations Committee

THE PARTNERSHIP BOARD

Their diversity of skills and experience allows the Board to provide constructive challenge to, and support for, the Executive Team, and collectively they demonstrate a strong understanding of the Partnership's business and its stakeholders.

MEMBERSHIP

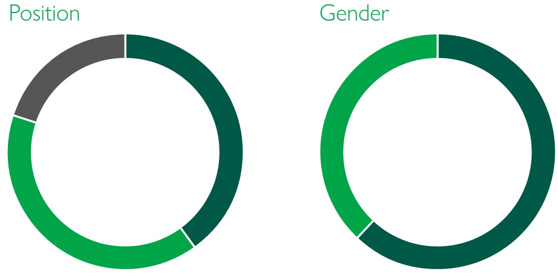
The composition of the Partnership Board is different from listed UK company boards due to the requirement of the Partnership's Constitution to have five Partner representatives selected by Partnership Council.

Members of the Partnership Board bring a range of skills and experience to the Boardroom through the mix of five Executive Directors, five democratically Elected Directors and three Non-Executive Directors, including the Deputy Chairman. Their diversity of skills and experience allows the Board to provide constructive challenge to, and support for, the Executive Team, and collectively they demonstrate a strong understanding of the Partnership's business and its stakeholders.

The Partnership Board comprises:
– **Executive Directors:** Sir Charlie Mayfield; Rob Collins; Tracey Killen; Patrick Lewis; and Paula Nickolds. See page 53 for biographical details for the Executive Directors and other members of the Executive Team.
– **Elected Directors:** Steve Gardiner; David Hay; Ollie Killinger; Nicky Spurgeon; and Becky Wollam.
– **Non-Executive Directors:** Keith Williams (Deputy Chairman); Andy Martin and Laura Wade-Gery.

Board composition

Position | Gender



- Elected Directors 5
- Executive Directors 5
- Non-Executive Directors 3

- Male 8
- Female 5

Five Partners are elected to the Partnership Board through a democratic voting process following the end of each three-year term of the Partnership Council. One of the recommendations from the governance reviews is that rolling elections of Elected Directors by Partnership Council will take place from 2021.

Elected Directors are neither Executive Directors nor Non-Executive Directors. Although they are not independent, they approach Partnership Board decisions and proposals by the Executive from their perspective as Partners, contributing to decision making through their knowledge and experience from working within the Partnership.

The Partnership Board reviews the independence of all Non-Executive Directors annually and has determined that they bring strong independent oversight and continue to be independent from management of the Partnership. The Board is also confident that none of the Non-Executive Directors have any cross-directorships or significant links to other organisations that would adversely interfere with their independent judgement. The letters of appointment of the Non-Executive Directors are available on request from the Company Secretary.

During the year under review, the following changes to the membership of the Partnership Board occurred:
– Tom Athron, former Development Director, ceased to be a Director with effect from 27 April 2018;
– Steve Gardiner and Ollie Killinger were both re-elected by Partnership Council and therefore continued as Directors and David Hay, Nicky Spurgeon and Becky Wollam were elected by Partnership Council and succeeded Chris Coburn, Kim Lowe and Baiju Naik as Directors with effect from 24 May 2018;
– Baroness Hogg's term of office as a Non-Executive Director and Chair of the Audit and Risk Committee expired on 30 June 2018. She was succeeded by Andy Martin who joined the Board as a Non-Executive Director and Chair of the Audit and Risk Committee on 1 July 2018 for an initial term of three years.

ROLE AND RESPONSIBILITIES

The Partnership Board is responsible for approving the Partnership Strategy as well as the Partnership's business plan. It 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 Partnership.

Through its Audit and Risk Committee, the Partnership Board is also responsible for reviewing the effectiveness of the Partnership's internal controls, including financial, operational, compliance and risk management systems, and for determining appropriate risk levels to achieve our strategic objectives.

1. LAURA WADE-GERY ●●●
Non-Executive Director

Appointed: September 2017

Laura is a leading British senior executive with experience of multi-channel retail. She has worked for a number of businesses including Marks & Spencer Group plc, where she was Executive Director heading up multi-channel and e-commerce from 2011 to 2016, including, from 2014, responsibility for UK stores. Prior to this she held roles, including CEO of Tesco.com, at Tesco plc, and at Gemini Consulting and Kleinwort Benson.

Laura is also a Non-Executive Director of British Land Company plc and NHS Improvement, a Non-Executive Director and Chair of the Remuneration Committee of Immunocore Limited, a member of the Government Digital Strategy Advisory Board and is on the Board of two charities: as a Trustee of the Royal Opera House and a Director of Snape Maltings Trading Limited.

2. ANDY MARTIN ■
Non-Executive Director

Appointed: July 2018

Andy was until 2015, Group Chief Operating Officer, Europe and Japan, for Compass Group plc, having previously been its Group Finance Director from 2004 to 2012. Before joining Compass Group, Andy was Group Finance Director at First Choice Holidays plc (now TUI Group) and prior to that held a number of senior finance roles at Granada Group plc and was a Partner at Arthur Andersen. Andy brings to the Board extensive experience in managing the associated risks and complexities of driving change in difficult climates. He is a chartered accountant.

Andy is a Non-Executive Director of easyJet plc, chairing its Finance Committee, and a Non-Executive Director at Intertek Group plc where he chairs the Audit Committee. He is Non-Executive Chairman of Hays plc.

3. KEITH WILLIAMS ●■■■
Non-Executive Director and Deputy Chairman

Appointed: March 2014

Keith is a highly regarded business leader with an extensive track record of operational transformation, digital strategy and industrial relations – including pensions – across a range of customer-focused industries. He was until March 2016 the Executive Chairman of British Airways having previously been its Chief Executive. He was also a Non-Executive Director of Transport for London and held senior roles at Reckitt and Coleman, Apple Computer Inc and Boots. He is a chartered accountant.

Keith is also the Deputy Chairman of John Lewis Partnership Trust Limited, Non-Executive Chairman of Halfords Group plc, Independent Non-Executive Director of Aviva plc and Royal Mail plc, and a co-opted member of the Audit Committee of the British Museum. He is also currently Independent Chair of a Government review of the rail industry.

4. DAVID HAY ●
Elected Director, Partner & Service Experience Manager Partnership IT
John Lewis Partnership

Appointed: May 2018

David has worked with the Partnership for over 30 years having joined as a warehouse assistant at Stevenage in May 1988. Having spent 10 years within distribution he moved to his first role in IT in 1998. Since then David has held a variety of service management roles and is currently Service Experience Manager Partnership IT which involves improving the IT delivered internally to Partners across the business. David was elected to Partnership Council in 2015 and was formerly a member of the Use of Profit and Finance Groups.

5. BECKY WOLLAM ●
Elected Director, Partner & Head of Shop Trade, Home Counties & East
Waitrose & Partners

Appointed: May 2018

Becky joined the Partnership in 2009 as a graduate trainee. She secured her first Branch Manager position in Leighton Buzzard, before leading branches in York, Leek and Glasgow. After six years in Retail Operations Becky moved into head office, with a year in Finance, representing retail on a large change programme before spending a year leading change within Retail. Becky moved back into Retail Operations as a Regional Manager, accountable for Waitrose & Partners shops in central London, before becoming Head of Shop Trade, Home Counties & East. Becky was elected to Partnership Council in 2015.

6. OLLIE KILLINGER ●
Elected Director, Partner & Product Owner
Waitrose & Partners

Appointed: November 2017

Ollie joined the Partnership in 2008 as a part-time weekend Partner in Waitrose & Partners Leighton Buzzard. He secured a student transfer to Waitrose & Partners Oadby whilst studying at University before returning to Leighton Buzzard in 2013. Since graduating, Ollie has progressed through various management positions in Waitrose & Partners branches, being part of the High Wycombe shop opening at the start of a large change programme looking at the operating model of our shops. This led to various Change Management roles in head office, looking at transformational programmes across Retail, Finance, Commercial, Product Supply and IT. Currently, Ollie is working within the Digital Development team looking at the future of personalisation and loyalty to truly differentiate our customers' experience. Ollie was elected to the Partnership Council in 2015, joining the Partner Group, a sub-committee of the Council, at the same time, before moving to Chair the Customer Group in November 2016.

7. STEVE GARDINER ●●
Elected Director, Partner & Cirencester Branch Manager
Waitrose & Partners

Appointed: May 2012

Steve joined the Partnership in 1996 as a management trainee for Waitrose & Partners. His training took him to branches in Petersfield and Godalming and he was subsequently appointed as Department Manager to Waitrose & Partners West Byfleet. Steve managed branches in Coulsdon and Weybridge before being appointed as Branch Manager at Waitrose & Partners Cirencester. Whilst at Cirencester, Steve has completed several secondment roles, including managing the opening of Waitrose & Partners Barry and Waitrose & Partners Buxton and as Registrar for Group L Waitrose. Steve's active involvement in the democratic structure began in 2009 when he was elected as a Partnership Councillor. He became an Elected Director in 2012 and is now in his third term in this role.

Steve is also a Trustee Director at employee-owned business, the Useful Simple Trust.

8. NICKY SPURGEON ●●
Elected Director, Partner & Programme Manager
John Lewis & Partners

Appointed: May 2018

Nicky joined the Partnership in 1998 as a management trainee for John Lewis & Partners and had a number of management roles in shops for five years before joining the johnlewis.com start-up team. Nicky went on to work in John Lewis & Partners head office taking on various positions in trading before moving into Project and Programme management. She has delivered projects which are now an integral part of the John Lewis & Partners business. Nicky currently manages customer focused projects that seek to develop new propositions as well as enhance customers' experience when shopping with John Lewis & Partners. Nicky's active involvement in democracy started in 2012 as a John Lewis & Partners Councillor and was followed by three years as a Partnership Councillor before joining the Partnership Board.

MEMBER OF:

- ● Audit and Risk Committee
- ● Corporate Responsibility Committee
- ● Nominations Committee
- ● Remuneration Committee
- ■ Committee Chairs shown as squares

The Partnership Board — continued

ACTIVITY DURING THE YEAR

PARTNERSHIP BOARD MEETINGS

There were nine Partnership Board meetings held during the year under review. As part of the continuing development of the role of the Executive Team and consistent with the simplification of our governance approach there will be fewer Board meetings from 2019/20.

All Directors attended all meetings they were eligible to attend with the exception of: Tom Athron was not able to attend the meeting held on 12 April 2018; Paula Nickolds was not able to attend the meeting held on 11 September 2018; David Hay was not able to attend the meeting held on 19 July 2018; Becky Wollam was not able to attend the meeting held on 11 September 2018; and Keith Williams was not able to attend the meeting held on 19 July 2018. In addition, due to pre-existing commitments that he informed the Partnership of prior to his appointment, Andy Martin was not able to attend two meetings held on 18 October 2018 and 15 November 2018.

Senior executives attend Partnership Board and Committee meetings as appropriate to support business proposals and investments, and report on material matters in relation to the business.

The Partnership Secretary and the Acting Partners' Counsellor, Helen Hyde, attended Partnership Board meetings held during the year but are not Directors. It is anticipated that the two new Independent Directors will attend Partnership Board meetings, but will not be Directors of the Partnership Board.

It is the practice of the Partnership Board and its Committees for Directors to either not attend a meeting, or to absent themselves from relevant agenda items, where they have a conflict or potential conflict of interest in what is being discussed.

In addition to the full Board meetings held during the year, the Board also met on a quorate basis on two further occasions. These quorate meetings were constituted by the Partnership Board from those members available at that time, to approve the final form of the announcements for the full and half-year results.

In addition to attending Board meetings, the Non-Executive Directors and the Elected Directors met together without the Executive Directors twice during the year. These meetings were facilitated by the Deputy Chairman.

STRATEGY

The Board received regular updates from the Executive Team on the development of the Partnership's strategy. This included a two-day meeting in May 2018 when it reviewed the plans in detail against the context of the market and performance. In particular the Board focused on how the pressures that were being faced would be addressed through the updated strategic direction which was announced in June 2018, building on 'It's Your Business 2028'. Since then the Board has also received regular updates.

The Board reviewed and approved the Partnership's business plan in July 2018 and the Partnership's 2019/20 budget in December 2018 following submission by the Executive Team (see page 52). In February 2019 the Board approved an updated budget which formed the basis for the Directors to assess the Partnership's long-term viability (see pages 43 and 85 for further details).

PERFORMANCE AND PROFIT

In March 2018 the Partnership Board considered the amount of the previous year's profits which should be retained for the maintenance and development of the Partnership's business and the amount which could be distributed to Partners as Partnership Bonus. The Partnership Board decided that Partnership Bonus for 2017/18 be distributed to Partners at the rate of 5% of their pay (6% for 2016/17). At the same time the Partnership Board reviewed and approved the announcement of the 2017/18 year-end results.

In March 2019, the Partnership Board considered and decided that Partnership Bonus for 2018/19 be distributed to Partners at the rate of 3% of their pay.

In April 2018, the Partnership Board approved the Partnership's Annual Report and Accounts 2018 and in September 2018 approved the release of the Interim Results for 2018/19.

The Partnership Board monitors the performance of the business at every meeting through the monthly financial performance report including the Partnership's liquidity position and an overview provided by the Group Finance Director, supported by trading updates from the Managing Directors of both brands.

BUSINESS PROPOSALS

During the course of the year and in accordance with its reserved matters, the Partnership Board reviewed and approved significant business proposals. During 2018/19 these included: the proposal to engage with the Partnership Council on a revised pension offer; authorisation of funding for the Waitrose Master Data Management and Merchandise Operations projects; approvals for the disposal of Waitrose & Partners shops; the proposal to commence detailed design work to restructure the Partnership's IT and Change functions; the move to an outsourced solution for property maintenance; and the closure of the Knight & Lee & Partners store.

Under Rule 39(ix) of the Constitution 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 basis. A number of such proposals were considered by the Partnership Board during the year.

Under the Partnership's Who is a member Policy the business case for activities that will involve the transfer of employment of 100 or more people must be submitted to the Partnership Board for approval. A number of such business cases were considered by the Partnership Board during the year.

GOVERNANCE

> We are in the midst of making a number of changes – not because previous changes were wrong but because governance should follow strategic changes.

SIR CHARLIE MAYFIELD
Partner & Chairman
John Lewis Partnership

During the year the Board oversaw the progress of the governance reviews described on pages 46 to 47. This included approving the potential redundancy implications for roles in Registry Leadership and Partnership Assurance roles.

Following the introduction of the new UK Corporate Governance Code and the publication of the Wates Principles, and in light of full reviews of its own governance arrangements, the Board agreed that the 2019 Annual Report and Accounts would state that the Partnership does not apply any formal corporate governance code. It is governed by its own Constitution. The Constitution is broadly consistent with the Wates Principles. A full explanation of the Partnership's governance is provided in the Governance section of this Annual Report and Accounts on pages 44 to 85. See page 82 for more information on the Partnership's response to corporate governance reforms.

The Board endorsed the Chairman's objectives for 2018/19.

The Audit and Risk Committee recommended to the Partnership Board that KPMG LLP be re-appointed as statutory auditor of the Partnership and all of its subsidiaries for the 2018/19 financial year, which the Partnership Board approved in April 2018.

> I was delighted to be elected onto the Board. It is clear we will need to continue to lead through significant and ever evolving change in the years ahead. But what excites me and gives me confidence, is we have what makes our business unique, Partners.

BECKY WOLLAM
Elected Director, Partner & Head of Shop Trade, Home Counties & East
Waitrose & Partners

BOARD INFORMATION

The Board receives and reviews a broad range of information sources and regular reports including, but not limited to:

- minutes and updates from the meetings of the Executive Team and the Partnership Board Committees;
- monthly financial reporting from the Group Finance Director against key performance indicators;
- quarterly risk update reports identifying any changes to principal risks and the progress of mitigating actions; and
- an annual report from the Chair of the Pension Trustee.

BOARD COMMITTEES

The Partnership Board is assisted in carrying out its oversight and assurance responsibilities by its Committees:

- the Audit and Risk Committee (see page 58);
- the Corporate Responsibility Committee (see page 66);
- the Nominations Committee (see page 69); and
- the Remuneration Committee (see page 72).

The responsibilities and membership of these Committees are set out in each Committee's report, and their respective Terms of Reference are available at

www.johnlewispartnership.co.uk

From time to time, the Partnership Board also delegates authority to ad hoc sub-committees to help finalise matters within agreed parameters set by the Partnership Board.

The Partnership Board: Audit and Risk Committee report

BUILDING TRUST THROUGH INTEGRITY AND CHALLENGE

ANDY MARTIN
Non-Executive Director & Chair of the Audit and Risk Committee

Committee composition

Independent External Members	2
Non-Executive Directors	2
Elected Directors	1

In an increasingly challenging and evolving retail environment, effective oversight of our finances, controls and risk management has never been more important.

The Audit and Risk Committee provides independent scrutiny and challenge to ensure that the Partnership always presents a true and fair view of its performance, focusing on the accuracy, integrity and communication of financial reporting. It also provides assurance that risks are being managed appropriately through examination of the Partnership's control environment and risk management strategies.

MEMBERSHIP AND COMPOSITION

The Partnership Board's Audit and Risk Committee comprises two Non-Executive Directors, one Elected Director and two Independent External Members. This composition allows the Committee to maintain appropriate levels of objectivity and independence when providing assurance over the Partnership's systems, operations and financial probity. Decisions can only be made by the Committee when three members are present, including at least one member who is independent. The members of the Committee at year-end and at the date of this report are:

Andy Martin	Chair of the Committee and Non-Executive Director
Ollie Killinger	Elected Director
Zarin Patel	Independent External Member
Sharon Rolston	Independent External Member
Keith Williams	Non-Executive Director & Deputy Chairman

Baroness Hogg stepped down as a member and Chair of the Committee on 30 June 2018. She was succeeded by Andy Martin on 1 July 2018. Kim Lowe stepped down as a member of the Committee on 24 May 2018. Ollie Killinger was co-opted as a member of the Committee for the purposes of the meeting held on 21 June 2018 and then appointed as a member of the Committee with effect from 19 July 2018.

Five Committee meetings were held during the year under review, which were attended by all members who were eligible to attend.

At each regularly scheduled meeting, the Committee meets separately with each of the external auditor and the Director, Audit and Risk, without management being present.

RELEVANT QUALIFICATIONS OF AUDIT AND RISK COMMITTEE MEMBERS AND COMPETENCE RELEVANT TO THE SECTOR

Andy Martin, Keith Williams, Zarin Patel and Sharon Rolston have significant, recent and relevant financial experience. Each is a qualified accountant and held senior finance roles. See below and page 55 for biographical information.

Andy Martin, Keith Williams, Ollie Killinger and Sharon Rolston have significant, relevant and in some cases ongoing experience of retail and customer facing businesses. See below and page 55 for biographical information.

Viewed as a whole, the Committee possesses competence relevant to the retail sector in which the Company operates.

INDEPENDENT EXTERNAL MEMBERS

Zarin Patel
Appointed: March 2016

Zarin is an Independent Non-Executive Director of Anglian Water Services Limited and sits on its Audit and Risk and Nominations Committees, and an Independent Member of the HM Treasury Group Audit & Risk Committees. She also sits on the Board of Trustees of the National Trust and chairs its Audit and Risk Committee. Zarin was most recently the Chief Operating Officer of The Grass Roots Group PLC. She was the BBC's Chief Financial Officer and member of its Board from 2004 to 2013. She was also Non-Executive Director, BBC Worldwide where she chaired both the Audit Committee and the Remuneration Committee. Zarin is a fellow of the Institute of Chartered Accountants in England and Wales.

Sharon Rolston
Appointed: March 2016

Sharon is Group Controller of Diageo PLC, joining in January 2010 from Nortel Networks Corporation where she held a number of senior finance leadership positions. Prior to her current role, she spent time in Diageo Europe; first as Finance Director Europe and latterly as Western Europe Finance and Strategy Director. She became Group Treasurer in 2014 and then Head of Investor Relations in February 2017. Sharon is a fellow of the Institute of Chartered Accountants in Ireland.

ROLE OF THE COMMITTEE

The Audit and Risk Committee operates in accordance with its Terms of Reference, which are available at

www.johnlewispartnership.co.uk

The role of the Committee is to:

1. Oversee the Partnership's external financial reporting including the integrity of the Partnership's Annual Report and Accounts, and other formal announcements relating to the Partnership's financial performance
2. Oversee the Partnership's relationship with its external auditors
3. Oversee the work and findings of the Partnership's Internal Audit function
4. Oversee the Partnership's systems of risk management and internal control, including an annual review of the effectiveness of the Partnership's processes

The Chair of the Corporate Responsibility Committee, Keith Williams, is a member of the Committee and when appropriate, provides updates on the key risk areas overseen by the Corporate Responsibility Committee, such as Health and Safety, Product and Food Safety, and Responsible Sourcing.

EXTERNAL FINANCIAL REPORTING

The Partnership prepares consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, which form part of the Annual Report and Accounts. An interim review is prepared at the end of the first six months of the year.

The Partnership operates under an internal control and risk management framework, which supports the preparation of consolidated financial statements. This includes policies and procedures designed to ensure that adequate accounting records are maintained and transactions are accurately recorded.

REGULATORS AND FINANCIAL REPORTING

In October 2018, the Financial Reporting Council (FRC) issued a letter to Audit Committee Chairs and Finance Directors on key matters relating to the preparation of annual reports and accounts. The Committee, along with management, have reviewed the letter and have taken the points raised into consideration in the preparation and review of the Partnership's 2019 Annual Report and Accounts.

ANNUAL REPORT AND ACCOUNTS

Since the year-end the Committee has reviewed the draft Annual Report and Accounts 2019 and recommended their approval to the Partnership Board.

As part of its review, the Committee assessed whether the Annual Report and Accounts provided a fair, balanced and understandable assessment of the Partnership's position, performance, business model and strategy.

The Committee considered and challenged management's assessment of the following:

- Does the Annual Report and Accounts provide a balanced view of the Partnership's performance and prospects, appropriately weighting setbacks and challenges?
- Is the report reflective of internal reporting and discussions, or have any items been omitted which should have been included?
- Are key issues and judgements discussed in the narrative reporting consistent with the Audit and Risk Committee report and estimates and judgements referred to in the financial statements?
- Are the KPIs presented and explained appropriately, with clear linkage from strategy and a clear track record of performance?
- Are financial measures not defined under IFRS clearly explained and used consistently with appropriate reconciliations to measures defined by IFRS?
- Are important messages, policies, transactions and significant changes from prior periods highlighted, explained, and not obscured by unnecessary detail?
- Does the report include simple, appropriate explanations of the business model, strategy and accounting policies?
- Does the governance section clearly explain how decisions are made?
- Is the language used in the report clear and precise, avoiding generic wording that is not specific to the Partnership?
- Is the layout of the Annual Report and Accounts clear, with good linkage throughout the report?

The Committee was satisfied that, taken as a whole, and having regard to the amendments made by the Committee, the John Lewis Partnership plc's Annual Report and Accounts 2019 is fair, balanced and understandable.

The Partnership Board: Audit and Risk Committee report — continued

OUR SIGNIFICANT FINANCIAL REPORTING ISSUES, AND OUR RESPONSE

As part of the preparation of the Annual Report and Accounts, the Committee considered the following significant financial reporting issues.

	1. IMPAIRMENT	2. EXCEPTIONAL ITEMS
Notes to the financial statements	3.1, 3.2	2.5
Issue	The Partnership has significant non-current assets, both tangible and intangible. Judgement is exercised in reviewing their carrying value in respect of possible impairment. Initial trigger tests, such as whether performance was in line with expectation, identified some assets with indicators of potential impairment. For each tangible asset identified, management prepared a value in use model or obtained valuations to assess the asset's recoverable amount and calculated an impairment charge where appropriate. For each intangible asset identified, consideration was given to changes in use, deterioration and evidence of obsolescence and an impairment charge calculated where appropriate.	Following challenge from the Committee, management has reviewed and updated the Partnership's accounting policy for exceptional items during the current year, with a view to improving the transparency and clarity of policy application. In addition, in response to a request from the Committee, management reviewed the appropriateness of the inclusion within exceptional items of restructuring and redundancy costs which were incurred over more than one year.
Response	The Committee reviewed the results of the trigger tests and challenged the methodology used to test impairment, including the assumptions used in cash flow projections as part of the value in use calculations. The Committee considered the sensitivity of the proposed impairment charges to movements in key assumptions such as the discount rate, long-term growth rate, performance projections and the wider economic environment. The Committee considered programmes where significant intangible assets have been capitalised or are in the course of construction, to ensure it is comfortable that future economic benefits will be generated. The Committee satisfied itself that the assumptions used and the resulting impairment charges were reasonable.	The Committee challenged both management and the auditors on the wording of the new exceptional policy and recommended the definition be amended to provide greater transparency to the users of the accounts. The subsequent change in wording was approved by the Committee. The Committee also challenged management and the auditors on the continued inclusion within exceptional items of restructuring and redundancy costs, given that costs have been incurred by the Partnership over recent years. Following provision of detailed analysis by management, it was proposed that restructuring and redundancy charges arising as a result of transformational strategic programmes would continue to be included under 'exceptional items'. Management also gave detailed consideration to the exceptional items disclosure within the financial statements, providing significantly increased disclosure on each programme. The Committee, having reviewed and discussed both the analysis and draft disclosures provided by management, satisfied itself as to the appropriateness of the items reported as exceptional and the transparency included within the disclosures.

3. PENSIONS

6.1

The Partnership operates a defined benefit pension scheme, open to all Partners, subject to length of service. The pension scheme liability is calculated using an actuarial model with a number of key assumptions, notably the discount rate and inflation rate. Significant judgement is exercised in determining these actuarial assumptions, and the overall pension scheme liability is sensitive to small movements in the discount rate and inflation rate.

During the year, management reviewed and proposed to change the methodology used in calculating the mortality assumptions, as set out in note 6.1.

The Committee reviewed the papers prepared by management, including the advice obtained by management from independent actuarial specialists on the appropriateness of the assumptions used. As part of this, the Committee considered these assumptions as compared with previous years and those used by our peer companies.

The Committee considered the proposed change in the mortality assumptions, including its compliance with IAS 19, and the rationale for change in methodology.

The Committee satisfied itself as to the acceptability of the key assumptions, particularly the discount rate and mortality assumptions, and concluded that the overall pension scheme liability is appropriate.

4. PROVISIONS

4.4

The Partnership has significant provisions in relation to its long leave scheme, which provides six months' paid leave after 25 years of service. It also makes provisions for expected future customer refunds, insurance claims and other items such as reorganisation, property related costs and pay. Judgement is exercised in making the assumptions that form the basis of the provision calculations.

The Committee reviewed the methodology and key assumptions used in determining significant provisions, including the basis for any release of provision. The Committee considered the past utilisation of each provision, as well as the sensitivity of the assumptions, when reviewing the appropriateness of the provision.

The Partnership held a specific pay provision for the potential costs of complying with the National Minimum Wage (NMW) Regulations. During the year, the Committee reviewed updates from management detailing the status of discussions with HMRC, the legal basis, and advice from independent NMW specialists. The Committee reviewed management's conclusions and the key assumptions used in calculating their relative sensitivities, including the amounts relating to penalties. The Committee also reviewed utilisation in the form of payments to Partners, the release of provision following clarification of the calculation, and how this should be presented in the financial statements.

The Committee concluded that the amounts recorded in respect of provisions were appropriate, represented the current best estimate of each liability and that associated disclosures were appropriate.

5. DEPRECIATION AND USEFUL ECONOMIC LIVES

3.2

The Partnership has significant non-current tangible assets in the form of freehold land and buildings and long leasehold buildings. Depreciation is recorded to write down non-current assets to their residual value over their estimated useful lives. Determining an asset's residual value and estimated useful life involves significant judgement.

The Committee satisfied itself that the residual values and useful economic lives were appropriate, considering the sensitivity of changes in residual value on depreciation.

6. FREE WARRANTIES

2.2

The Partnership offers warranties on Electricals & Home Technology goods. These are provided 'free' to the customer but represent a separate performance obligation for the Partnership under IFRS 15. The Partnership's IFRS 15 sales model estimates the fair value of the 'free' warranties included within the sales price of these items. The fair value of these warranties is deferred on the balance sheet and recognised as revenue over the life of the warranty.

The Committee received a memorandum from management detailing the calculation used to establish the fair value of the 'free' warranties, and the assumptions and judgements used within it. The Committee satisfied itself that the deferred income recognised in respect of 'free' warranties was appropriate along with the profile of recognition in the income statement.

The Partnership Board: Audit and Risk Committee report — continued

VIABILITY AND GOING CONCERN

The Directors must satisfy themselves as to the Partnership's ability to continue as a going concern for a minimum of 12 months from the approval of the financial statements. Additionally, the Directors report on the longer-term viability of the Partnership, over a period of three years. The Committee supported the Board in its assessment of both going concern and viability by considering whether, in the challenging but plausible risk scenarios identified, the Partnership has adequate liquid resources to meet its obligations as they fall due in the next 12 months and to remain commercially viable over the three-year period to January 2022.

The Committee reviewed the Partnership's budget, business plan and cash flow forecasts and the potential impact of a range of downside scenarios, ensuring these were consistent with the risks to achieving the Partnership's strategy identified and reviewed by the Board. The Committee also considered the impact of multiple risks occurring simultaneously and challenged the feasibility and time frames associated with the Board's mitigating actions.

As a result of the procedures performed, the Committee satisfied itself that the going concern basis of preparation is appropriate and that the Partnership is commercially viable over the duration of its assessment period. The Committee also considered ways that management could further enhance the viability disclosure, particularly in light of recent FRC guidance and recommendations on best practice reporting, by including references to the wider market context and mitigation options. The Board's Going Concern Statement is included within the Directors' report on page 85 and the Viability Statement is within the Strategic report on page 43.

NEW ACCOUNTING STANDARDS

During the year, the Partnership adopted and reported under IFRS 15 (Revenue from Contracts with Customers) and IFRS 9 (Financial Instruments) for the first time. The Committee reviewed and approved the transition adjustments, judgements, estimates and disclosures required in respect of these standards.

Throughout the year, the Committee considered and approved the transition approach and accounting policies in respect of IFRS 16 (Leases), including the judgements, assumptions and estimates made by management and the impact these would have on the financial statements upon transition on 27 January 2019 and in the first year of adoption to 25 January 2020.

EXTERNAL AUDIT ACTIVITIES

EVALUATION AND RE-APPOINTMENT OF AUDITOR

KPMG LLP were the Partnership's external auditor for 2018/19. They provided the Committee with relevant reports, reviews, information and advice throughout the year, as set out in their engagement letter.

The Committee is responsible for making a recommendation to the Partnership Board relating to the appointment, re-appointment or removal of the external auditor.

In February 2019, the Committee conducted an evaluation of the external auditor's performance. Members of the Committee and senior finance management within the Partnership were provided with an opportunity, through an evaluation questionnaire, to comment on the effectiveness of the external auditor and the audit process.

In assessing the effectiveness of the external auditor, the following were considered:

- The terms and the scope of the work of the external auditor, as set out in the engagement letter.
- The experience and expertise of the audit team.
- The audit work plan for the financial year 2018/19.
- The detailed findings of the interim review, including how the auditor assessed key accounting and audit judgements and discussion of any issues that arose.
- The constructive challenge and professional scepticism applied by the audit team in dealing with management.

The outcome of the evaluation was considered by the Committee, which concluded that the effectiveness of the external auditor and the audit process was satisfactory and recommended the re-appointment of KPMG LLP to the Partnership Board.

AUDIT FIRM TENDERING

It is the Committee's policy to ensure that there is audit partner rotation every five years to safeguard the external auditor's objectivity and independence. In 2012/13, the Committee adopted a policy relating to tendering the external audit contract at least every 10 years.

Following the audit tender process in 2015/16, the year ended 26 January 2019 was the third year of audit by KPMG LLP and the third year of the audit engagement partner, Mike Maloney's, appointment.

AUDITOR'S INDEPENDENCE AND OBJECTIVITY AND NON-AUDIT SERVICES

The Committee continually reviews the nature and extent of non-audit services provided to the Partnership by the external auditor and receives confirmation from the external auditor, at least annually, that in their professional judgement, they are independent with respect to the audit.

The Committee recognises that the independence of the external auditor is a fundamental safeguard for the interests of Partners. The Partnership has a non-audit services policy that allows the external auditor to be appointed to provide non-audit services in exceptional circumstances. The policy was reviewed in light of EU Regulations, which became effective in June 2016, with no significant changes required. The Partnership's non-audit services policy is summarised below.

Details of the amounts paid to the external auditor are given in note 2.6 to the consolidated financial statements. The ratio of non-audit services fees to audit and audit-related services fees was 10% (2018: 22%).

Having undertaken a review of the non-audit services provided during the year, at both the half-year and year-end, the Committee is satisfied that these services did not prejudice the external auditor's independence.

SUMMARY OF NON-AUDIT SERVICES POLICY

- In line with our policy, the Partnership's auditor is prohibited from supplying most categories of non-audit services
- Prohibited services include bookkeeping or other services related to the accounting records or financial statements; internal audit services; taxation services; and any other work that could compromise the independence of the external auditor or is prohibited by the UK regulator's ethical guidance
- There is a specific approval process for any non-audit work to be undertaken by the external auditor. Any proposal to engage the external auditor to perform non-audit services must be referred to the Group Finance Director for approval. Where fees exceed £100,000, the proposal must be approved by the Chair of the Committee, and where fees exceed £250,000, the proposal must be approved by the whole Committee

THE PARTNERSHIP'S SYSTEMS OF RISK MANAGEMENT AND INTERNAL CONTROL

RISK MANAGEMENT

Assessing and managing risk is fundamental to safeguarding our Partners' interests, protecting our reputation, complying with regulatory standards and achieving our business objectives.

To enable this, the Partnership has a risk management framework, including a process for how we identify, evaluate, manage and monitor the principal risks faced by the Partnership, supported by tools, dedicated Partners and a risk governance structure with defined accountability. Further details on this can be found on pages 38 to 42, along with details of our principal risks and how we mitigate them.

INTERNAL CONTROL

The systems of internal control we have established are designed to manage, rather than eliminate, the risk that is inherent in pursuit of our business strategy and objectives. As a consequence, our internal controls can only provide reasonable, and not absolute, assurance against material misstatement or loss.

The Partnership Board receives updates through the Chair of the Committee and copies of its minutes on the operation of the systems of internal control for risk management. During the year under review, reporting was through presentations from senior management, the Chairs of Divisional Risk Committees and Financial Control as well as the work of Internal Audit, which provides objective assurance on the effectiveness of controls through the delivery of a risk-based work plan. The Director, Audit and Risk reports functionally to the Chair of the Committee and operationally to the Group Finance Director.

At the end of the year, the Committee conducted an annual review of the effectiveness of the risk management framework, supported by a self-certification exercise by management.

During the year:

- The Committee has continued to focus on the challenges presented by the complex GDPR requirements introduced in the year, as well as plans to improve our IT resilience and Data Privacy compliance in response to the ongoing external threat of an information security breach or cyber attack
- The Committee has continued to support the Partnership's approach to identifying and managing risks exacerbated by Brexit and has focused challenge on proposed options to mitigate the Partnership's key Brexit related risk areas
- The Committee has provided more focus on areas of regulatory compliance due to the changing external regulatory environment
- The Committee has reviewed reports from management in relation to controls activity undertaken in the year in relation to key financial risks, including the testing of key controls
- The Committee continues to have oversight of open and overdue Internal Audit findings, with an ongoing focus on action-owner accountability and consequences for non-delivery

The focus for the year ahead is to continue to proactively manage our response to the Partnership's Brexit related Partner, customer and trading risks, and oversee the implementation of activities as the external landscape becomes more clear, whilst continuing to develop the quality of our risk and control frameworks. The Partnership's approach to risk management is detailed on pages 38 to 42.

The Partnership Board: Audit and Risk Committee report — continued

THE PARTNERSHIP'S APPROACH TO INTERNAL AUDIT

Partnership Internal Audit is an independent and objective assurance and advisory function, operating to add value to the business through challenging, improving and assuring systems of risk management and control.

The purpose of Internal Audit is to support the Committee in fulfilling the parts of its remit laid down by the Partnership Board that require it to oversee:

1. The integrity of the Partnership's Annual Report and Accounts, and other formal announcements relating to the Partnership's financial performance
2. The Partnership's systems of risk management and internal control

Internal Audit brings a systematic and disciplined approach to evaluating and improving the effectiveness of the Partnership's risk management, control and governance processes.

The Committee reviews and approves the scope of the Internal Audit work programme on an annual basis, which covers both advisory and assurance related reviews of operational, financial and IT processes as well as key change projects and programmes across the Partnership. Work undertaken during the year includes the reviews set out below.

At each meeting of the Committee, the Director, Audit and Risk reports on the current status against the agreed audit plan, control weaknesses identified and management's progress in developing the control environment.

Partnership Internal Audit was subject to independent external quality assessment (EQA) during 2015, in compliance with section 1312 of the Institute of Internal Auditors (IIA) standards, which requires independent EQA once every five years.

The review outlined the level of conformance with the IIA's Code of Ethics and International Standards and offered specific recommendations to improve the quality and operations of the function. Progress against recommendations raised by the EQA is presented by the Director, Audit and Risk at each Committee meeting and is on track.

KPIs measuring the efficiency and effectiveness of the Internal Audit function were introduced during 2015/16, covering the core value areas of 'impact', 'involvement' and 'influence'. These continue to be used to benchmark performance against prior years and to demonstrate the continuous improvements made to mature the function and the quality of service provided to the Partnership. The Director, Audit and Risk reports on these KPIs at every Committee meeting.

The Partnership's Internal Audit Team won the Chartered Institute of Internal Auditors 'Outstanding Team' Award for UK Private Sector businesses at the 2018 IIA Annual Awards. The award recognised the team's successful change over the last three years, with the judges acknowledging the team's transformation, trust built with leaders and influence on behaviour, culture and operations across our business, as key differentiators from the competition.

REVIEWS UNDERTAKEN DURING THE YEAR

FINANCE

- INTERNAL CONTROLS FRAMEWORK
- CAPITAL EXPENDITURE AND FIXED ASSETS

REGULATORY/OTHER

- GSCOP
- GDPR READINESS
- IMPORT LOGISTICS & COMPLIANCE
- WHISTLEBLOWING
- PRODUCT RECALL

IT & PROGRAMME

- IT SERVICE MANAGEMENT
- IT SECURITY PROGRAMME REVIEW
- FUNCTIONAL CHANGE

OPERATIONS

- WAITROSE BUYING OFFICE
- ANCILLARY DISTRIBUTION CENTRE
- REBATES

"My work as a member of the Audit and Risk Committee has given me deeper insight into the workings of the Partnership. Through each member's focus on appropriate oversight and challenging of the status quo, we aim to provide assurance to Partners that external financial reporting, internal controls, risk management and risk tolerance levels are supporting their Partnership.

OLLIE KILLINGER
Elected Director, Partner & Product Owner
Waitrose & Partners

GROCERIES (SUPPLY CHAIN PRACTICES) MARKET INVESTIGATION ORDER 2009 (THE ORDER) AND THE GROCERIES SUPPLY CODE OF PRACTICE (GSCOP)

Waitrose & Partners is subject to the Order and the GSCoP. As required by the Order and the GSCoP, Waitrose & Partners' Code Compliance Officer (CCO) is obliged to present an annual report detailing the business' compliance to GSCoP to the Partnership's Audit and Risk Committee, for onwards submission to the Competition and Markets Authority (CMA). The reporting period covered is 28 January 2018 to 26 January 2019.

The CCO presented the report to the Committee on 9 April 2019 and reported a slight decrease in the number of suppliers raising GSCoP queries in the trading period. Two concerns were carried over from the previous year and there were ten new issues raised by suppliers, of which four involved the CCO. In each case we worked with the suppliers involved to understand their concerns and seek a resolution in a timely manner. One query was still in progress at the end of the reporting period. There were no formal disputes raised during the year.

The Committee reviewed and approved the annual report and also noted and agreed with the points raised in the Internal Audit report on GSCoP compliance. They welcomed the activity undertaken to enhance training and support materials and discussed the findings of the recent Groceries Code Adjudicator (GCA) investigation. They supported the approach and plan for ensuring ongoing GSCoP compliance.

See page 84 of the Directors' report for further information.

WHISTLEBLOWING

The Partnership's whistleblowing procedures allow Partners to raise any concerns about possible improprieties including matters of financial reporting, risk, fraud, internal controls and auditing issues. During the year, whistleblowing was managed by Registry, which can engage Internal Audit, or other third parties as appropriate, when conducting investigations. The Committee receives bi-annual reports on the level and nature of issues raised.

An Internal Audit review of the whistleblowing process was undertaken this year and recommendations to improve the process have been agreed.

On behalf of the Audit and Risk Committee.

Andy Martin

ANDY MARTIN
Non-Executive Director and
Chair of the Audit and Risk Committee

The Partnership Board: Corporate Responsibility Committee report

BEING A RESPONSIBLE BUSINESS

KEITH WILLIAMS
Non-Executive Director and Chair of the Corporate Responsibility Committee

Committee composition

● Elected Directors	2
● Non-Executive Directors	2
● Independent External Members	1

The Partnership continues to recognise the need to act rapidly in the face of significant social and environmental challenges facing the business and the communities in which we operate.

As the Partnership's Corporate Responsibility Committee, we have worked with our Corporate Responsibility teams to support the Partnership in responding to these challenges and in seeking the opportunities they bring for our business, customers, Partners and other stakeholders.

MEMBERSHIP AND COMPOSITION

The members of the Committee at year-end and at the date of this report are:

Keith Williams	Chair of the Committee & Non-Executive Director
David Hay	Elected Director
Dame Fiona Reynolds	Independent External Member
Laura Wade-Gery	Non-Executive Director
Becky Wollam	Elected Director

Steve Gardiner was co-opted as a member of the Committee for the purposes of the meeting held on 5 June 2018 only. Chris Coburn and Baiju Naik stood down as members of the Committee on 24 May 2018 and David Hay and Becky Wollam joined the Committee with effect from 19 July 2018.

There were four meetings held during the year under review. All meetings were attended by those members eligible to attend with the exception of Laura Wade-Gery who was unable to attend the meeting held on 5 June 2018 and Becky Wollam who was unable to attend the meeting held on 4 December 2018.

During the year under review, the Committee was supported by the Director of Personnel, the Director, Legal and Director, Corporate Responsibility who attended meetings on a regular basis.

Decisions could only be made by the Committee when three members are present including at least one Non-Executive Director and one Elected Director.

INDEPENDENT EXTERNAL MEMBER

Dame Fiona Reynolds
Appointed: March 2016

Dame Fiona is Master of Emmanuel College, Cambridge. She is a Non-Executive Director of Wessex Water and Chair of its Futures Panel and a Trustee of the Grosvenor Estate. In a voluntary capacity she also Chairs the Cathedrals Fabric Commission for England, the Cambridge University Botanic Garden Syndicate, the environmental charity Green Alliance and the International National Trusts Organisation. She is also a member of the Government's review of Protected Landscapes in England. She was Director General of the National Trust from 2001–2012 and previously Senior Independent Director of the BBC's Executive Board.

ROLE OF THE COMMITTEE

The Corporate Responsibility Committee was established by the Partnership Board in September 2015. It operated in accordance with its Terms of Reference that are available at www.johnlewispartnership.co.uk

The role of the Committee was to:

1. Oversee and make recommendations to the Board in respect of the Partnership's Corporate Responsibility (CR) Policy and objectives
2. Monitor performance against the Partnership's CR Policy
3. Monitor the effectiveness of the management of the Partnership's CR obligations and risks
4. Review the effectiveness of the Partnership's procedures for maintaining and safeguarding the Partnership's corporate reputation
5. Review and endorse the Partnership's CR report available at www.johnlewispartnership.co.uk/csr

The Committee had responsibility for providing oversight in a number of areas previously under the remit of the Audit and Risk Committee including Health and Safety, Food Safety, Product Safety and Responsible Sourcing and received regular updates from the Partnership Health and Safety Management Committee, the John Lewis & Partners Corporate Social Responsibility Committee and the Waitrose & Partners Corporate Social Responsibility Committee.

CORPORATE RESPONSIBILITY IN THE PARTNERSHIP

The Partnership has always taken a long-term view and our Founder, John Spedan Lewis, understood that the choices we make as a business impact both our future success and the wider society in which we operate. Specifically, the Principles set out in our Constitution define how the Partnership should behave in relation to Partners (Members), customers, business relationships and the community (see pages 48 to 49 for the Principles in full). In addition, Section 3 of the Constitution outlines clearly our 'Responsibilities to others' in respect of our dealings with customers, suppliers and competitors and our impact on the environment.

Our approach to corporate responsibility continues to be underpinned by these values as we navigate a radically changing world. Our strategy describes our corporate responsibility priorities and how they support the Partnership's business strategy. We use this framework to manage our most material issues and make a positive contribution in those areas where we can have the greatest impact. Our commitments of Transforming Lives, Always Fair and Never Wasteful unite John Lewis & Partners and Waitrose & Partners around shared goals, whilst providing flexibility for each brand to respond in a way that's right for them.

2018/19 REVIEW

Through updates on corporate responsibility strategy and Divisional plans, the Committee received updates on all areas of the corporate responsibility agenda and reviewed the Partnership's progress across a number of issues with particular focus on the following key areas:

CORPORATE RESPONSIBILITY STRATEGY INTEGRATION

In June and October 2018, the Committee received updates from the Managing Directors of Waitrose & Partners and John Lewis & Partners. The updates focused on progress the brands were making in relation to corporate responsibility and how corporate responsibility strategy was being embedded into strategic decision making and business planning.

The Committee also reviewed an update on corporate responsibility performance in the Partnership's procurement function which clarified the performance of the function and outlined key developments for the year ahead. The approach to corporate responsibility formed a significant part of the overall business review of the procurement function and is now being embedded across the function with an emphasis on supplier selection.

TRANSFORMING LIVES

The Committee reviewed an update on assurance against the Partnership's Diversity and Inclusion Policy. The Policy is designed to ensure the business meets both the legal obligations and business objective to be an inclusive business, as set out in the Constitution. The Committee discussed the benefits of taking positive actions to tackle the gender pay gap and our recruitment levels from the Black, Asian and Minority Ethnic (BAME) community.

In December 2018, the Committee reviewed progress of the Partnership's wellbeing, Diversity and Inclusion and community strategy and its role as part of the broader business strategy of empowering our Partners. Amongst other considerations, the Committee challenged areas that were less developed – for example, the level of integration and role of volunteering within both the community investment strategy and the broader Partner strategy.

> "Regardless of the context of acutely challenging times for retail, we continue to take our corporate responsibilities very seriously, and have made further progress in addressing our impact on, and responsibility for, the environment and our communities.
>
> **PAULA NICKOLDS**
> **Partner & Managing Director**
> John Lewis & Partners

OUR CORPORATE RESPONSIBILITY STRATEGY

Pages 24 to 25

PARTNER

TRANSFORMING LIVES

PAGE 29

We aim to create a diverse and inclusive culture while nurturing our wellbeing and the wellbeing of the communities around us, because the future of our business depends on us, as Partners, reaching our full potential.

- COMMUNITY & VOLUNTEERING
- HEALTH & WELLBEING
- DIVERSITY & INCLUSION

CUSTOMER

ALWAYS FAIR

PAGE 33

We aim to give our customers confidence in the products we sell and the way we sell them by increasing transparency in how products have been grown, sourced and made and through conducting fair business and customer relationships.

- PEOPLE & SUPPLY CHAINS
- RAW MATERIALS & SUSTAINABLE SOURCING
- FARMING & FOOD

PROFIT

NEVER WASTEFUL

PAGE 37

We aim to use natural resources as efficiently as possible and innovate to reduce our environmental impact and emissions because by delivering more with less, we'll protect our long-term financial sustainability.

- BUILDINGS & TRANSPORT
- WASTE & PACKAGING
- REUSE & REPURPOSE

LEADERSHIP

Programmes and initiatives that will transform the way we respond to challenges.

&

CORE PROGRAMMES

Programmes and activities through which we monitor and manage key risks.

The Partnership Board: Corporate Responsibility Committee report — continued

> Our corporate responsibility strategy is designed to support both the overall Partnership corporate responsibility strategy and our business plan. The Committee have provided valuable insight and challenge and encouraged us to drive our initiatives forward for Partners, customers and society.

ROB COLLINS
Partner &
Managing Director
Waitrose & Partners

RULE 109 OF THE CONSTITUTION
The Partnership must take all reasonable steps to minimise any detrimental effects its operations may have on the environment, and to promote good environmental practice.

ALWAYS FAIR

The Committee reviewed and endorsed the Partnership's 2017/18 Modern Slavery Statement. The statement was reviewed alongside the Partnership's *Corporate Responsibility Report* as well as corporate responsibility content in the Annual Report and Accounts. The Committee challenged the team to continue ensuring that corporate responsibility related communications were engaging and Partner friendly. Through updates from the brands, the Committee monitored progress against our ethical trading, raw material sourcing and farming and animal welfare plans. These plans support the Partnership's commitment to being always fair with how we source, make and sell products.

NEVER WASTEFUL

The Committee considered the Partnership's operational corporate responsibility strategy including detailed analysis of the risks of climate change, key targets we need to meet and how we would meet them as well as some of the opportunities our approach presented.

HEALTH AND SAFETY

Health and Safety was a significant focus area for the Committee. Over the course of the year, the Committee received updates on the progress of the Partnership's new Health and Safety operating model, including the new set of Health and Safety KPIs and other Health and Safety controls.

NARRATIVE REPORTING

Since the year-end, the Committee endorsed the corporate responsibility content in the Annual Report and Accounts and the *Corporate Responsibility Report* 2018/19, along with the Modern Slavery Statement 2018/19.

GOVERNANCE GOING FORWARD

As part of the Executive Team's decision to simplify governance, the Committee held its last meeting in March 2019 and is in the process of being disbanded. A new Partnership Corporate Responsibility Group, chaired by the Managing Director, Waitrose & Partners, is to be established to oversee the Partnership's corporate responsibility framework on behalf of the Executive Team, and to ensure that it is fully embedded within the business supporting the objective of differentiation to drive additional value from the brands.

GREENHOUSE GAS EMISSIONS

The Partnership is committed to reducing our environmental impact, sourcing renewable energy, finding more efficient ways to distribute our goods and managing our waste and use of resources. We have set a new target to be net zero carbon emissions by 2050. The table to the right provides more detail on our greenhouse gas emissions and a description of what each 'Scope' means, as well as the methodology behind the figures.

METHODOLOGY

The Partnership has reported on all of the Greenhouse Gas (GHG) emission sources as required under the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013. The methodology used to calculate our GHG emissions is the GHG Protocol Corporate Accounting and Reporting Standard (revised edition), using the operational control approach on reporting boundaries. This covers the properties where the Partnership has operational control and is financially responsible for the utility supply. Data has been calculated using Defra 2017 emission factors, with the exception of certain refrigerants, and emission sources associated with our Leckford Farm, which are taken from industrial and academic sources. Further detail on the methodology is set out within the John Lewis Partnership Basis of Reporting available on our website.

"The Partnership remains committed to tackling issues impacting communities in which we operate, and the wider environment. The new executive-level Partnership Corporate Responsibility Group further demonstrates how addressing the impact of our business is part of our strategy."

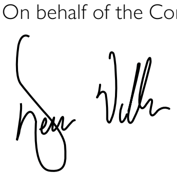
DAVID HAY
Elected Director, Partner
& Service Experience Manager, Partnership IT

Global GHG emissions data[1]

	2018	2017
Scope 1 (tonnes CO_2e)[2]		
Combustion of fuel and operation of facilities, refrigeration	**168,029**	176,611
Scope 2 (tonnes CO_2e)[3]		
Electricity purchased and heat and steam generated for own use		
– Location-based	**182,978**	227,334
– Market-based	**7,352**	6,425
Scope 3 (tonnes CO_2e)[4]		
Water, business travel, waste to landfill and transmission and distribution losses from purchased electricity	**44,373**	50,510
Intensity measurement (tonnes CO_2e per £m sales)		
– Location-based	**34.2**	39.3
– Market-based	**19.0**	19.9

1 Figures presented are for each approximate calendar year.
2 Scope 1: Emissions associated with our direct activities, such as heating our shops and offices and running our fleet of trucks and company cars.
3 Scope 2: Emissions from the electricity we purchase to run our buildings. 'Location-based' represents the GHG intensity of the grids where we have sites and 'market-based' reflects the emissions for the electricity we have purchased as a business and is lower because of our renewable energy sourcing.
4 Scope 3: Emissions from our indirect activities such as business travel that isn't in company-owned cars, our water use or unrecycled waste disposal.

On behalf of the Corporate Responsibility Committee.



KEITH WILLIAMS
Non-Executive Director and Chair of the Corporate Responsibility Committee

The Partnership Board: Nominations Committee report

LEADERSHIP AND EFFECTIVENESS

KEITH WILLIAMS
Non-Executive Director and Chair of the Nominations Committee

Committee composition

• Elected Directors	2
• Non-Executive Directors	2
• Executive Directors	1

The Nominations Committee's main role is to ensure there is a strong succession and a robust appointment process to the Partnership Board.

MEMBERSHIP AND COMPOSITION

In view of the upcoming work on the Chairman's succession and as part of the recommendations from the Board governance review, it was agreed that Keith Williams, Non-Executive Director and Deputy Chairman, would be Chair of the Committee with effect from 19 July 2018.

The members of the Committee at year-end and at the date of this report are:

Keith Williams	Chair of the Committee & Non-Executive Director
Sir Charlie Mayfield	Chairman
Steve Gardiner	Elected Director
Nicky Spurgeon	Elected Director
Laura Wade-Gery	Non-Executive Director

This provides a broad mix of members, including those mindful of Partners' interests. To ensure this balance is preserved, the quorum (three members) requires at least one Non-Executive Director and one Elected Director along with the Chairman of the Committee (or his appointed deputy).

Baroness Hogg stood down as a member of the Committee on 30 June 2018 and was succeeded by Laura Wade-Gery with effect from 19 July 2018. Kim Lowe stood down as a member of the Committee with effect from 24 May 2018 and Nicky Spurgeon was appointed with effect from 19 July 2018.

There were nine Committee meetings held during the year under review. All eligible members attended each meeting with the exception of: Baroness Hogg was unable to attend the meeting held on 1 March 2018; and Keith Williams was unable to attend the meeting held on 19 July 2018. In his absence this meeting was chaired by Michael Herlihy, Partnership Secretary.

ROLE OF THE COMMITTEE

The Committee's responsibilities are to support the Chairman in ensuring that:

1. There is a formal, rigorous and transparent process for the appointment and succession of new Directors to the Board
2. Appropriate development and training is provided to enable each Board member to fulfil their accountabilities as a member of the Board

The Nominations Committee operates in accordance with its Terms of Reference that are available at www.johnlewispartnership.co.uk

The Committee is supported by the Director of Personnel and assisted by independent consultants, as required.

APPOINTMENTS

The Nominations Committee oversees the process for selecting and recommending candidates for appointments to the Partnership Board. This includes working with the Chairman and the Director of Personnel to establish the experience and capabilities required on the Board going forward as well as using external search consultants where appropriate.

The Nominations Committee takes no part in the appointment of the Elected Directors, which is overseen by Partnership Council.

The Partnership Board: Nominations Committee report — continued

CHAIRMAN

In November 2018 Sir Charlie Mayfield announced that he would be standing down as Chairman, having been in the role since 2007. In accordance with the Constitution, the Chairman is the Chairman of the Partnership Board, by virtue of his appointment as Chairman of the Trust Company. As set out in the Trust Company's constitutional documents, the ultimate choice of successor remains with the outgoing Chairman. However, this process is overseen by the Nominations Committee, chaired by Keith Williams, Deputy Chairman. The Nominations Committee informs the Board concerning the plans and the process for the Chairman's succession and the Partnership Board approves the Chairman's nominee to succeed him on retirement.

The Nominations Committee is overseeing the search process for the new Chairman supported by independent search consultants, Egon Zehnder Limited. This has included developing the role specification, a selection process designed to include consideration of both internal and external candidates, a candidate brief and timeline. In January 2019 the Committee participated in a workshop on unconscious biases led by Egon Zehnder Limited as part of its preparation before the formal assessment of potential candidates. At the date of signing this Annual Report and Accounts the search process is ongoing. Egon Zehnder Limited has also provided the Partnership with the following services: coaching services; Executive Leadership Profile programmes; Executive Team and senior executive leadership development programmes; facilitating an Executive Team leadership day in Manchester in June 2018; and support for team facilitation for teams outside of the remit of the Committee.

The use of the term 'Chairman' reflects the terminology contained within the Partnership's constitutional documents and is intended to be construed as gender neutral for these purposes.

NON-EXECUTIVE DIRECTOR RECRUITMENT

The Committee oversaw the recruitment and selection process to succeed Baroness Hogg as Non-Executive Director and Chair of the Partnership's Audit and Risk Committee, assisted by Russell Reynolds Associates, an external search consultant. Russell Reynolds Associates has no other connection with the Partnership.

The Committee recommended the appointment of Andy Martin, which was agreed by the Partnership Board and he became a Non-Executive Director and Chair of the Audit and Risk Committee, effective 1 July 2018. The Committee also recommended that Baroness Hogg's term of office be extended from 31 May 2018 to 30 June 2018 to enable a handover of her responsibilities as Chair of the Audit and Risk Committee, which was approved by the Board.

Non-Executive terms of office

Keith Williams has indicated to the Partnership Board that he intends to stand down as Deputy Chairman, following completion of the Chairman's succession process. The Committee recommended to the Board that his term of office, which was due to expire on 28 February 2019, be extended accordingly, which was approved by the Board.

The Nominations Committee recommended to the Board that the terms of office of Zarin Patel and Sharon Rolston as Independent External Members of the Audit and Risk Committee, which were due to expire on 1 March 2019, be extended to 30 April 2021, which was approved by the Board.

The Nominations Committee also recommended to the Board that the term of office of Dame Fiona Reynolds as an Independent External Member of the Corporate Responsibility Committee, which was due to expire on 1 March 2019, be extended, subject to considering the implications of the decision to establish a Partnership Corporate Responsibility Group, which was approved by the Board.

> It's a unique opportunity to be personally responsible in the search process for our new Chairman. I constantly remind myself that my duty is to balance both Partner interests and the overall sustainability of the business.
>
> **NICKY SPURGEON**
> Elected Director, Partner & Programme Manager
> John Lewis & Partners

FOR FURTHER INFORMATION
See pages
55 – Andy Martin
58 – Zarin Patel
58 – Sharon Rolston
66 – Dame Fiona Reynolds

MEMBERSHIP OF BOARD COMMITTEES

Following changes on the Partnership Board the Committee accordingly considered and made recommendations on changes to the membership of the Board Committees, which were approved by the Partnership Board.

SUCCESSION PLANNING AND TALENT MANAGEMENT

During the year, the Committee continued to oversee how the Partnership was developing its succession planning and talent management programmes to ensure that the right balance of senior management skills, knowledge, capabilities and experience were in place to deliver the Partnership's strategy and objectives.

INDUCTION, TRAINING AND DEVELOPMENT

Following appointment an induction programme is arranged for each Director to help them gain an understanding of our business, key issues, the Partnership Board processes and agenda, and to provide them with information to help them to be effective and make a contribution to Board debates.

During the year under review, induction programmes were devised for the four new Directors who joined the Partnership Board: Andy Martin (Non-Executive Director); David Hay (Elected Director); Nicky Spurgeon (Elected Director); and Becky Wollam (Elected Director). These included one-to-one meetings with the Chairman and each of the existing Directors, the Company Secretary and the Partnership Secretary, and other members of senior management. They also met members of operational teams across the Partnership.

Not having held the role of Director previously, information and training was provided to David Hay, Nicky Spurgeon and Becky Wollam on Directors' duties and the role of Elected Director, both prior to selection by Partnership Council and as part of their induction.

As a new member of the Audit and Risk Committee during the year, Ollie Killinger attended a three-day professional development course on 'Finance for Non-Financial Directors' delivered by the Institute of Directors.

REVIEW OF BOARD AND COMMITTEE EFFECTIVENESS

The external independent evaluation in 2017 formed the basis for the governance reviews which were carried out during 2017 and 2018 (see pages 46 to 47). For 2019/20 it is proposed to perform an internal Board effectiveness review to be conducted by the Partnership Secretary.

DIVERSITY STATEMENT

The Partnership Board has adopted a Diversity Statement, as set out to the right regarding the composition of the Partnership Board, the aims of which are supported by the Partnership's Diversity and Inclusion Policy.

The Partnership Board recognises and embraces the benefits of having a diverse Partnership Board and the principles of the Diversity and Inclusion Policy apply equally to the Partnership Board.

Through the Nominations Committee, the structure, size, composition and balance of the Partnership Board (including skills, knowledge, experience and backgrounds) are monitored, to ensure that when considering Partnership Board candidates, due regard is given to the benefits of diversity, including gender, ethnicity and other characteristics protected by the provisions of the Equality Act 2010. However, it should be noted that under the Constitution, five members of the Partnership Board are elected by Partnership Council and their appointments are not subject to oversight by the Nominations Committee or the Partnership Board.

All other Partnership Board appointments are made on merit against objective criteria in the context of the skills and experience required for them to be effective. It is not the Partnership Board's policy to set specific targets by legally protected characteristics such as gender or ethnicity.

Further information on Diversity and Inclusion in the Partnership can be found on pages 28 and 84.

DIVERSITY STATEMENT

We are an inclusive business which stems from our ownership model and our Constitution. Being an inclusive business goes to the heart of our ultimate purpose: the happiness of our members through their worthwhile and satisfying employment in a successful business.

The Partnership has a Diversity and Inclusion Policy which applies to all Partners and we have a clear action plan which aims to encourage an inclusive and vibrant community of Partners. Our Partnership Board Diversity policy reflects that Policy.

The Board policy has the following objectives:

- The composition of the Partnership Board should reflect the diverse population of the Partnership.
- All Board appointments are based on merit and objective criteria in order to enhance the Board's overall effectiveness and, within this context, should have due regard for diversity of gender, social and ethnic backgrounds, cognitive and personal strengths.
- Candidates for appointment as Non-Executive Directors will be drawn from diverse sources and 'long lists' will always include female and minority candidates.
- We will only use search firms who have signed up to the voluntary code of conduct on gender diversity and best practice.
- Successful Non-Executive Director candidates will be committed to the Partnership's values, principles and ethos.
- Potential internal candidates for Board appointments will have opportunities to gain experience and an understanding of working inclusively, and not just within our own business.
- Measurement against these objectives and assurance on broader Partnership diversity is reported annually to the Board.

The Nominations Committee monitors the structure, size and composition of the Board to ensure due regard is given to diversity.

On behalf of the Nominations Committee.

KEITH WILLIAMS
Non-Executive Director and Chair of the Nominations Committee

The Partnership Board: Remuneration Committee report

OVERSEEING HOW THE PAY POLICY IS APPLIED

KEITH WILLIAMS
Deputy Chairman and Chair of the Remuneration Committee

Committee composition

Elected Directors	2
Non-Executive Directors	2

During the year, the Committee undertook the Annual Pay Review for the Executive Team. Other areas of focus for the Committee were regulatory developments regarding executive pay which formed part of a wider package of corporate governance reforms.

The Committee oversees how the Partnership's pay policy is applied to the Chairman, Executive Directors and senior managers who report to the Chairman. However, as an employee owned business with 83,900 Partners, it is important that we are also mindful of the broader approach to pay across the Partnership.

We are committed to ensuring that pay arrangements for the Chairman, Executive Directors and senior managers who report to the Chairman remain competitive and appropriate in the context of business performance, the external market and wider pay arrangements for Partners, in line with our Terms of Reference.

During the year, the Committee undertook the annual pay review for the Chairman and Executive Team. The Committee also noted the Pension Review and resulting proposals to change the Partnership's pension arrangements and the publication of the Partnership's second Gender Pay Gap report.

In addition, the Committee considered its response to corporate governance reforms relating to remuneration. As an unquoted company, we are not obliged to adopt all these changes but will continue to consider the extent to which they are relevant to ensure our approach to pay remains fair and transparent.

Looking forward, the Committee will continue to focus on ensuring our Executive Team are rewarded appropriately for the work they do whilst also being mindful of broader Partnership pay.

KEY INFORMATION

CHAIRMAN'S REMUNERATION

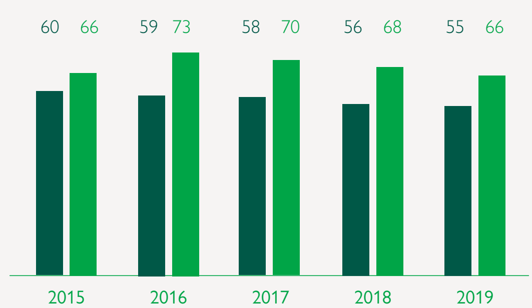
In the 2018/19 year, the Chairman's total reward package was made up of the following:

	2018	2019
Pay Base pay received in the financial year	£1,109,000	£1,109,000
Partnership Bonus Bonus amount received in respect of the 2018/19 trading year		£33,000
Pension benefit Cash supplement in lieu of further defined pension accrual	£288,000	£288,000
Benefits Cash value of benefits	£14,000	£14,000
Total reward	£1,411,000	£1,444,000

• 2018 • 2019

RULE 63

In the 2018/19 year, the Chairman's:
– Pay was 66 times the average basic pay of non-management Partners, calculated on an hourly basis; and
– Total reward, excluding Partnership Bonus, was 55 times the average total reward, excluding Partnership Bonus, of non-management Partners with three or more years' service.



• Rule 63: Basic Pay Only
• Rule 63: Total Reward excluding Partnership Bonus

APPROACH

MEMBERSHIP AND COMPOSITION

The members of the Committee at year-end and at the date of this report are:

Keith Williams	Chair of the Committee and Non-Executive Director
Steve Gardiner	Elected Director
Nicky Spurgeon	Elected Director
Laura Wade-Gery	Non-Executive Director

Baroness Hogg stepped down as a member of the Committee on 30 June 2018. Kim Lowe stepped down as a member of the Committee on 24 May 2018. Nicky Spurgeon and Laura Wade-Gery joined the Committee with effect from 19 July 2018.

Five Committee meetings were held during the year under review attended by all members who were eligible to attend.

COMMITTEE INDEPENDENCE

The Remuneration Committee comprises two Non-Executive Directors and two Elected Directors. This provides a mix of members who are independent of executive management and mindful of Partners' interests.

Decisions can only be made by the Remuneration Committee when at least one Non-Executive Director and one Elected Director are present. However, when considering Non-Executive Directors' remuneration the necessary quorum is two Elected Directors.

No Committee member can take part in any discussion or decision regarding their own remuneration.

ADVISORS

In carrying out its responsibilities, the Committee is advised by Willis Towers Watson as independent remuneration consultant.

Willis Towers Watson provides the Committee with executive remuneration advice and external market assessments. It also provides the Partnership with talent and reward consulting services, including advice regarding the Partnership's job evaluation methodology and compensation data. In addition, Willis Towers Watson provides actuarial services in relation to pensions.

The Committee was also supported during the year by the Director of Personnel and the Head of Total Reward. Both may attend the Committee meetings by invitation but are not present for any discussions that relate directly to their own remuneration.

ROLE OF THE COMMITTEE

The Committee is responsible for:

1. Ensuring that there is a formal and transparent process for developing and applying executive remuneration policy to enable the Partnership to attract, retain and motivate executive management without paying more than is necessary with reference to the market
2. Making recommendations to the Partnership Board regarding the Chairman's pay and considering the pay of individual Executive Directors and senior management who report to the Chairman

In addition, the Elected Director members are responsible for:

3. Setting the fees for the Non-Executive Directors of the Partnership Board

The full Terms of Reference for the Committee can be found at www.johnlewispartnership.co.uk

PAY POLICY

Under Rule 44 of the Constitution, the Chairman is ultimately responsible for ensuring that the system for deciding the pay and benefits of individual Partners is fair.

The Partnership's pay policy is set out in Rules 61, 62 and 63 of the Constitution.

Rule 61	The Partnership sets pay ranges which are informed by the market and which are sufficient to attract and retain high calibre people. Each Partner is paid a competitive rate for good performance and as much above that as can be justified by better performance. Partnership Bonus is not taken into account when fixing pay rates.
Rule 62	Pay rates must be decided with such care that if they were made public each would pass the closest scrutiny. Managers are responsible for ensuring that Partners are paid fairly in comparison with others who make a similar contribution.
Rule 63	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 pay policy is supported by the Pay Standard which provides a clear definition of how pay rates and ranges are set across the Partnership, as well as details of other pay elements (for example, premium payments, bonuses and allowances), pay review and holiday pay.

Each role in the Partnership, including Executive Team roles, has a pay range that is informed by the market for comparable roles in comparable organisations. Each Partner's pay rate is reviewed annually with reference to the pay range for the role and the Partner's performance.

As an employee-owned business, the Partnership does not operate annual incentive plans as would typically be the case in comparable organisations. However, Partners who make a special contribution to the Partnership outside of their normal responsibilities or who deliver exceptional performance in their role may be recognised with a special contribution bonus award of up to 10% of salary.

The Partnership Board: Remuneration Committee report — continued

KEY ACTIVITIES

CHAIRMAN'S PAY

The Remuneration Committee makes a recommendation to the Partnership Board regarding the Chairman's pay.

When considering its recommendation, the Committee takes into account:

- The annual review of the Chairman's contribution, undertaken by the Deputy Chairman and Chair of the Remuneration Committee. This is conducted through an assessment of performance against objectives with input from members of the Partnership Board in order to attain a '360 degree' view.
- The Partnership's overall performance in the year.
- An external market assessment provided by Willis Towers Watson.
- Rule 63 of the Partnership's Constitution.
- The pay review approach and level of pay increases awarded to all Partners.

EXECUTIVE TEAM PAY

The Remuneration Committee also approves the pay of Executive Directors and senior managers who report to the Chairman. The Committee considers the Chairman's pay recommendations taking into account external market assessments provided by Willis Towers Watson for these roles.

Executive Directors and senior managers who report to the Chairman have an annual performance discussion with the Chairman and future objectives are agreed. To support the 2019 pay review outcomes, the Committee was provided with a summary of each performance discussion, including evidence of progress against objectives and targets.

The Committee also agreed with the Chairman that this year the Executive Directors and senior management reporting to the Executive Team would be assigned a performance rating to reflect their achievement against objectives for the performance year, in order to support a rigorous and fair assessment of performance. This is in line with the approach to assessing individual performance across the Partnership and these ratings were shared with the Committee.

PARTNERSHIP PAY

The Remuneration Committee has oversight of pay recommendations for other senior management who report to the Executive Team, to ensure that proposals are in line with the Partnership's pay policy.

During the year, the Remuneration Committee is also provided with information and context on pay across the Partnership. This includes the approach and outcomes by Partnership Level for pay reviews across the Partnership.

CORPORATE GOVERNANCE REFORMS

2018 saw the introduction of various corporate governance reforms. Further information on the Partnership's response to wider corporate governance reforms can be found on page 82. The Committee has taken a close interest in the legislative and best practice developments around senior remuneration.

For a number of years, the Partnership has published its own version of a CEO pay ratio in relation to Rule 63. From next year, large UK-quoted companies will be required to publish their CEO pay ratio figure in their annual reports. This new requirement does not extend to the Partnership; in addition, the legislation, while allowing some flexibility in the basis used, does not permit quoted companies to report using the methodology used by the Partnership. However, the Committee intends that a CEO pay ratio based on one of the permitted methodologies will be included in the 2020 Annual Report and Accounts.

"As a member of the Remuneration Committee, I am mindful of Partners' best interests when considering pay arrangements for our senior leaders. In the context of the current public debate about whether and how Remuneration Committees can take into account employee views, I believe the Partnership's model demonstrates how including Elected Directors on the Committee can offer challenge to our leadership, influence discussions and provide a Partner perspective.

STEVE GARDINER
Elected Director, Partner &
Cirencester Branch Manager
Waitrose & Partners

Further reforms also include broadening the remit of the Remuneration Committee and the structure of executive remuneration schemes. Best practice dictates these should be aligned to the long-term sustainable success of a company, taking into account pay and conditions elsewhere in the organisation.

Of particular note is the expectation that going forward, executive pension schemes should be in line with those for the rest of the workforce and this will be considered further by the Remuneration Committee linked to the outcomes of the Pension Review.

GENDER PAY GAP REPORTING

During the year under review, the Committee reviewed the contents of the Partnership's second Gender Pay Gap report, which included progress on actions taken to address the gap, and agreed to recommend it to the Board for publication. Further details on the report and the results for the Partnership can be found on page 28.

ADVISOR APPOINTMENT

Following a competitive tender process, the Committee re-appointed Willis Towers Watson as independent remuneration consultant in September 2018 to advise on executive remuneration and provide external market assessments.

OUTLOOK

During the coming year, the Committee will continue to focus on ensuring remuneration arrangements for the Chairman, Executive Directors and senior managers who report to the Chairman remain relevant and competitive for the Partnership today.

The Committee notes that the Chairman's term of office is due to end during the first half of 2020 and that the process to appoint his successor has commenced. The Committee will place particular focus on ensuring that remuneration arrangements for the new Chairman are appropriate and reflect the Partnership's Constitution.

The Committee will continue to consider the impact of corporate governance reforms relating to remuneration and how these should apply within the Partnership. The Committee will oversee any remuneration policy changes that are required and their application.

The Committee will consider the most suitable and practical method of calculation in order to meet the new CEO pay ratio reporting requirements. It will also continue to oversee the Partnership's gender pay gap reporting and monitor any further legislative changes.

The Committee awaits the outcome of the Department for Business, Energy and Industrial Strategy's consultation on ethnicity pay reporting that concluded in January 2019.

Consideration will also be given to the role and remit of the Remuneration Committee. It is intended that the Committee's Terms of Reference are reviewed to ensure they remain relevant and appropriate.

REMUNERATION REPORT

PAY

HOW MUCH DO WE SPEND ON PAY?

In 2018/19, the Partnership spent £1,863.2m on employment and related costs (2017/18: £1,846.9m). This represented 18.1% (2017/18: 18.1%[1]) of the Partnership's revenue.

£1,480.0m (2017/18: £1,441.3m) was spent on basic pay and every eligible Partner received 3% of their 2018/19 gross pay as a Partnership Bonus, at a total cost of £44.7m (2017/18: £74.0m).

WHAT IS THE CHAIRMAN PAID?

In the year under review, the value of the Chairman's total reward increased by 2.3% to £1,444,000 due to receiving Partnership Bonus for this year.

As noted in the 2018 report, the Chairman indicated to the Committee that his rate of pay should remain unchanged for the April 2018 pay review.

The Committee therefore decided not to conduct a review of the Chairman's pay and as a result his annual basic rate of pay remained held at £1,108,800 in April 2018.

For the 2018/19 trading year, the Chairman received a Partnership Bonus of 3% of pay in line with that awarded to all eligible Partners.

The total reward package for the reporting period is made up of the following elements:

	2019	2018
	£	£
Pay	**1,109,000**	1,109,000
Partnership Bonus (see below)	**33,000**	–
Pension supplement in lieu of further defined pension accrual	**288,000**	288,000
Cash value of benefits	**14,000**	14,000
Total reward	**1,444,000**	1,411,000

WHAT WILL THE CHAIRMAN BE PAID IN 2019/20?

The Chairman was eligible to be considered for a pay review in April 2019. In line with the broader pay review restraint for senior management within the Partnership, the Committee recommended to the Partnership Board that it would not be appropriate to award any pay increase in April 2019. The Board agreed that the Chairman's annual basic rate of pay would remain unchanged at £1,108,800.

1 Recalculated for the impact of IFRS 15.

The Partnership Board: Remuneration Committee report — continued

WHAT ABOUT RULE 63?

At the end of the reporting period, the pay of the highest paid Partner, the Chairman, was 66 times the average basic pay of non-management Partners calculated on an hourly basis.

Although Rule 63 itself applies only to basic pay, each year the Committee also considers the relationship between total reward, including pension benefit and other benefits, as well as pay, of the highest paid Partner and the average total reward of non-management Partners with three or more years' service.

At the end of the reporting period, the total reward of the Chairman was 55 times the average total reward, based on the criteria set out above.

	2019	2018	2017	2016	2015
Rule 63: Basic Pay Only	**66**	68	70	73	66
Rule 63: Total Reward excluding Partnership Bonus	**55**	56	58	59	60

WHAT ARE THE CHAIRMAN, EXECUTIVE DIRECTORS AND NON-EXECUTIVE DIRECTORS PAID?

The table opposite shows the total remuneration for the year, including Partnership Bonus and pension benefit, for all Directors on the Partnership Board excluding the Elected Directors.

The aggregate amount of remuneration paid to or receivable by Directors in respect of qualifying services for the year under review was £5,505,000 (2017/18: £6,060,000).

The Chairman, Executive Directors and Elected Directors are also entitled to the same benefits as all other Partners, including long leave, Partnership discount and other subsidies.

The table opposite includes payments made to former Directors Jane Burgess (for 2017/18) and Tom Athron in respect of qualifying services until they ceased to be Directors on the Partnership Board on 27 September 2017 and 27 April 2018 respectively.

WHAT ARE THE ELECTED AND NON-EXECUTIVE DIRECTORS PAID?

Elected Directors' pay is determined by their respective roles and responsibilities in the Partnership. They do not receive any additional pay or benefits for serving on the Partnership Board. Their pay is therefore not considered by the Remuneration Committee or Partnership Board.

Non-Executive Directors receive fixed annual fees, which are determined by the Elected Directors on behalf of the Committee. Fees are reviewed periodically and set at levels that reflect the Director's responsibilities, the Chairman's views and external market data provided by Willis Towers Watson.

Non-Executive Directors are not eligible to receive Partnership Bonus or any other pay elements or benefits from the Partnership and are not members of the Partnership's pension schemes.

Chairman, Executive Directors & Non-Executive Directors pay

2018/19		2017/18
1	£1 – £50,000	2
2	£50,001 – £100,000	1
2	£100,001 – £150,000	1
0	£150,001 – £200,000	0
0	£200,001 – £250,000	1
0	£250,001 – £300,000	0
0	£300,001 – £350,000	0
0	£350,001 – £400,000	0
0	£400,001 – £450,000	0
0	£450,001 – £500,000	0
0	£500,001 – £550,000	0
0	£550,001 – £600,000	1
0	£600,001 – £650,000	0
0	£650,001 – £700,000	0
0	£700,001 – £750,000	1
1	£750,001 – £800,000	0
0	£800,001 – £850,000	0
0	£850,001 – £900,000	0
1	£900,001 – £950,000	1
2	£950,001 – £1,000,000	2
0	£1,000,001 – £1,050,000	0
0	£1,050,001 – £1,100,000	0
0	£1,100,001 – £1,150,000	0
0	£1,150,001 – £1,200,000	0
0	£1,200,001 – £1,250,000	0
0	£1,250,001 – £1,300,000	0
0	£1,300,001 – £1,350,000	0
0	£1,350,001 – £1,400,000	0
1	£1,400,001 – £1,450,000	1
10	TOTAL	**11**

Chairman and Executive Directors' defined benefit pension entitlement

2018/19		2017/18
0	£1 – £50,000	0
3	£50,001 – £100,000	4
1	£100,001 – £150,000	1
1	£150,001 – £200,000	1
0	£200,001 – £250,000	0
0	£250,001 – £300,000	0
1	£300,001 – £350,000	1
6	TOTAL	**7**

PENSION ARRANGEMENTS

WHAT ARE THE PENSION ARRANGEMENTS FOR EXECUTIVE DIRECTORS?

The Chairman and Executive Directors have all ceased to accrue further benefits in the Partnership's pension scheme. In lieu of pension accrual for current service, each Director receives a monthly pension supplement.

These supplements are cash payments that are broadly equivalent in value to the defined benefit pension that the individual would previously have accrued in the Partnership's pension scheme.

WHAT IS THE PENSION SUPPLEMENT FOR EXECUTIVE DIRECTORS?

During the year ended 26 January 2019, the total pension supplement paid to the Chairman and Executive Directors was £1,041,000 (2018: £1,130,000).

WHAT IS THE DEFINED BENEFIT PENSION VALUE FOR EXECUTIVE DIRECTORS?

The table opposite shows the aggregate annual defined benefit pension entitlement from the age of 60 accrued at the end of the year, for the Chairman and Executive Directors who served on the Partnership Board during any part of the year.

The aggregate defined benefit pension entitlement accrued at the end of the year was £838,000 per annum for six individuals (2018: £894,000 per annum for seven individuals).

The accrued pension for the Chairman and Executive Directors increases in line with either price inflation or future pay increases, depending on their individual arrangements.

Where there are any accrued defined benefit pensions remaining on an unfunded basis, the Partnership has made provision for the associated liability. In addition, most of the Directors are entitled to temporary pensions, until their state pension starts.

The aggregate entitlement to temporary pensions was £18,000 per annum for three individuals (2018: £29,000 per annum for four individuals). For those Directors where there was an increase, the transfer value of the aggregate increase in total accrued pension entitlement above consumer price inflation during the year was £nil (2018: £nil).

WHAT PENSION WILL THE CHAIRMAN RECEIVE?

The Chairman's aggregate defined benefit pension entitlement from the age of 60 accrued at the end of the year was £300,000 per annum (2018: £300,000 per annum).

APPOINTMENTS AND LEAVERS

CONTRACTUAL NOTICE PERIODS FOR EXECUTIVE DIRECTORS

The Chairman's and the Executive Directors' contracts of employment contain notice periods of between six months and one year. No contract contains a provision regarding compensation for early termination.

PAYMENTS FOR LOSS OF OFFICE

No compensation for loss of office was paid to departing Executive Directors during the period or to the date of this report.

EXTERNAL APPOINTMENTS

An Executive Director with an external appointment may not retain any earnings from the appointment unless it dates from before they joined the Partnership. Details of external appointments for Executive Directors are included on page 53.

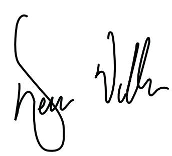
REPORTING REQUIREMENTS

This report forms part of the Directors' report and has been prepared in accordance with the disclosure requirements applying to the Partnership, as set out in Schedule 5 of the Large and Medium-sized Companies and Groups (Accounts and Report) Regulations 2008 (the Regulations).

As the Partnership is not quoted, and has no share-based incentive schemes or other long-term incentive plans, the Partnership Board has decided not to adopt the full disclosure provisions that apply to quoted companies. However, in the interests of transparency, certain disclosures within this report go beyond the requirements of Schedule 5 of the Regulations.

The Directors' earnings section on pages 75 and 76 is cross-referenced with note 2.8.3 of the financial statements and forms part of the audited financial statements.

On behalf of the Remuneration Committee.



KEITH WILLIAMS
Non-Executive Director and
Chair of the Remuneration Committee

PARTNERSHIP COUNCIL AND DEMOCRACY

Partnership Council is one of the three governing authorities. It is the most senior level of democracy in the Partnership and is run by Partners on behalf of Partners.

The Partnership model is unique. The Partnership exists today because of the extraordinary vision and ideals of John Spedan Lewis. He believed that an 'industrial democracy' where employees shared knowledge, power and profit was a better form of business. The distinctiveness of the Partnership's model stems from all Partners having a say in the way the business is run, through many ways of engaging with and listening to Partners. Ultimately, this culminates in the work of Partnership Council as one of the three governing authorities.

In 1919 Spedan Lewis established the Council, writing to his colleagues in Peter Jones that "its function will be to decide such questions as the Board may leave to its discretion, to make suggestions and to give advice to the Board on other matters." He hoped it would be "a real success and play a very large part in the actual management of the Company." One hundred years later that aim is largely unchanged: the Constitution describes both how power is shared between the Chairman, the Partnership Board and the Council and also how the Council shares responsibility for the Partnership's health through influencing policy, making governance decisions and holding the Chairman to account.

The Council has three vital decision making powers:

1. To elect three Trustees of the Constitution, five Directors to the Partnership Board and four Trustees to serve as Directors of John Lewis Partnership Pension Trust
2. To change the Constitution, with the Chairman's agreement
3. To dismiss the Chairman

"Partner opinion is sovereign.

JOHN SPEDAN LEWIS
Partner & Founding Chairman
John Lewis Partnership

"It is the job of all of us to drive democratic engagement and vitality in the Partnership.

SIR CHARLIE MAYFIELD
Partner & Chairman
John Lewis Partnership

WHAT HAS HAPPENED AT PARTNERSHIP COUNCIL THIS YEAR?

ELECTIONS

In June 2018 a new Partnership Council was elected and began its three-year term. See page 14 for information about the number of candidates and the outcome of the election. At the final meeting of the previous Council in May 2018, Councillors expressed their appreciation for the outgoing president, Trevor Phillips.

SHARING RESPONSIBILITY FOR THE PARTNERSHIP'S HEALTH

Governance in the Partnership has been at the heart of the Council's agenda this year as it seeks to strengthen its role as a governing authority. Under Principle 1 all Partners share the responsibilities of ownership (as well as its rewards), but as the body elected by Partners to reflect their opinion as a whole, the Council's direct access to the Board, the Chairman and the Executive Team give it a special responsibility to ensure that their decisions are truly in the long-term interest of the Partnership.

In addition to its normal schedule of four formal meetings and an annual conference, this year the Council organised three briefing days. An extra formal meeting was held in April 2019 in part to allow sufficient time to discuss the recommendations of the governance reviews and the Democracy Commission (see pages 46 to 47 for further details on the governance reviews).

Councillors welcomed the common theme of these reviews, namely that it should step more boldly into the space intended for it in the Constitution. Recommendations already adopted include a more explicit and user-friendly Councillor role profile, enhanced training for Councillors, an agreement to increase the time allocation for Council work and to set aside a "budget to be brilliant", and a renewed drive on line manager support and proper recognition during end of year performance conversations.

FOCUS GROUPS

Through its Focus Groups, Partnership Council is able to focus on key areas of the Partnership's strategy and influence policy. The work of the Council and that of its Focus Groups is coordinated by the Steering Committee. The Focus Groups at the date of this report are:

- Finance Focus Group
- Partner Focus Group
- Wellbeing and Financial Assistance Focus Group

There is also a Special Committee on pensions policy. In addition, at the meeting held in April 2019, Council agreed to set up a Special Committee to supervise the implementation of the Democracy Commission recommendations.

INFLUENCING POLICY

The Council has influenced the review of the Partnership's pension policy both through the Council's Special Committee and through numerous Council briefing sessions and Q&As. A formal vote is expected in May, following the current formal consultation of all Partners.

On reward, there is already an expectation that the Council's influence could be focused in a similar way for the planned review of total reward expected to begin later in 2019. The Board clearly heard Council's views in February on whether paying a Bonus would be prudent, and Council's concern that our Pay for Performance policy was "not broken, but breaking".

During the year Councillors also asked management to show a little more humility in recognising when mistakes are made having reviewed the difficulties arising from the transition to Core Home Services.

Much of Council's influence on management is behind the scenes and through its Focus Groups. Examples this year include the amended line management guidance for pay review, a focus on resourcing (particularly in Waitrose & Partners) and the establishment of a working group on Diversity and Inclusion.

Reflecting the importance placed on it by Council, the Partnership Financial Assistance Committee added wellbeing to both its remit and name. It continues to review complex hardship cases and oversee the provision of financial assistance to Partners, over 1,500 of whom were supported during the year.

Recognising the importance of Partner Dining Room subsidy in supporting our ambition to become Britain's Healthiest Workplace by 2025, in October the Council formally confirmed a set of principles and requested an annual progress update on this matter.

i

PURPOSE

The purpose and authority of Partnership Council is set out in the Constitution in Rule 7: "The Partnership Council represents Partners as a whole and reflects their opinion. In sharing responsibility for the Partnership's health with the Partnership Board and the Chairman, it holds the Chairman to account. It discusses, influences and makes recommendations on the development of policy. It shares in making decisions about the governance of the Partnership.

Partnership Council may ask the Partnership Board or the Chairman anything it wishes, and they must answer unless doing so would in their opinion damage the Partnership's interests."

Partnership Council — continued

2018–21 PARTNERSHIP COUNCIL ELECTIONS

Candidates

197

2015/16: 171

Seats

58

2015/16: 65

Turnout

42%

2015/16: 52%

Councillors re-elected

22

2015/16: 22

Subsequently there have been six by-elections.

GOVERNANCE DECISIONS

Of key importance to our governance model is the choice, every three years, of Board members and Trustees of the Constitution. In May 2018 there were 23 and 9 candidates respectively, compared to 17 and 7 in 2015.

The governance reviews led to a number of changes to the Constitution being passed in April 2019, amongst them the new Rules to describe the independent function replacing Registry, and the broader role of the Council's President. Trevor Phillips' predecessor as President, David Jones, received a fitting farewell from the Council, on which he served for nearly 25 years, at his final meeting in February 2019 prior to his retirement from the Partnership.

HOLDING TO ACCOUNT

For the second time in recent years the Council's key formal vote on the Chairman's leadership was held in May so that the results of the Your Voice Principle 1 survey as well as the Annual Report and Accounts could be available to Councillors when debating the proposal:

"This Council welcomes the Chairman's report for the year ended 27 January 2018 and supports his leadership of the Partnership and the continued progress towards achieving Principle 1."

Again a secret ballot was called (last year's was the first for ten years) but support for the proposal, at 46 in favour and 15 against, was higher than in 2017 (40 in favour, 15 against and 8 abstentions). October's vote on a similar proposal at the half-year stage – the first holding to account session for the newly elected 2018–21 Council – received almost unanimous support (1 abstention), compared to the previous October (8 against and 3 abstentions). Recognising that 'holding to account' is as much about a constant conversation as voting on a specific proposal, Council intends to revert to an annual vote from May 2019, meaning that this May would be the last such session with the current Chairman.

DEMOCRATIC VITALITY

KNOWLEDGE

Partners receive updates on the Partnership's performance and other matters concerning them from regular dialogue with management, email updates, the Partnership's intranet and through information in the *Gazette*. Through our external website, we share information with Partners and financial stakeholders (primarily the Partnership's relationship banks and holders of John Lewis plc bonds) 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 Partnership's senior management.

JOURNALISM

There are a number of ways that Partner views are voiced and taken into account in decision making in all levels of the Partnership. The Partnership fosters lively correspondence in its journalism, and any Partner may write, anonymously if they wish, to express their opinions on any topic through the open system of journalism in the weekly *Gazette*, without fear of repercussions. This is safeguarded in the Constitution. A letter to the *Gazette* must be published, with any comment from the appropriate member of management, within 21 days of acknowledgement.

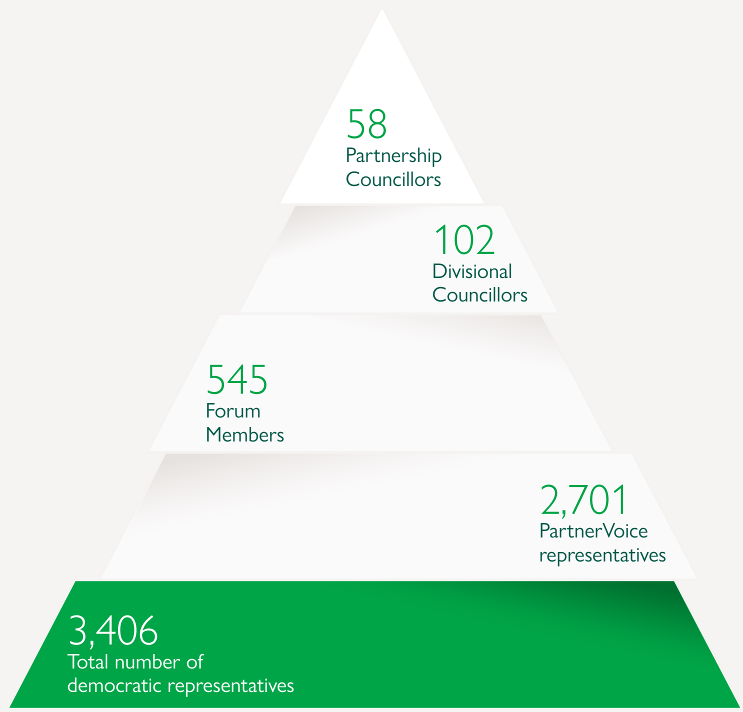
PARTNER VOICE

The Partnership Board is committed to regular two-way dialogue with Partners through many different channels. Empowering Partners to take responsibility for achieving the required outcomes set by the Executive Team, as well as sharing their ideas and concerns, is a vital contribution to securing the long-term prosperity of our business.

Partners are able to influence business decisions at all levels of the Partnership through the democratic structure and representative bodies that are set out in our Constitution. PartnerVoice representatives collect Partner views and represent them through regular meetings with their senior leaders. These representatives ensure that, where possible, Partner views are reflected in local decisions and business plans.

Issues raised at a local level can be pursued as appropriate at a regional or brand level, and ultimately at Partnership Council.

PYRAMID OF DEMOCRATIC REPRESENTATIVES



Figures as at the date of this report.

During Council and Forum meetings and through the Gazette, Executive Directors and senior management are able to share the Partnership's objectives and discuss performance against those objectives.

Directors are members of Partnership Council and regularly attend meetings. These information sharing opportunities enable Directors to develop an understanding of Partners' views and to act upon them. In turn, Partners are able to influence decision making.

The Partnership also conducts an annual Your Voice Principle 1 survey and a number of Pulse surveys in which Partners are asked their opinion on a wide range of topics. See page 7. More information for Partners is available on the Your Voice Partner intranet pages and Google+ community.

The Partnership seeks and values feedback on the value and impact our business and the decisions we make have on all stakeholders. See pages 14 to 21 for more information.

Other disclosures

DIRECTORS' REPORT

PETER SIMPSON
Partner & Company Secretary
John Lewis Partnership

IN THIS SECTION
Directors' report
The Directors' report is a document produced by the Board of Directors under the requirements of UK company law. It details the state of the company and its compliance with applicable financial, accounting and corporate social responsibility regulations.

The Directors' report for the year ended 26 January 2019 comprises pages 44 to 85 of this Annual Report and Accounts, together with the sections of the Annual Report and Accounts incorporated by reference. The Company has chosen, as permitted under section 414C(11) of the Companies Act 2006, to include certain matters in its Group Strategic report that would otherwise be required to be disclosed in the Directors' report as the Partnership Board considers them to be of strategic importance.

Specifically, these are:

FUTURE BUSINESS DEVELOPMENTS
PAGES 8 TO 11 AND 30 TO 33

RISK MANAGEMENT
PAGES 38 TO 42

EMPLOYEE INVOLVEMENT
PAGES 14 TO 15 AND 26 TO 29, AS WELL AS PAGES 78 TO 81

ENGAGEMENT WITH SUPPLIERS, CUSTOMERS AND OTHERS
PAGES 16 TO 21 AND 30 TO 33

EQUAL OPPORTUNITIES, DIVERSITY AND INCLUSION
PAGES 27 TO 29, AS WELL AS PAGES 71 AND 84

RESEARCH AND DEVELOPMENT
PAGES 26 TO 37

The Partnership's statements on corporate governance can be found in the Governance section of this Annual Report and Accounts on pages 44 to 85. This includes the Audit and Risk Committee report, the Corporate Responsibility Committee report, the Nominations Committee report and the Remuneration Committee report.

For more detail on the progress the Partnership is making with its corporate responsibility aims and for the latest Modern Slavery Statement, please see the separate reports at
www.johnlewispartnership.co.uk/csr

More detailed non-financial performance information can also be found online at
www.johnlewispartnership.co.uk

THE PARTNERSHIP'S RESPONSE TO EXTERNAL CORPORATE GOVERNANCE REFORMS

The reviews of the Partnership's governance (see pages 46 to 47) have taken place against the backdrop of significant change in corporate governance in the UK. These include changes in the UK Corporate Governance Code ("the Code") and changes affecting large private companies through the introduction of new corporate governance reporting requirements and the launch of the Wates Corporate Governance Principles for Large Private Companies.

Having spent well over a year reviewing our governance arrangements, we have renewed confidence in our own model and believe that it is fit for the future providing an appropriate level of protection for Partners and other stakeholders. The coincidence of the updates to UK corporate governance requirements and our own governance reviews has allowed us to review the Partnership's approach to reporting. In this context the Partnership Board has decided to cease voluntarily reporting against the Code. However, we will continue to use it as a benchmark against which to measure the continued relevance of the Constitution. Upholding good standards of corporate governance has always been, and will always be, part of the foundations for our model.

Our model addresses key areas added to the Code in 2018: that a company's culture should promote integrity and openness, value diversity and be responsive to the views of shareholders and wider stakeholders; and that company boards should ensure there are mechanisms in place for effective engagement with the views of the wider workforce – an approach which Spedan Lewis put at the core of our model nearly 100 years ago. It is also consistent with the Wates Principles.

WHAT IS THE CODE?
The Code sets out standards of good practice on board composition and development, remuneration, shareholder relations, accountability and audit. It is published by the Financial Reporting Council (FRC). As part of a wider package of Government corporate governance reforms the FRC issued a new Code in July 2018 applying to accounting periods starting on or after 1 January 2019.

The 2018 Code places greater emphasis on relationships between companies, shareholders and stakeholders. It also promotes the importance of establishing a corporate culture that promotes integrity and values diversity and is aligned with company purpose and business strategy. As was the case with previous editions, the 2018 Code applies to all companies with a 'premium listing' on a UK stock market, and it is therefore not mandatory for the Partnership.

i

WHAT ARE THE WATES PRINCIPLES?

In response to concerns about corporate governance and responsible business practices in privately held UK companies, the legal and regulatory framework for these companies has been strengthened through the introduction of various new reporting requirements. The launch of the Wates Corporate Governance Principles for Large Private Companies in December 2018 is designed to provide companies with a framework against which they may choose to report.

Both the Wates Principles and the Code are available to view at www.frc.org.uk

PRINCIPAL ACTIVITY

The Partnership's principal activity is retailing, with the main trading operations being the Waitrose & Partners and John Lewis & Partners businesses: John Lewis & Partners operates in a number of different formats including John Lewis & Partners department stores, John Lewis & Partners at home stores, online (johnlewis.com), a John Lewis & Partners liaison office in Gurgaon, India and a sourcing office in Kwun Tong, Hong Kong; Waitrose & Partners operates supermarkets and convenience shops, including shops which operate under licence in the Middle East, online (waitrose.com) and the Leckford Estate (the Waitrose & Partners Farm); there are also business to business contracts in the UK and abroad and ancillary manufacturing activities (together the Partnership). The Company's subsidiaries and related undertakings are listed in note 16.

DIRECTORS' INTERESTS

Under the Constitution of the Partnership, the Executive Directors and Elected Directors, as employees of John Lewis plc, are necessarily interested in the 612,000 Deferred Ordinary Shares in John Lewis Partnership plc, which are held in Trust for the benefit of employees of John Lewis plc and certain other subsidiaries.

Any conflicts of interest are disclosed in this report and details of the Directors' service agreements and notice periods are given on pages 53, 55 and 77.

CAPITAL STRUCTURE

At 26 January 2019, the Partnership had in issue 612,000 Deferred Ordinary Shares of £1 each and 104,169,594 SIP shares of £1 each. Under the Constitution, the 612,000 Deferred Ordinary Shares in John Lewis Partnership plc are held in Trust for the benefit of employees of John Lewis plc and certain other subsidiaries within the Partnership. The total issued share capital of the Partnership was £104,781,594 at the year-end (2018: £104,781,594).

DIVIDENDS

No dividends were paid on the Deferred Ordinary Shares (2018: £nil). John Lewis Partnership Trust Limited (the Trust Company) holds 612,000 Deferred Ordinary Shares in Trust for the benefit of employees of John Lewis plc and certain other subsidiaries. Each year, the Partnership resolves not to recommend or declare a dividend upon the Deferred Ordinary Shares, but to recommend the payment of Partnership Bonus to their eligible employees.

Dividends on SIP shares (issued in connection with BonusSave) during the year under review were £344,000 (2018: £428,000).

BONUSSAVE

Our success depends on the collaboration and contribution of our Partners who, in return, receive a share of profits in the form of Partnership Bonus. Partners benefit from Employee Ownership tax relief, which allows them to receive the first £3,600 of their Partnership Bonus free of Income Tax (NICs will still be due).

The Partnership operates BonusSave, a Share Incentive Plan (the Plan), which is available to all eligible Partners in the UK and has been approved by HMRC. On the announcement of the annual results, eligible Partners are invited to enter into a savings contract under the Plan to save up to a maximum of £5,400 in any one year from Partnership Bonus. The Plan allows for the investment made by a Partner to be held in shares in the Partnership, in a class created specifically for this purpose known as SIP shares. It enables participating Partners to save Income Tax and NICs when the funds are invested for five years. Also, participating Partners are paid a cash dividend for every full year the investment remains in the plan. Details of SIP shares can be found in note 5.5 to the consolidated financial statements.

The SIP shares do not carry voting rights, cannot be sold or transferred out of the Partnership and are, at all times, held in trust for the benefit of the respective Partners in the name of the Trust Company.

CONFLICTS OF INTEREST AND BOARD INDEPENDENCE

The Partnership Board has determined that the composition of the Board provides a balanced leadership, appropriate for an employee-owned business. Elected Directors and Non-Executive Directors together form a majority of the Partnership Board.

Directors are required to disclose their interests to the Board, highlighting any actual or potential conflicts of interest with their duties and responsibilities as a Director of the Partnership. The Board will consider any actual or potential conflicts which are disclosed and, if appropriate, approve them. A register of interests is maintained by the Company Secretary and reconfirmed every six months for the whole Board.

The Partnership Board has looked closely at the other appointments held by Directors, details of which are contained in their biographies on pages 53 to 55. The Partnership Board considers that the Chairman and each of the Directors are able to devote sufficient time to fulfil the duties required of them under the terms of their contracts or letters of appointment.

During the year no Director declared a material interest in any contract of significance with the Partnership or any of its subsidiary undertakings, other than any third-party indemnity between each Director and the Company, as granted in accordance with the Company's Articles of Association and service contracts between each Executive Director and the Company.

Other disclosures — continued

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The Partnership has purchased and maintained throughout the year Directors' and Officers' liability insurance in respect of itself and its Directors. The Directors' and Officers' liability insurance provides cover for claims made, subject to certain limitations and exclusions, against Directors and key managers (Officers).

The Company also provides an indemnity for the benefit of each Trustee of the Partnership's Pension Fund, in respect of liabilities that may attach to them in their capacity as a Trustee. As a former Trustee of the Partnership's Pension Fund, Patrick Lewis has the benefit of this indemnity in relation to his term as Trustee from August 2009 to September 2015.

EQUAL OPPORTUNITIES, DIVERSITY AND INCLUSION

The Partnership is committed to promoting equal opportunities in employment for existing Partners and for prospective Partners throughout the recruitment process. All Partners and job applicants will receive equal treatment regardless of age, disability, gender reassignment, marital or civil partner status, pregnancy or maternity, race, colour, nationality, ethnic or national origin, religion or belief, sex or sexual orientation (these are known as 'Protected Characteristics').

The Partnership has a Diversity and Inclusion Policy, and an Equal Opportunities Policy. These policies are underpinned by the following Rules contained in the Constitution:

Rule 54	The Partnership takes no account of age, sex, marital status, sexual orientation, ethnic origin, social position or religious or political views.
Rule 55	The Partnership employs disabled people in suitable vacancies and offers them appropriate training and careers.

The Partnership recruits people with disabilities to suitable vacancies on merit. We offer tailored support through the recruitment process for applicants who declare their disability. In particular, we know adjustments are of utmost importance for our Partners with disabilities, be they physical or cognitive, and arrange reasonable adjustments required at an individual level to ensure our disabled applicants and Partners are supported.

For further information please see page 28 in the Strategic report and the Nominations Committee report on pages 69 to 71 for more information on the Diversity and Inclusion Policy and the Board Diversity Statement in respect of diversity on the Partnership Board.

GROCERIES (SUPPLY CHAIN PRACTICES) MARKET INVESTIGATION ORDER 2009 (THE ORDER) AND THE GROCERIES SUPPLY CODE OF PRACTICE (GSCOP)

Waitrose & Partners is subject to the Order and the GSCoP. Both regulate our trading relationships with grocery suppliers, including training requirements for buyers and the content of supplier contracts. Our approach to GSCoP compliance reflects our long-term commitment to treating our suppliers fairly, as set out in the Constitution (Principle 6 and Rule 96). See page 65 for information on the annual report from the Waitrose & Partners Code Compliance Officer (CCO) to the Audit and Risk Committee required by the Order and the GSCoP.

We have a positive working relationship with the Groceries Code Adjudicator (GCA) and her team and welcome discussions and advice on how to enhance supplier relationships. Meetings are constructive and cover discussions on a range of topics. The feedback from both the GCA annual survey and the quarterly meetings were helpful in identifying suppliers' concerns and resulted in a number of changes to our processes.

We work collaboratively with our suppliers and internally adopt an approach of continuous review and improvement, which this year included new GSCoP guidance notes and a new site for reference information and guidance.

Day-to-day advice, online guidance and support is available to buyers with more specialist advice offered by the CCO team and the Partnership's Legal department. We have an online site for relevant Partners which includes advice, templates and details of where to get further support.

For suppliers we provide information about the GSCoP on 'Waitrose Engage' – an online resource for all of our suppliers which includes GSCoP related content.

Each query is taken seriously to understand the concern, seek resolution and identify whether further guidance or changes to our processes are required. We have also proactively carried out internal reviews and identified areas where we need to strengthen our processes through clear action plans.

POLITICAL DONATIONS

It is not the Partnership's policy to make donations to political groups. No political donations were made in respect of the year under review.

USE OF FINANCIAL INSTRUMENTS

The notes to the financial statements, including note 7 from page 130 onwards, include further information on our use of financial instruments.

RETIREMENT BY ROTATION

The Partnership does not operate a system of retirement by rotation or annual election or re-election at three-year intervals by shareholders. In accordance with the Articles of Association, all Directors appointed by the Partnership Board are subject to re-election by shareholders at the first Annual General Meeting following appointment.

If Partnership Council judges that the Chairman has failed to fulfil (or is no longer a suitable person to fulfil) the responsibilities of his office, it may pass a resolution upon the Constitution to dismiss the Chairman.

The Elected Directors are appointed or re-appointed in accordance with the democratic process, by a vote of the Partnership Council as detailed on page 54.

The Chairman, as the senior executive in the Partnership, is ultimately responsible for its commercial performance, including being responsible for the performance of the Directors, and is accountable to Partnership Council (see pages 50 to 53). These meetings are also attended by Partnership Board Directors. In addition, the brands operate Councils which enable Partners to review performance, future strategy and the direction of the brands and to hold the Directors responsible.

GOING CONCERN

The Directors, after reviewing the Partnership's operating budgets, investment plans and financing arrangements, consider that the Company and Partnership have sufficient financing available at the date of approval of this report. Accordingly, the Directors are satisfied that it is appropriate to adopt the going concern basis in preparing the Annual Report and Accounts.

A full description of the Partnership's business activities, financial position, cash flows, liquidity position, committed facilities and borrowing position, together with the factors likely to affect its future development and performance, are set out in the Group Strategic report on pages 4 to 43.

VIABILITY STATEMENT

The Directors have assessed the prospects of the Company over a three-year period to January 2022. This has taken into account the business model, strategic aims, risk appetite, and principal risks and uncertainties, along with the Company's current financial position. Based on this assessment, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the three-year period under review. See page 43 for the Partnership's full Viability Statement.

EVENTS AFTER THE BALANCE SHEET DATE

Since 26 January 2019, there have been subsequent events which require disclosure in the financial statements. See note 8.3 for further information.

AUDITOR AND DISCLOSURE OF INFORMATION TO AUDITOR

The auditor, KPMG LLP have indicated their willingness to continue in office, and a resolution that they will be re-appointed will be proposed to the Annual General Meeting, together with a resolution to authorise the Directors to determine the auditor's remuneration.

The Directors of the Partnership Board have taken all the necessary steps to make themselves aware of any information needed by the Partnership's auditor in connection with preparing their report and to establish that the auditor is aware of that information. As far as the Directors are aware, there is no such information of which the Partnership's auditor has not been apprised.

COMPANY SECRETARY

Peter Simpson was appointed Company Secretary with effect from 31 January 2018.

ANNUAL GENERAL MEETING (AGM)

The Partnership's AGM will be held on 17 July 2019 at 171 Victoria Street, London, SW1E 5NN. The AGM is held and conducted in accordance with the Companies Act and the Company's Articles of Association. Representatives of the Trust Company and the Directors of the Partnership are entitled to attend the AGM. Voting is conducted by way of a show of hands, unless a poll is demanded.

The Directors' report was approved by the Partnership Board and signed on its behalf by.

PETER SIMPSON
Partner & Company Secretary
John Lewis Partnership
11 April 2019