

John Lewis Partnership plc

Annual Report and Accounts 2022



JOHN LEWIS
& PARTNERS

JOHN LEWIS
PARTNERSHIP

WAITROSE
& PARTNERS



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Find out more

For more information on the progress we are making against our Ethics and Sustainability Strategy and to read our latest Modern Slavery Statement, visit www.johnlewispartnership.co.uk/csr.

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

STRATEGIC REPORT

MESSAGE FROM THE CHAIRMAN

Results summary for the year ended 29 January 2022

- Profit before Partnership Bonus, tax and exceptional items rebounds to £180.5m, up 38% on last year.
- Loss before tax was £26.7m, £490.5m better than last year.
- Bonus of 3% awarded to Partners, equivalent to 1.5 weeks' pay.
- Partnership to pay voluntary Real Living Wage nationwide this year; 2% pay rise.
- Partnership Total trading sales of £12.5bn, up 1% on last year. Revenue of £10.8bn, up 1% on last year.
- Waitrose sales hit £7.54bn, up on last year by 1% like-for-like but down 1% as reported. Revenue of £6.98bn was down 1% (all compared to last year).
- John Lewis achieved its highest ever Total trading sales of £4.93bn, up on last year by 8% like-for-like and 4% as reported. Revenue of £3.85bn was up 3% (all compared to last year).

Dear Partner

I want to thank you for your commitment and dedication in what has been another tough year. With the pandemic and with so much change within our business, I don't underestimate the personal impact and I am truly grateful.

As we head into the second year of the Partnership Plan, our five year strategy to transform the business, we're gaining momentum in an increasingly competitive retail landscape. Our focus on quality, value, sustainability and exceptional service is serving us well.

You may recall that we report our profitability using two measures - before and after exceptional items and Bonus. Measuring our profit without these items gives a better indication of our underlying performance. Profit before Bonus, tax and exceptional items - or 'PBTBE' - was £180.5m. This was £49.7m (38%) higher than 2020/21 and £110.6m (158%) better than two years ago.

When we include exceptional items (£160.8m) and Bonus (£46.4m), our loss before tax was £26.7m. This was £490.5m (95%) better than our loss in 2020/21 (when we had a big 'write down' in the value of our John Lewis stores) and £173.1m (118%) lower than the profit two years ago, when we had a one-off benefit from closing our defined benefit pension scheme. Our exceptional costs were mostly restructuring costs, property lease exit costs and a small net write down of John Lewis stores.

Waitrose Total trading sales were £7.54bn, up 1% like-for-like on last year (down 1% as reported) and up 11% like-for-like on two years ago (up 9% as reported). Revenue of £6.98bn was down 1% on last year and up 10% on two years ago.

John Lewis achieved the highest sales in its history, £4.93bn, which was up 8% like-for-like on last year (4% as reported). Against two years ago, John Lewis sales were up 10% like-for-like (2% as reported). Revenue of £3.85bn was up 3% on last year and up 2% on two years ago.

Reducing costs remains a key priority. We cut costs by £170m, a major factor behind our profit growth compared to last year.

This has involved difficult decisions that have affected Partners deeply: reducing management roles in our shops and reducing our central teams. We have also closed eight John Lewis stores and a delivery hub. These were necessary decisions to ensure the Partnership is sustainable in the future.

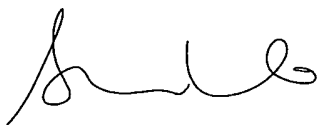
We have made a good start to our Partnership Plan but are only one year through our five year transformation. Looking ahead, we see continued significant uncertainty affecting the economic environment, our customers,

Partners and society. The pressure on living costs is increasing and being compounded by a combination of factors including the economic impact of the pandemic, rising inflation and energy prices. While this creates uncertainties as we look ahead, we remain focused on investing significantly in our Partnership Plan, and making necessary cost savings, to transform and grow our business. In 2022/23, this will involve:

- Investing £119m in our John Lewis shops, digital services and our distribution capabilities;
- On top of these investments, we're committing £500m to give John Lewis customers everyday quality and value, and an improved MyJohnLewis loyalty proposition is coming later this year;
- £55m investment to complete a further 23 major refurbishments of Waitrose stores and £72m investment in digital services and distribution;
- Working with our Waitrose suppliers to keep prices as low as possible and offering savings on products that customers buy the most through the revamped MyWaitrose loyalty scheme;
- Accelerating growth in John Lewis Financial Services with a £53m investment;
- Continuing to develop and progress our property rental proposition;
- Targeting further sustainable cost savings by year end as we become more efficient.

Given the challenging macroeconomic and geopolitical backdrop, it is difficult to predict the shape of future trading with certainty, but our progress is encouraging and I am confident that by continuing to invest in our strategy we will deliver for our customers, Partners, suppliers and communities. We have come through so much already and our solidarity will continue to carry us through.

Pages 3 to 44 comprise the Group Strategic Report, which was approved by the Partnership Board on 27 April 2022.



SHARON WHITE
Partner & Chairman
John Lewis Partnership plc

The financial year is the 52 weeks ended 29 January 2022 (prior year: 53 weeks ended 30 January 2021).

See Glossary section on pages 179 to 185 for explanation of financial terms.

OUR PURPOSE

Working in partnership for a happier world

The John Lewis Partnership is the UK's largest employee-owned business with over 78,000 Partners who are all employee-owners. Our Founder, John Spedan Lewis, established it as a better way of doing business and to drive positive change in society.

Our Constitution protects the values that underpin our business, enshrining our governance into a single written document that can only be changed with the consent of both the Partnership Council and the Chairman. While our Constitution has evolved since it was first published almost a century ago, it continues to embody the essence of the extraordinary vision and ideals of our Founder.

The Principles and Rules set out in our Constitution define the Partnership's role in society and our responsibilities to Partners, customers, suppliers and the communities in which we operate. It also states that we are required to make 'sufficient' not 'maximum' profit and that's why we are focused on reinvesting our profits back into our Partners and to pursue our Purpose.

To ensure our Purpose is fit for the future of the Partnership we invited discussion, input and feedback from Partners across the company on what our refreshed Purpose should be. Our new Purpose - working in partnership for a happier world - makes it clear why we exist, our ultimate aim as a business and gives us an exciting opportunity to do things differently.

Happier people

Our happier business starts with happier Partners, enjoying worthwhile and satisfying work in a supportive environment we all help to create. We treat people with fairness, courtesy and respect, and we work with others who do the same.

We create an inclusive environment and celebrate diversity with our Partners, customers and the communities we serve. We're at our best when we all feel welcomed and free to be ourselves. We take pride in making our customers happy. We put everything we have into everything we do, earning the loyalty and trust that we need to be successful.

Happier business

We build happier businesses that are honest, fair and free to think and act for the long term. We aim to make sufficient profit to retain our financial independence, invest in our Partners and pursue our Purpose.

Our Partnership is built on democratic principles. We share the responsibilities and rewards of ownership: knowledge, power and profit. Partner opinion is crucial in driving the actions of our governing authorities: the Partnership Council, the Partnership Board and the Chairman.

Happier world

We champion the role our Partnership can play in advancing the happiness of the communities we work with and the wellbeing of society. We build trusted business relationships, acting with integrity and doing what's right. We take responsibility for our impact on the planet. We work tirelessly to protect and restore nature, creating a more sustainable future for generations to come.

The Partnership Plan

We have completed year one of our five year Partnership Plan which outlines our ambition for John Lewis and Waitrose as the UK's go-to destinations for customers seeking quality, value and sustainability; as well as the development of inspirational new services.

Through our iconic, trusted brands, we will enable customers to shop the way they want with expert advice, brilliantly edited choices and truly memorable experiences. The Plan sees our business continuing to adapt rapidly to changing consumer habits, getting closer to customers online and in-store and expanding in new areas where we believe our values can be a force for good.

We are also simplifying how we work and empowering frontline Partners to do what's best for customers. We are creating a lean, simple and fast Partnership that can execute the Partnership Plan to help improve operational efficiency and processes for the benefit of our Partners, customers and suppliers.

| THE PARTNERSHIP PLAN Working in Partnership for a Happier World | |
|---|--|
| RETAIL CUSTOMERS LOVE Customers shopping the way they want, with expert advice, brilliantly edited choice and truly memorable experiences | INSPIRATIONAL NEW SERVICES Trusted new propositions that allow us to play a bigger role in customers' lives |
| PARTNERSHIPS FOR GROWTH Accelerated growth by combining our unique strengths with the capabilities of others | LEAN, SIMPLE, FAST A lower cost, far simpler business that creates more pace and freedom for Partners and more cash for growth |
| A THRIVING PARTNERSHIP LOVED BY PARTNERS AND CUSTOMERS | |

OUR PERFORMANCE

Waitrose

- Waitrose sales grew 1% on a like-for-like basis (down 1% as reported) and up 11% like-for-like compared to two years ago (9% as reported). Waitrose had a strong Christmas period and outperformed the grocery market by 1% for the year, driven by online.
- Total online sales now stand at 17%, up from 14% a year ago and 5% in 2019/20. We now have capacity for up to 280,000 waitrose.com orders per week, up nearly 20% on last year, boosted by a new distribution centre in Greenford.
- Our partnership with Deliveroo is available in over 150 Waitrose stores, frequently generating weekly sales of £1m. We are now trialling Deliveroo Hop which offers delivery in as little as 10 minutes.
- We invested £90m in 18 shop refurbishments, expanded our ecomm capacity and opened ten new Waite & Rose cafes.
- The combined strength of our two brands is being realised through 38 dedicated John Lewis spaces in Waitrose stores. We are targeting a further 49 by the end of 2022/23.
- We are further increasing the brand's reach and convenience through new supply partnerships. Margiotta, a family business of ten stores in Scotland, and four Alliance stores in Jersey will offer Waitrose products.
- As part of our convenience offer, 13 new Waitrose shops opened at Shell locations, giving us 69 sites in total, and in 2022/23 we have started rolling out electric vehicle charging points at Waitrose stores under this partnership.
- In 2021, we launched more than 700 new food lines. This included Levantine Table, the first pan-Partnership range with John Lewis and the biggest range launch for Waitrose in 2021.
- Waitrose picked up a string of awards for the quality and provenance of its food and wine. We were named winner of the Grocer 33 Award on 17 occasions, equalling our best ever record in 2020.

John Lewis

- John Lewis sales grew by 8% like-for-like on last year (4% as reported) and up 10% like-for-like compared to two years ago (2% as reported). This represented record sales for the year, despite having 16 fewer stores and the disruption of the pandemic - with John Lewis stores closed for ten weeks of the year.
- We launched the ANYDAY range, offering value and quality, which has attracted existing customers and over 500,000 new or reactivated customers. Over two million customers in total shopped ANYDAY, recording sales of over £120m, and 93% of customers have bought John Lewis products in other price ranges.
- We introduced 230 new brands, giving customers even more choice. We grew market share across Home and Nursery categories and had a record year for Christmas seasonal products (up 6% on last year).
- We invested to improve the in-store experience with local store teams deciding what works for their customers. Cambridge, Nottingham and Chichester saw space changes, updated furniture concepts and new assortments. Every store now has a new 'seasonal space' to showcase the best and newest products. We'll invest to refresh more of our stores in 2022/23.
- The John Lewis App was relaunched and now accounts for 23% of online sales, up from 16% in the previous year. Customers who shop on the App spend more than customers using other channels.
- Our new distribution centre, Fenny Lock, will increase our online capacity when it opens this summer.
- John Lewis Click & Collect expanded to meet demand and is now available in over 1,000 locations.
- John Lewis Financial Services launched a new home insurance product and we have seen good growth in the number of customers investing in our ISA products. Our point of sale credit product has helped to generate more than £100m retail sales since being established across John Lewis shopping channels. In the last quarter we have also trialled 'easier payment' solutions to further help customers across all channels.

Our Partners

- We're increasing our pay budget by £54m so we can pay the voluntary Real Living Wage nationwide. Partners received a 2% pay rise in the 2022/23 financial year. Further, a Partnership Bonus of 3% was awarded to Partners, equivalent to 1.5 weeks' pay.
- We also continued to support our Partners through the pandemic and to pay Partners for Covid-19 related absence regardless of their vaccination status.
- Over 1,000 Partners from head offices helped in our stores and supply chain during peak trading periods.
- In 2021, the Partnership became the first UK retailer to announce equal parental pay and leave, and introduced two weeks' paid leave for any Partner who experiences the loss of a pregnancy.
- Over 1,600 Partners are undertaking or have completed apprenticeships in a range of disciplines. In response to the impact of the national driver shortage, we launched our LGV Driver Academy and driver apprenticeships.
- We opened our School of Service in John Lewis Stratford, which provides Partners from both brands with the tools and training to provide exceptional customer service in store and online.

Ethics and sustainability

- Our Chairman, Sharon White, was invited as a guest of His Royal Highness The Prince of Wales to host a business-leader roundtable event in Glasgow during COP26 to discuss how businesses can help customers make more sustainable choices.
- Alongside COP 26, Waitrose launched its biggest-ever food waste awareness campaign, which is estimated to have reached over 10 million people, providing customers with inspiration to help reduce food waste.
- We achieved 22.18% greenhouse gas emissions reduction compared to our 2018 baseline, against our target of net zero carbon across our operations by 2035. In addition we committed to setting science-based targets for our operations and supply chain.
- We made progress towards ending the use of fossil fuels across the Partnership's transport fleet and 252 of our 581 heavy trucks now run on biomethane. We will end the use of fossil fuels across the Partnership's transport fleet by 2030.
- Waitrose maintained its top tier position in the global Business Benchmark on Farm Animal Welfare for the eighth year in a row.
- Our Partnership was rated top in the UK and second globally in WWF's Palm Oil Buyers Scorecard reflecting our work to source more sustainable palm oil for use in our own-brand products.
- Over 550,000 hard-to-recycle beauty product empties were diverted from landfill through the John Lewis BeautyCycle scheme.
- We donated £6.5m supporting causes ranging from food poverty to international disaster relief.

Financial performance

PBTBE was £180.5m in the year, up £49.7m (38%) on 2020/21 and up £110.6m (158%) on 2019/20. This is the highest PBTBE for the Partnership since 2017/18. Our loss before tax was £26.7m. This was £490.5m (95%) better than 2020/21 and £173.1m (118%) lower than the profit two years ago.

Understanding our profit for 2021/22

The Partnership's principal internal measure of trading performance is Profit before Partnership Bonus, tax and exceptional items (PBTBE). This comprises Trading operating profit for our brands, combined with other operating costs managed centrally (such as costs of our head offices, net finance costs, property costs, depreciation and investment expenses).

Our PBTBE has been reconciled to the Partnership's statutory measure of Loss before tax in the Glossary section, and the principal differences are exceptional items and Partnership Bonus.

Trading performance by brand

| | Waitrose | | | | | John Lewis | | | | |
|-------------------------------|----------|---------|---------|------------|------------|------------|---------|---------|------------|------------|
| | 2021/22 | 2020/21 | 2019/20 | % vs 20/21 | % vs 19/20 | 2021/22 | 2020/21 | 2019/20 | % vs 20/21 | % vs 19/20 |
| Total trading sales (£m) | 7,535.9 | 7,595.2 | 6,917.3 | (1)% | +9% | 4,925.6 | 4,721.9 | 4,829.9 | +4% | +2% |
| Total trading sales LFL* | 7,536.1 | 7,469.9 | 6,776.7 | +1% | +11% | 4,905.6 | 4,536.0 | 4,447.5 | +8% | +10% |
| Revenue (£m) | 6,983.6 | 7,043.9 | 6,373.3 | (1)% | +10% | 3,853.9 | 3,727.9 | 3,778.0 | +3% | +2% |
| Trading operating profit (£m) | 1,019.6 | 1,144.6 | 1,063.2 | (11)% | (4)% | 757.7 | 554.4 | 733.6 | +37% | +3% |
| Trading operating profit (%) | 14% | 15% | 15% | | | 15% | 12% | 15% | | |

*Our LFL definition is outlined in the Glossary section

In Waitrose, Total trading sales grew by 1% like-for-like (down 1% as reported) and up 11% like-for-like on 2019/20 (up 9% as reported). This was because customer demand softened in the second half compared to the previous year, as much of the UK returned to more normal shopping patterns and the hospitality sector rebounded. Revenue declined 1% compared to last year and was up 10% on 2019/20.

Waitrose's Trading operating profit margins have been significantly diluted by inflationary pressures within supply chains, higher levels of absence due to Covid-19 and higher fulfilment costs as a result of the increased levels of online trade.

The combination of these factors resulted in a decline in Waitrose Trading operating profit of £125.0m to £1,019.6m, down 11%. Our cost savings helped to mitigate some of these pressures, with £73.6m of cost savings included within the Waitrose results.

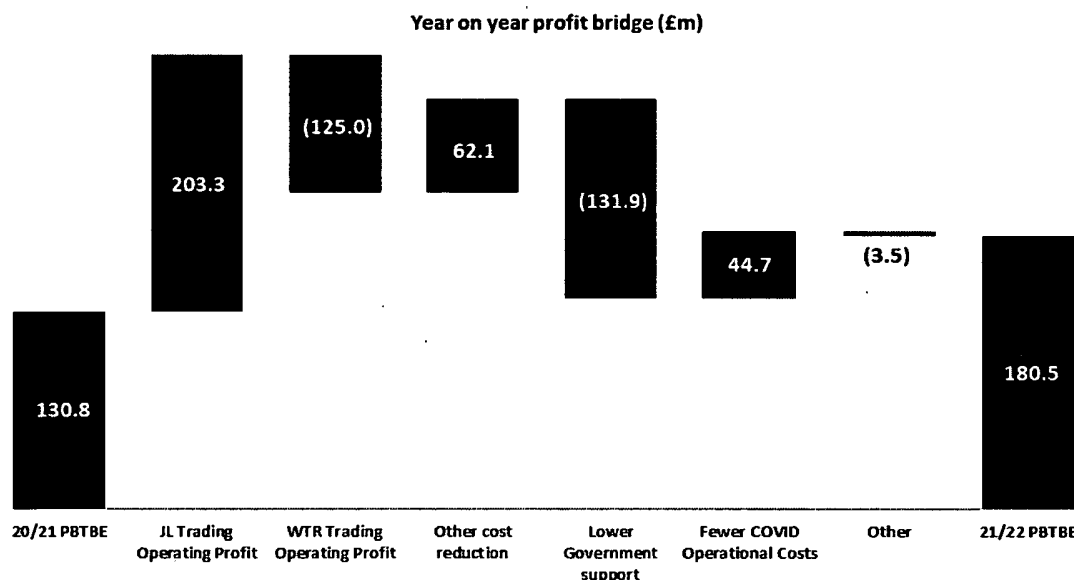
In John Lewis, we saw Total trading sales growth of 8% like-for-like (4% as reported) as there were fewer lockdowns in 2021 than in 2020. Total sales were up 10% like-for-like (2% as reported) on 2019/20 despite John Lewis shops being closed for ten weeks at the start of the financial year. Channel mix for the year was 67% online, 33% shops, a continuation of the long-term move online as customer behaviour shifts. Revenue grew 3% compared to last year and was up 2% on 2019/20.

Trading operating profit of £757.7m, up 37% on last year, reflects that margin in John Lewis has markedly improved this year. This was due to a combination of stronger sales, lower markdowns on sales and the mix of sales. We saw a higher proportion of Fashion and Home sales in 2021/22 than the previous year (which carry higher margins than Technology sales that were exceptionally strong in 2020/21). John Lewis Trading operating

profit includes £18.4m of profit contribution from our John Lewis Financial Services business, up £5.8m compared to the previous year.

In addition, cost savings in John Lewis contributed £34.5m to Trading operating profit. Overall, these factors generated growth in Trading operating profit of £203.3m, or 37%.

Year-on-year growth in PBTBE

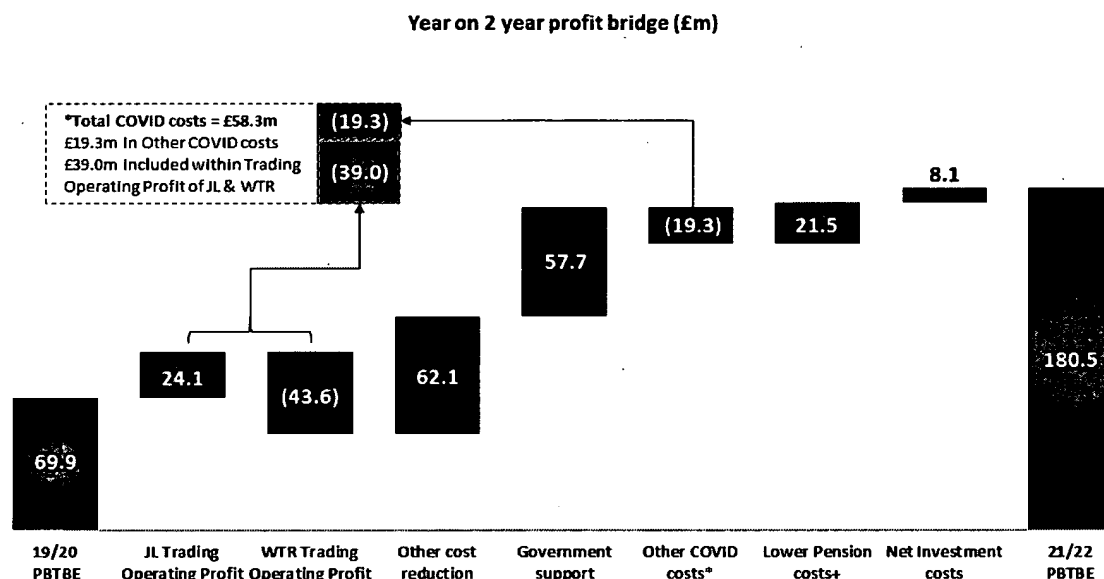


Compared to the full year results for 2020/21, our PBTBE improvement of £49.7m is due to a number of factors:

- John Lewis Trading operating profit grew by £203.3m and Waitrose Trading operating profit declined by £125.0m. These figures include the impact of £108.1m of cost savings delivered (£34.5m in John Lewis and £73.6m in Waitrose) in the year;
- £62.1m of savings from other operating costs was delivered compared to 2020/21, bringing the total cost savings delivered in 2021/22 to £170m;
- Government support was £131.9m lower as we received less in business rates relief and we made no claims under the Coronavirus Job Retention Scheme this year;
- Incremental costs associated with the Covid-19 pandemic were also lower this year, by £44.7m, as the demands on social distancing, cleaning and PPE eased relative to last year, added to the fact much of last year's social distancing measures to protect customers and Partners remained utilised this year;
- Our PBTBE of £180.5m includes £57.7m¹ of business rates relief this year which was fully offset by incremental costs associated with the pandemic.

¹ Rates relief in the first half of the year: £23.0m in the Government's original scheme and £34.7m in the extension of the scheme

Growth in PBTBE vs 2019/20



* Total COVID costs incurred in FY21/22 totalled £58.3m, £39.0m included within Trading Operating Profit, with the remaining £19.3m reported within Other COVID costs

+ Total Pension cost benefits are £65.0m, £43.5m are included within Trading Operating Profit, with the remaining £21.5m from non-trading pay costs

Compared to 2019/20, our PBTBE improvement of £110.6m is principally due to the following factors:

- John Lewis Trading operating profit has increased by £24.1m. Waitrose Trading operating profit has declined £43.6m. These figures include the impact of £108.1m of cost savings delivered (£34.5m in John Lewis and £73.6m in Waitrose) in the year;
- £62.1m of savings from other operating costs was delivered compared to 2019/20, bringing the total cost savings delivered in 2021/22 to £170m;
- We received business rates relief of £57.7m in the year, which did not feature in 2019/20. However, this was fully offset by costs associated with the pandemic in the year which totalled £58.3m: £39.0m of costs within Trading operating profit, and £19.3m of other Covid-19 costs;
- Pension costs were £65.0m lower following the closure of our defined benefit pension scheme in April 2020. £43.5m of these benefits were included in Trading operating profit, with £21.5m coming through non-trading costs;
- Net investment costs were down by £8.1m, comprising lower depreciation costs of £46.2m offset by increased running costs for new technology as we grow our digital capability for the future.

Exceptional items

During the year, we took difficult decisions to protect the long term viability of the Partnership to transform and grow the business. We closed eight John Lewis stores, a customer delivery hub and announced a head office property exit in 2024, as well as recording additional impairments of John Lewis stores. The number of head office roles has been reduced, as has the number of managers in John Lewis and Waitrose. These have totalled a net charge of £160.8m.

Cash and liquidity

We continue to manage cash prudently given the uncertain environment. It also ensures that there is adequate funding available to withstand material volatility in trading, particularly important to the Partnership as we do not have access to equity markets owing to our model. Our Total liquidity at the year end remains strong at £1.9bn, including £1.5bn cash and short-term investments, and undrawn bank facilities of £420m. This is required to deliver the Partnership Plan and meet our obligations. We carry £1.4bn of Total net debts including leases and any pension deficit, with £500m of financial borrowings due to be repaid in the next three years (£200m of bank term loans maturing between November 2022 and December 2023 and a £300m bond maturing in January 2025).

During the year, we repaid a £75m bank term loan and secured a new £420m revolving credit facility, linked to our environmental targets. The financing replaces previous facilities of £500m, which were due to expire at the end of 2022. Under the terms of the new agreement, the interest rate we pay on the facility will vary depending on whether we achieve three environmental targets over five years related to reducing carbon emissions, reducing food waste and moving away from fossil fuels in our transport fleet. Progress against these three targets is included within our Ethics and Sustainability Report 2021/22 and will be reported annually.

Our Debt ratio at the end of the year was 2.3x, improving from the previous year's position of 3.4x. This reflects a significant improvement in our pension deficit, our strong cash performance during the year and repayments of debt without the need for refinancing. For 2021/22, we are reporting a net pension accounting surplus but are not including this benefit in the calculation of Total net debts or Debt ratio, where instead we assume the pension scheme is breakeven. The pension deficit we reported in both 2020/21 and 2019/20 is included in our comparatives for Total net debt and Debt ratio.

| | 2021/22 | 2020/21 | 2019/20 |
|-----------------------------|-----------|-----------|-----------|
| Total liquidity (£m) | 1,930.6 | 2,018.5 | 1,415.5 |
| Total net debts (£m) | (1,413.4) | (2,097.0) | (2,435.8) |
| Debt ratio | 2.3x | 3.4x | 3.9x |

Pensions

Our net accounting position reflects the gap between the market value of pension assets held by our closed defined benefit scheme and our pension liabilities. At the year end, we had a net accounting pension surplus before deferred tax of £473.5m (£331.4m post deferred tax), compared to a deficit of £646.9m in January 2021 (£542.0m post deferred tax).

The improvement of £1.1bn pre tax is due to a combination of a reduction in the present value of pension liabilities combined with higher scheme asset values. The valuation of liabilities has decreased as a result of higher discount rates being used to assess present values of future payments, in line with market projections increasing expectations of interest rate rises. While inflation projections have also increased, this is more than offset by the increased discount rate. Our scheme asset values have increased off the back of strong returns on investments this year.

Our pension valuation is derived from a number of assumptions, any of which can change the overall valuation substantially given the large size of the scheme. The valuation is at a point in time, and changes in market conditions can substantially affect this position in the future.

THE PARTNERSHIP BUSINESS MODEL

The John Lewis Partnership is not like any other business. Our employees are Partners and custodians of our experiment in industrial democracy. Our Constitution protects the values that underpin our business, enshrining our governance into a single written document. The three governing authorities of the Partnership are the Partnership Council, the Partnership Board and the Chairman. The shared aim of the three governing authorities is to safeguard the Partnership's future, to enhance its prosperity and to ensure its integrity.

Our Council represents the views of all our Partners, for whom the business is owned in Trust. The Council's democratic network of elected councils, committees and forums enables Partners of all levels and experience to participate in decision making, challenge management on performance and have a say in how the business is run. We also have 62 Forums, made up of around 900 elected representatives, that influence, inform and support senior leaders in different parts of our business and gather Partner opinion for Council. As a business run on democratic principles, local leaders work with Partners to agree the best way to hear and respond to Partners' voices within their branch or department – we call this Local Voice.

We have over sixty Partners who have been formally elected by their peers to be our Partnership Councillors; three Partners elected as Elected Directors to the Partnership Board; and three Partners elected as Trustees of the Constitution by the Partnership Council on behalf of all Partners. See pages 76 to 80 in the Governance section for more details.

The Partnership's resources provide the basis for the creation of inspiring experiences and unique products, and they help us grow, create, design, source and distribute. As well as our network of shops we have, in the UK: 30 customer delivery hubs and distribution sites, the Waitrose & Partners Farm in Leckford, four Waitrose Cookery Schools, the School of Service, two customer contact centres, the Partnership Heritage Centre, and our soft furnishings factory, Herbert Parkinson. We also have two overseas sourcing offices. In addition, there are five Partnership hotels across the UK offering a range of facilities, available exclusively to Partners and their guests.

SUPPORTING PARTNERS AND COMMUNITIES

Health and wellbeing

This year, we have focused on building awareness in key areas including mental and physical health, menopause and breast cancer which have been delivered through our network of Health & Wellbeing Champions, dedicated campaigns and content. Delivering support digitally has been more important than ever due to the pandemic.

During the year:

- We continued to support Partners with sick pay regardless of Covid-19 vaccination status;
- We provided over 8,000 mental health sessions for more than 1,000 Partners;
- 230 People Managers participated in mental health awareness training;
- More than 11,000 Partners have downloaded the mental health Unmind app, which we provide for free;
- Over 1,000 Partners registered as Wellbeing Champions;
- More than 17,000 calls answered by our Health & Wellbeing Practitioners;
- £459,000 of financial support was provided to Partners in the form of grants or interest free loans;
- Over 7,000 Partners were members of 23 Partnership clubs and societies, ranging from sailing to singing;
- There were over 67,000 nights at our five Partnership hotel locations for Partners and their family and friends to use at specially subsidised rates.

Partner pay and reward

In 2020, the Board set the minimum thresholds for paying a Bonus: a combination of Profit before Partnership Bonus, tax and exceptionals (PBTBE) of £150m and Debt ratio of less than 4 times. We achieved both of these targets. Given the positive performance, and the extraordinary contribution of Partners, the Board decided to

share a 3% Bonus with Partners; while the Executive team and Chairman are donating their Bonus to the British Red Cross.

With our Partners, like the whole country, facing a cost of living squeeze, we believe that this is the right time to pay the voluntary Real Living Wage, nationwide. In addition, this year's pay review has been set at 2%, making the total pay investment £54m (excluding Bonus, which adds a further £46m).

In the 2021/22 financial year, our average hourly rate of base pay for non-management Partners was £10.35, 16.2% above the National Living Wage (NLW) of £8.91 (for those aged 23 years and over).

Helping communities in need

Our Founder established the Partnership to be a force for good in society. We are driven to make a difference to people's lives and create positive social change. We invest in our communities to create opportunities that promote a fairer and more inclusive society. This may be via monetary donations, as gifts 'in kind', through strategic relationships with charities that resonate with our brands and customers, or through our Partner volunteering hours and active engagement with local communities.

During the year, we donated £6.5m for good causes through a number of initiatives:

- Our Community Matters programme donated over £3m to the Partnership's charitable partners, FareShare and Home-Start, as well as thousands of other charities and community organisations local to John Lewis and Waitrose shops;
- Working with Home-Start we bolstered support in ten areas across the country, funding basic family needs such as food, clothing and fuel cards, and mental health and emotional wellbeing programmes. Together, we also provided 165 families with Christmas dinner, tree, gifts and decorations;
- With FareShare, we launched the second phase of our Farm to Family programme which saw over three million portions of fruit distributed to over 3,000 local organisations supporting people facing food insecurity;
- The Partnership also donated over £200,000 to the Trussell Trust to support their network of food banks which provides compassionate and dignified support to people who can't afford life's essentials;
- The John Lewis Partnership Community Investment Fund invested £1.2m in support of 29 employability projects across the country, from Aberdeen to Basingstoke. This fund has established a legacy in each community where a John Lewis or Waitrose shop has closed, enabling local people to access employment despite the loss of a shop in their community.

BECOMING A MORE INCLUSIVE BUSINESS

We are committed to creating a feeling of belonging in a Partnership where we can all be ourselves without fear or judgement, no matter our background, identity or circumstances.

While there remains much to do we are making progress; examples of diversity and inclusion (D&I) initiatives over the past year include:

- We became the first UK retailer to announce equal parental pay and leave, and introduced two weeks' paid leave for any Partner who experiences the loss of a pregnancy;
- Recruiting people who have experienced care is one of our long term Partnership Plan ambitions. Last year we ran three trials - in Essex, Manchester and Solihull - and worked with a number of local councils, charities and care focused organisations. The pilot schemes are looking at how we can help care-experienced people to gain skills and experience to set them up in their careers. This year we will work with councils and charities to run six more regional pilots across the UK;
- We increased membership across our Partnership networks by 3,000 Partners. Our networks include: Unity, Pride in the Partnership, LinkAges, Working Parents Network, Gender Equality Network, Faith and Belief, and Ability;

- Our Black Partner Advisory Group worked with both our brands for Black History Month to showcase that we are 'proud to be ourselves', within and outside of the Partnership;
- We collaborated with the charity, Create Not Hate, to run a development programme for young people from underrepresented groups to give them experience of working in the creative industries;
- We are proud to be a menopause-friendly workplace and want all Partners to feel comfortable talking about the menopause - whether they will go through it, are going through it or are supporting someone else;
- All our business locations, including stores, warehouses, call centres and offices, are provided with sanitary products, which are free for Partners and contractors;
- Through the year, we marked cultural and religious events with Partners and customers.

How we are performing

While diversity and inclusion is about more than just numbers, data collection allows us to measure progress and identify areas for improvement. The following data from our year end is based on 97.0% of Partners who self-declared their ethnicity. The remainder preferred not to say or did not respond.

| Level | Female | Male | Ethnic minorities | White |
|----------------------------|--------|-------|-------------------|-------|
| Executive/Director/Level 4 | 48.0% | 52.0% | 7.1% | 90.3% |
| 5 | 47.3% | 52.7% | 5.1% | 93.8% |
| 6 | 57.2% | 42.8% | 9.8% | 89.3% |
| 7 | 51.2% | 48.8% | 10.0% | 88.0% |
| 8 | 50.3% | 49.7% | 10.4% | 88.5% |
| 9 | 43.9% | 56.1% | 13.9% | 84.1% |
| 10 | 57.3% | 42.7% | 17.0% | 79.8% |
| Total | 55.7% | 44.3% | 15.9% | 81.1% |

15.9% of all Partners have self-identified as being an ethnic minority, up from 14.7% on the year before. Within Executive, Director and Level 4 roles, ethnic minority representation has gone from 4.5% to 7.1%.

We continue to see a higher proportion of female Partners in entry roles (Level 10), however, the percentage of female Partners in these roles has dropped slightly from 57.9% to 57.3% this year. We have seen an increase in female Partners in middle management roles: Level 6 has increased from 53.9% to 57.2%. We have seen an increase in female Partners in our Executive, Director and Level 4 roles from 45.0% to 48.0%.

We are reducing the difference between the pay of men and women; our median gender pay gap has closed by 2.3% and our mean pay gap by 1.4%, according to our most recent Gender Pay Gap report, in accordance with the requirements of the Equality Act 2010 (Gender Pay Gap Information) Regulations 2017. Our 2020/21 Inclusion Report (available at www.johnlewispartnership.co.uk) explains how we are closing our gender pay gap.

ETHICS AND SUSTAINABILITY STRATEGY

Our Ethics and Sustainability Strategy is in service of our Purpose, and takes a holistic approach to being a more ethical and sustainable business. It is broken down into six focus areas. Each area is critical if we are to protect the planet and respect and support the interests of all those touched by our business. Building strong trusted relationships inside and outside of our business is key to delivering our vision for ethics and sustainability and long-term business success.

| The Partnership Purpose Working in Partnership for a Happier World | | |
|--|---|--|
| Our Ethics and Sustainability Strategy | | |
| PEOPLE IN SUPPLY CHAINS Protecting the rights of workers in our supply chains and championing worker voice | CLIMATE ACTION AND BIODIVERSITY Reducing greenhouse gas emissions in our operations and supply chains, and protecting and enhancing nature through biodiversity | SOCIAL IMPACT Connecting and giving back to communities and charitable causes |
| AGRICULTURE, AQUACULTURE, FISHERIES AND RAW MATERIAL SOURCING Guaranteeing a fair deal for producers and supporting them to farm with nature | CIRCULARITY AND WASTE Designing with circularity in mind and eradicating waste | HEALTH, NUTRITION AND WELLBEING Enabling customers, Partners and communities to lead healthy and happy lives |

Further to the 2020 review of our Ethics and Sustainability Strategy and in line with our Founder John Spedan Lewis' passion as a keen naturalist, we concluded that restoring nature and a focus on preventing biodiversity loss should be at the heart of our Ethics and Sustainability Strategy. We will regalanise our efforts to protect and restore nature and our responsibility for the Partnership's impact on the planet, in an effort to create a more sustainable future for generations to come.

You can find out more on our Ethics and Sustainability Strategy, ambition and performance in our Ethics and Sustainability Report 2021/22 or at www.johnlewispartnership.co.uk/csr.

STREAMLINED ENERGY AND CARBON REPORTING

Summary

This section of the Strategic Report discloses our operational energy consumption, carbon footprint, and energy efficiency initiatives from January 2021 to December 2021 in line with the UK Government's Streamlined Energy and Carbon Reporting (SECR) regulation.

We are committed to reducing the Partnership's greenhouse gas (GHG) emissions and are making good progress towards our goal of reaching net zero emissions in our operations by 2035. In 2021, the Partnership's scope 1 and 2 market-based emissions were 136,476 tCO₂e (tonnes of carbon dioxide equivalent), down from 146,895 tCO₂e in 2020. This represents a reduction of 38,905 tCO₂e against our 2018 baseline, or 22.18%.

We also continue our commitment to reduce the Partnership's overall energy consumption across our physical estate, through the implementation of smarter energy saving technologies. This year we reached an 11.2% absolute energy reduction within the Partnership's physical estate (electricity and gas consumption) against our 2018 baseline, on track to meeting our target of 25% by 2028.

Under GHG Protocol standards for scope 2 market-based reporting, 100% of electricity consumption across our physical estate is backed by Renewable Energy Guarantees of Origin (REGO) certified renewable energy sources.

Methodology

The Partnership reports on all of the GHG emission sources required under the SECR legislation.

The methodology used to calculate our GHG emissions and energy use is the GHG Protocol Corporate Accounting and Reporting Standard (revised edition), using the operational control approach on reporting boundaries.

The data has been calculated using BEIS 2021 emission factors for all carbon streams, with the exception of certain refrigerants, market-based renewable electricity, and emission sources associated with our Leckford Farm, which are taken from industrial and academic sources. All emissions and energy usage is UK based apart from a small percentage of GHG scope 3 business travel. The intensity metric that the Partnership uses to normalise emissions for annual comparison is tCO₂e per £m Total Trading Sales (tCO₂e per £m sales).

For the calendar year ending 31 December 2021, the principles provided by the GHG Protocol Scope 2 Guidance have been applied to calculate the Partnership's Scope 1 'market-based' emissions from the combustion of gas sourced from the grid.

In 2021, 5% of the gas sourced by the Partnership from the grid was biomethane, backed by Renewable Gas Guarantees of Origin (RGGOs) purchased from our gas supplier. RGGOs are a type of Energy Attribute Certificate that meet the GHG Protocol Scope 2 quality criteria.

Assurance

KPMG LLP has issued an unqualified opinion over the selected data highlighted in this table with an asterisk (*) using the assurance standards ISAE (UK) 3000 and ISAE 3410. KPMG's limited assurance statement and the reporting criteria that we used as the basis of preparing the selected data, are both available at www.johnlewispartnership.co.uk/csr.

The Partnership's carbon emissions and energy consumption

| Global GHG emissions data ¹ | 2021 | 2020 | 2018 baseline |
|---|--|---|---|
| Scope 1 (tCO₂e)² Combustion of gas and fuel for transport purposes and refrigeration – Location-based – Market-based | 138,080* 135,704* | 141,078 141,078 | 168,029 168,029 |
| Scope 2 (tCO₂e)³ Electricity purchased, and heat and steam generated for own use – Location-based – Market-based | 117,694* 772* | 130,352 5,817 | 182,978 7,352 |
| Scope 3 (tCO₂e)⁴ Offsite water treatment, business travel, waste ⁵ , and transmission and distribution losses from purchased electricity | 24,436* | 31,534 | 44,373 |
| Intensity metric (tCO₂e per £m sales) – Location-based – Market-based | 22.0 12.6 | 25.5 15.0 | N/A ⁶ N/A |
| Energy usage | 2021 | 2020 | 2018 baseline |
| Partnership energy consumption (kWh) Total energy consumed (electricity, gas and transport) – Electricity – Gas – Transport | 1,204,691,654 550,662,975 269,842,170 384,186,509 | 1,142,282,36 555,536,097 243,672,698 343,073,565 | 1,280,410,02 639,096,177 284,809,768 356,504,083 |
| Partnership electricity renewable % Total electricity which is REGO backed | 100.0% | 97.4% | 97.7% |

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, our agricultural emissions and company cars. Our scope 1 location- and market-based emissions have deviated from one another for the first time this year due to our purchase of RGOs. The biogenic origin of the gas from RGOs results in out of scope emissions of 2,336 tCO₂e. These are emissions from the gas production, which are not considered as scope 1 or 2.

³ Scope 2: Emissions from the electricity we purchase. '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.

⁴ Scope 3: Emissions from our indirect activities under our operational control or operations influences e.g business travel not in company owned cars. The categories presented in the table are a subset of, rather than our entire, scope 3 footprint.

⁵ In 2021, to increase transparency, the Partnership increased scope 3 reporting for waste to include the emissions from recycled waste and anaerobic digestion, in addition to non-recyclable waste. This resulted in an additional 1,333 tCO₂e which is included in the 2021 scope 3 figure reported above. This addition will continue to be included going forward. The 2020 and 2018 comparative figures for scope 3 do not include this addition and are reported as disclosed in prior years. More information on the GHG Protocol's waste reporting guidance can be found here: https://ghgprotocol.org/sites/default/files/standards_supporting/Ch5_GHGP_Tech.pdf.

⁶ In February 2020, the Partnership created a new sales measure known as Total Trading Sales. The Partnership restated this measure from 2019 onwards and so it's not available to calculate the intensity metrics for 2018. Therefore, the table does not include 2018 location-based and market-based intensity metrics.

Increase in Partnership gas and transport energy usage

To prevent the spread of Covid-19, the Partnership increased ventilation across our physical estate. The provision of fresh air at lower temperatures resulted in an increased requirement for heating and therefore increased gas usage.

Energy usage across the Partnership's transport fleet has increased as we transition from diesel to biomethane. Although a lower carbon intensity than diesel, biomethane fuel is less efficient than diesel, so more energy is used.

Energy efficiency

This year we have continued efforts to reduce energy consumption across our physical estate. Progress in 2021 included:

- Upgrading 58 Waitrose stores, six John Lewis stores, and two non-trading buildings, with the latest generation LED lighting. In total, the savings are expected to be in excess of 14,000,000 kWh per year;
- Further investment in electronically commutated (EC) fan technology in our Heating, Ventilation and Air Conditioning (HVAC) systems;
- The trial of heat pump technology in our Waitrose Chesham store, removing the need for gas and providing a more efficient form of electric heating. The potential gas savings on this store alone are in excess of 400,000 kWh per year;
- We continue to deploy the pioneering AirDoor™ technology which lessens hot and cold air infiltration into a building, thereby reducing the energy consumption required to regulate temperatures. We have installed the AirDoor™ at a further two Waitrose stores this year, bringing the total to 16 stores;
- Working with the Energy Institute, we created energy awareness training which is now available to all Partners;
- We are assessing the feasibility of solar panels at our Magna Park distribution centre to better understand the potential for generating our own electricity, increasing our resilience in the face of energy price fluctuations;
- An additional 18 Waitrose stores received a refrigeration upgrade. This involved a full replacement of conventional hydrofluorocarbon (HFC) based refrigeration systems to a low global warming potential (GWP) water cooled alternative;

For more information on the Partnership's Ethics and Sustainability Strategy including Climate Action, see our Ethics and Sustainability Report 2021/22 or www.johnlewispartnership.co.uk/csr.

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

Introduction

Climate change continues to present one of the biggest threats to our planet. Urgent action is needed to keep global warming below 1.5°C to avoid the worst impacts, and we are taking measures to reduce the Partnership's environmental impact. In addition, the Partnership fully supports the Task Force on Climate-related Financial Disclosures (TCFD) and its recommendations and is committed to assessing the impacts of climate-related risks and opportunities across our operations, physical estate and supply chains. Using the TCFD framework, this report provides the Partnership's progress update across each of the TCFD pillars: Governance, Risk Management, Strategy, and Metrics and Targets.

Following our initial disclosure in April 2021, this year was our first year conducting scenario analyses to estimate the potential impact of climate risks and opportunities on the Partnership, focusing on three business areas only. Overall, the physical and transition impacts were relatively low, given that the defined scope in the first year was limited. The Partnership recognises the benefit of scaling up our scenario analysis programme in the future, widening the scope and looking beyond a 2030 timeframe, which would provide us with a more comprehensive understanding of climate risks and opportunities posed to our business. In turn, this will enable us to further integrate the outputs into the Partnership's strategic planning and risk management decisions and ensure we are able to adapt and become more resilient to climate change over time.

Governance

The Ethics and Sustainability Committee

In 2021, the Partnership Board established the Ethics and Sustainability Committee (ESC) as a Board-level committee, recognising the importance of our responsibility to our Partners, the environment and those with whom we build strong relationships including suppliers, customers and communities.

ESC member Bérangère Michel, Executive Director, Finance, sponsors the Partnership's TCFD programme.

As defined by its terms of reference, the purpose of the ESC, chaired by the Partnership's Chairman, is to assist the Board in fulfilling its responsibilities for setting the Ethics and Sustainability (E&S) strategy in accordance with the Partnership's Purpose and Values, as well as ensuring that the E&S strategy is embedded into the Partnership's operations. For more detail on the full role of the ESC, see page 64. Full terms of reference can be found at www.johnlewispartnership.co.uk.

The ESC is provided with full oversight of significant climate-related matters impacting the Partnership, by operations teams responsible for day-to-day delivery of the Partnership's climate programme.

The ESC considers, monitors and reviews climate-related matters to ensure that the appropriate strategy, programmes and investment are in place to build robust and effective management of climate-related risks and opportunities at the Partnership. For more details on the ESC role in risk management see page 39.

TCFD working group

The TCFD working group is made up of Partners drawn from across the business, including specialists in climate change, data, finance and risk management. The working group leads the implementation of the programme and its recommendations, drawing on the expertise of additional subject matter experts across the Partnership as required.

Delivery of the Partnership Plan

As part of the five year Partnership Plan, we have identified a number of strategic outcomes across the business, including for E&S. Members of the E&S outcome team are responsible for identifying and prioritising additional project work required alongside existing business activity to support progress against E&S targets, setting timelines and milestones, and tracking progress. For more information on E&S initiatives see page 16.

Upskilling Partners

As we look forward to our TCFD programme for 2022/23, the ESC held an externally led session on the TCFD framework in March 2022, enhancing all members' understanding of the programme and showcasing best practice and how to apply the programme of work to strengthen the strategic direction of the business.

The Partnership Finance team works closely with the E&S team to support the delivery of the E&S strategy. Two senior Finance Partners are members of the Accounting for Sustainability (A4S) Academy, equipping them with the skills needed to embed sustainability considerations into financial planning for the future.

For further information on Governance in the Partnership see the Governance report on pages 45 to 85.

Risk Management

Climate change risks are managed within the Partnership's established Risk Management Framework, as detailed on pages 31 to 39.

Climate change impact, including risks and opportunities, is considered under the Partnership's principal risks 'Ethics and sustainability' and 'External environment', informed by insight from the Ethics and Sustainability team who manage a specific Climate Change Impact risk through their Executive Team Leadership level risk register.

As required, any actions identified as part of this year's scenario analysis will be captured under 'Climate Change Impacts' on the Ethics and Sustainability risk register of the Executive Director, Strategy & Commercial Development, and in risk registers of other Executive Directors where relevant. Required actions will be monitored in line with the Partnership's risk management processes.

The ESC, as a Committee of the Board, directly oversees, monitors and challenges all Ethics and Sustainability risks on behalf of the Board including the principal Ethics and Sustainability risk, the Executive Director, Strategy & Commercial Development's Ethics and Sustainability risk register, and all climate related risks.

The Audit and Risk Committee (ARC), on behalf of the Partnership Board (which has overall responsibility for risk management) is responsible for reviewing and monitoring the effectiveness of the Partnership's risk management systems.

For more detail on the full role of the Board, ARC, and ESC, see pages 44 to 65. Full terms of reference can be found at www.johnlewispartnership.co.uk.

Strategy

Following a materiality assessment including financial and climate risk factors, we focused our scope for scenario analysis to three areas of potentially higher risk. A defined scope within each of these risk areas was then chosen:

1. Waitrose own-brand fresh produce;
2. Cotton used in John Lewis own-brand products;
3. John Lewis Partnership's UK physical estate.

Climate scenarios analysed

| Climate scenario | Description | Context | Climate risks |
|------------------|--------------------------------|---|--|
| RCP8.5 | Physical impact scenario | Failure to limit global warming well below 2°C and estimated global temperatures above 4°C by 2100. | Chronic climate change (changes in temperature and precipitation) and extreme weather events (floods, droughts, heatwaves and cold waves). |
| RCP2.6 | Low-carbon transition scenario | A rapid transformation of the global economy to cut emissions and limit global warming to well below 2°C in 2100. | Industry-specific taxes on carbon emissions. |

Time horizons

The Partnership recognises the importance of looking at the short- (1-5 years), medium- (6-10 years), and long-term (11+ years) time horizons specifically for the purpose of assessing climate risks.

As this is our first year conducting scenario analysis, we applied a medium-term time frame of 2030 so that any forthcoming risks or opportunities could be identified through the exercise and addressed accordingly. The year 2030 is considered a critical time by when emissions need to begin declining in order to achieve the goals of the Paris Agreement.

Results

The scenario analysis results indicated there are physical and transition risks as well as potential opportunities across the three business areas analysed based on the Partnership's current estate in 2030.

| | Physical risks (RCP8.5) | Transition risks (RCP2.6) |
|----------------------|--|--|
| Fresh produce | Financial impact: Minor* Physical risks impact: changes in production volumes and price volatility. | Financial impact: Minor Transition risks impact: increased costs due to a carbon tax on agricultural and freight emissions. |
| Cotton | Financial impact: Minor Physical risks impact: changes in production volumes and price volatility. | Financial impact: Minor Transition risks impact: increased costs due to carbon taxes on agricultural, manufacturing and freight emissions. |
| Property | Financial impact: Minor Physical risks impact: property damage and loss in sales due to increases in ambient temperatures, flood risks and heatwaves. | Financial impact: Minor Transition risks impact: includes increases in compliance costs due to a carbon tax on scope 1 and scope 2 emissions. |

*Minor' financial impact equates to profit risk below £5m, as defined by the Partnership's risk management framework.

Modelling assumptions

General

- It is assumed that the Partnership's business activities (operating model, emissions etc.) remain static and that the Partnership does not innovate or mitigate the impacts or change its sourcing strategy.
- All increases in costs are assumed to be fully absorbed by the Partnership and not passed onto consumers, to demonstrate the potential scale of risk to the Partnership.

Transition risks

- For all transition risks, the impact of carbon taxation was modelled under the low-carbon transition scenario. In the case of Property, carbon taxation was assumed to replace the current Climate Change Levy.

Physical risks

- For fresh produce, modelling considers country-level data only and does not consider smaller geographical regions that have specific soil types or micro climates. Two pathways were considered;
 - A loss in fresh produce production volume leads to procurement from elsewhere at a higher cost;
 - A loss in production volume leads to a loss in fresh produce sales.
- A reduction in cotton production leads to an increase in the price of cotton. The price increase was based on historic observations of price elasticity, which may not be fully representative of future price changes.
- Flood risk damages were modelled based on past flooding events. These have been used as a proxy for future damage across all properties.

Existing adaptation and mitigation actions

Existing programmes of work are in place within the Partnership across the three business areas analysed to adapt to physical risks posed by climate change and to mitigate the transition risks. Adaptation actions are used to manage physical risks (RCP8.5) and mitigation actions such as reducing carbon emissions are used to manage transition risks (RCP2.6). More information on our current adaptation and mitigation actions can be found in our Ethics and Sustainability Report 2021/22 or at www.johnlewispartnership.co.uk/csr.

Having recently completed our first year of TCFD scenario analysis, the outputs of this work are currently being analysed to understand the strategic implications required to support longer term climate risk mitigation and opportunities. The scenario analysis process has also highlighted areas where data collection can be improved to increase the scope available for analysis and enhance the robustness of model outcomes.

Metrics and targets

The Partnership has a number of existing mitigation targets in place, and in 2020 we brought forward our net zero carbon target across our direct operations (scope 1 and 2 emissions), from 2050 to 2035. We are also in the process of setting science-based targets for our operations and supply chain in line with limiting global temperature rise according to the goals of the Paris Agreement.

Scenario analysis will also enable us to identify and establish formalised metrics and targets that may be required to mitigate and adapt to the risks posed by climate change.

Current climate-related metrics and targets:

- Net zero carbon across our operations (scope 1 and 2) by 2035;
- Greenhouse gas emissions from our UK farms supply base to be net zero by 2035;
- All electricity procured by the Partnership to be 100% renewable certified by 2028;
- We will end the use of fossil fuels across the Partnership's transport fleet by 2030;
- All Waitrose core store refrigeration to be hydrofluorocarbon (HFC) free by 2028;

- An absolute energy reduction within the Partnership's physical estate of 25% by 2028, against a 2018 baseline;
- Waitrose to keep under a 7% refrigerant gas leakage rate;
- All key raw materials in our own-brand products will be from sustainable or recycled sources by 2025;
- We will halve food waste in our supply chains by 2030, against a 2018 baseline.

Waitrose has signed up to the WWF's Retailers' Commitment For Nature (WWF Basket), aiming to halve the environmental impact of UK supermarket shops by 2030. The Partnership is a supporter of the BRC Climate Action Roadmap and signatories of Textiles 2030.

More on Ethics and Sustainability performance, targets and assurance can be found in our Ethics and Sustainability Report 2021/22.

PROMOTING THE SUCCESS OF THE PARTNERSHIP - SECTION 172(1) STATEMENT

This section, along with all other pages referred to here, forms the Partnership's section 172(1) statement. The law requires Directors to act in the way they consider would be most likely to promote the success of the company for the benefit of its members as a whole and in doing so have regard (amongst other matters) to:

- a) the likely long-term consequences of decisions;
- b) the interests of the company's employees;
- c) the need to foster the company's business relationships with suppliers, customers and others;
- d) the impact of the company's operations on the community and the environment;
- e) the desirability of the company maintaining a reputation for high standards of business conduct;
- f) the need to act fairly as between the company's members (the Partnership is owned in Trust for the benefit of its members, otherwise known as Partners).

A description of how these duties have been discharged is the central purpose of this Group Strategic Report and is also contained within the Governance Report. The section on our risks and uncertainties on pages 33 to 39 includes amongst other things an assessment of the impact to the Partnership of Covid-19, of increases to the cost of living and inflationary pressures.

Our Purpose was refreshed last year. The opening sections are: "Our Partnership is an ongoing experiment to find happier, more trusted ways of doing business, for the benefit of us all. We work together to create a successful business and a fairer, more sustainable future for Partners, customers, suppliers and communities".

The Partnership's Purpose is in many ways aligned to the matters to which the Directors must have regard under section 172(1) of the Companies Act. For example, the requirement to take account of the likely consequences of any decision in the long term, to have regard to the interests of the company's employees, to foster business relationships with suppliers, customers and others, and to have regard to the impact of the company's operations on the community and the environment, is consistent with the Purpose objective to create a more sustainable future for Partners, customers, suppliers and communities. The desirability of maintaining a reputation for high standards of business conduct and the need to act fairly between members of the company aligns with the Purpose of finding more trusted ways of doing business for the benefit of us all, and of working together to create a fairer future.

Decision-making at the Partnership Board

The Directors take a large range of factors into account before making a final decision which they believe is in the best interests of the Partnership, and both the Directors and those submitting papers for consideration are reminded through the Purpose of the section 172(1) obligations. The Board and Executive Team template requires papers submitted to the meeting to state how the matter for decision or notification advances and aligns with the Purpose, including how it will impact Partners, the environmental effect and any ethical or fairness implications. The Purpose is set out on the front cover of the pack for every Executive Team and Partnership Board meeting. The Board's minutes underscore how the Board has taken into account the Partnership's Purpose, in particular the ambition to create a successful business and a fairer, more sustainable future for Partners, customers, suppliers and communities, in relation to the matters considered and the decisions made at the meeting.

Long term sustainability

The second Principle of the Constitution includes the objective of making "sufficient profit to retain our financial independence, invest in our Partners and pursue our Purpose". The shared aim of the Chairman, Partnership Council and Partnership Board, our three governing authorities, is to safeguard the Partnership's future, enhance its profitability and ensure its integrity.

The Partnership's key stakeholders

Our key stakeholders first and foremost are our Partners. Partners work in service of our customers and they are at the heart of our Purpose. We are also focused on responding to the needs of, and building long-term relationships with, our customers. We work closely with our producers and suppliers from whom we purchase goods and services, and the communities and the environments in which we operate. We have financial stakeholders, including relationship banks and holders of John Lewis PLC financial bonds. With a continued focus on ethics and sustainability, engagement with campaign groups and non-governmental organisations is key.

On the following pages, we have described our key stakeholders, an overview of their interests, ways in which the Partnership Board engages and acts with regard to these groups when taking its key strategic decisions, and some key highlights of stakeholder engagement in the Partnership from the year under review.

| Stakeholder | How do we engage? | Key highlights from 2021/22 |
|---|---|--|
| Partners Following a process involving Partners through much of 2021, Partnership Council (which represents Partner opinion) approved our revised Purpose. It reaffirms that, as owners of the business, Partners are more than employees and share knowledge, power and profit. The Constitution empowers all Partners to shape the future of the Partnership. Hearing Partner opinion and ensuring this is taken into account in decision-making is intrinsic to our employee ownership model. See also: | Board Directors, including Non-Executive Directors, and the Partnership Secretary, are members of and regularly attend Council meetings. Three Partners are Elected Directors on the Partnership Board. Forum is the first formal layer of democracy operating on a geographical or subject matter basis. Most Council meetings include a session entitled "What's On Partners' Minds" which, amongst other things, ensures that Partners' | 2021 was the first full year following PartnerVoice liberation, designed to bring the principles of democracy to life at the most local level in Partners' day-to-day roles. In May 2021, a restructuring of the Partnership Democratic Engagement team resulted in the creation of the Partnership Democratic Vitality team to create areas of specialism in three new areas of Democratic Governance, |

| | | |
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| <ul style="list-style-type: none"> • Supporting Partners and communities, pages 13 to 14 • Becoming a more inclusive business, pages 14 to 15 • Partnership Council Report on pages 76 to 80 | <p>opinions are passed up from the Forums.</p> <p>Partners receive updates about the Partnership from regular dialogue with management, email updates, podcasts, vlogs, the Partnership's intranet and through the weekly independent <i>Gazette</i> publication.</p> | <p>Capability and Proposition & Insight.</p> <p>In place of the three previous Elected Directors, two Partners were elected (and one re-elected) to the Partnership Board in January 2022, taking up the roles in March.</p> <p>Elections to Partnership Council took place in February 2022, to elect Councillors who reflect Partner opinion across defined constituencies of the Partnership.</p> <p>The Terms of Reference of the Ethics and Sustainability Committee, newly established as a Board Committee in July 2021, include a duty to monitor and review Partner expectations for E&S. A panel of Partners will be consulted to input and contribute to future E&S activity and decisions.</p> |
| <p>Customers</p> <p>We believe in providing exceptional service from an ethical brand that our customers can trust. Our Partners support this by providing specialist expertise and personalised advice.</p> | <p>Our customer research teams are the voice of the customer, seeking to understand how customers and potential customers think and feel. We gather their experiences and expectations through surveys, face-to-face research, customer feedback to Partners, contact centres and external data sources.</p> <p>Regular customer reports are produced for management and Directors for Partnership Board meetings, tracking and reviewing emerging trends and why they are occurring, as well as measuring the business response and feeding in data</p> | <p>This year, we have been getting closer to our customers and bringing customer opinion to life with monthly customer closeness sessions with senior leadership. This has been hugely insightful in keeping in touch with our customers on a regular basis and giving Partners a chance to interact with them more. We have also been keeping close to how our customers are thinking and feeling to understand their behaviour and how it impacts how they shop.</p> <p>Ahead of the relaunch of myWaitrose, we spoke to customers to help inform the</p> |

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| | <p>to support both strategic and tactical initiatives and decision-making.</p> <p>During the year, the Directors considered customer interests, behaviour and expectations both now and in the future.</p> | <p>rewards we offer as well as testing which helped define our approach.</p> |
| <p>Producers and suppliers</p> <p>A strong, trusted and transparent supply chain is integral to our success as a retailer. Our aim is to take a long-term view, working closely with producers and suppliers across our supply chains, forming mutually beneficial partnerships and ensuring workers are treated fairly.</p> <p>It is the strong working relationships we form that allow us to source high quality, more sustainable and ethical products for our customers.</p> <p>See also:</p> <ul style="list-style-type: none"> • Our Ethics and Sustainability Strategy on page 16 • Waitrose compliance with the Groceries Supply Code of Practice on pages 61 and 62 • Anti-bribery and corruption on page 44 • The John Lewis plc published payment practice reports • See our full Ethics and Sustainability Report and Modern Slavery Statement at www.johnlewispartnership.co.uk/csr | <p>The Board monitors relationships with the Partnership's suppliers in a number of ways including:</p> <ul style="list-style-type: none"> • review by its Audit and Risk Committee of compliance with the Groceries Supply Code of Practice • reports on the Partnership's payment practices in line with government requirements • the steps the Partnership is taking to meet its ethics and sustainability goals, to protect the human rights of those who grow, pick, pack or make our products and to prevent modern slavery and human trafficking in our business and supply chains through the Ethics and Sustainability Committee (ESC). <p>More information about the ESC can be found on pages 64 and 65.</p> <p>Our Responsible Sourcing Code of Practice (RSCOP) sets out our expectations of all suppliers on issues such as pay, working hours, child labour, worker rights and</p> | <p>Waitrose is supporting pig farmers supplying Waitrose pork products with additional payments, sharing the burden of the increased cost of production and ensuring they receive a fair price for their products.</p> <p>In January, we hosted the Waitrose Farming Conference virtually for over 1,000 farmers and suppliers. We shared ideas on the future of farming and listened carefully to our farmers on how we can work together to deliver sustainable farming practices that work with nature.</p> <p>Based on the results of the 2020 Better Jobs China survey, in July 2021, we ran two workshops across sixteen factories to improve communication and the management of difficult conversations. In total, the workshops were attended by 17 managers and 23 workers.</p> <p>In South Africa, the Waitrose & Partners Foundation is running a training programme to equip farm health workers with the skills to support workers' wellbeing following the pressures of Covid-19. So far, 99 health workers have been trained.</p> |

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| | <p>representation. In addition, we have a number of supplier facing policies which cover a broad range of areas from animal welfare to timber sourcing standards.</p> <p>The Partnership engages with suppliers in a number of ways, including through our dedicated online supplier portals and supplier forums, such as the Waitrose Farming Partnership (which encompasses the Livestock Steering Group, the Fish Forum and Agronomy Group), and a number of programmes and advocacy work including the John Lewis Better Jobs Programme, and the Waitrose & Partners Foundation.</p> <p>For more details on a number of our supplier engagement programmes visit: www.johnlewispartnership.co.uk/csr</p> | |
| <p>Communities</p> <p>Our Founder established the Partnership to be a force for good in society. We are driven to make a difference to people's lives and create positive social impact, using the skills and resources within the Partnership to support where help is needed.</p> <p>See also:</p> <ul style="list-style-type: none"> Supporting our Partners and communities on pages 13 and 14 Our Ethics and Sustainability Strategy on page 16 Our Ethics and Sustainability Report and further information at www.johnlewispartnership.co.uk/csr | <p>The Board and Directors monitor relationships with communities in which we operate via the Ethics and Sustainability Committee, including the Partnership's response to the increasing social challenges faced by today's society.</p> <p>The Partnership engages on matters impacting communities via a number of channels including our national charity partnerships. We select national charity partners that support our ambition to improve the lives of those most vulnerable in the community and with a</p> | <p>Through our Community Matters programme, this year the Partnership has donated over £3m to the Partnership's charitable partners FareShare and Home-Start and thousands of other local charities.</p> <p>We launched the second phase of our Farm to Family programme working with FareShare which has seen over three million portions of fruit distributed to over 3,000 local organisations supporting those in need.</p> <p>The John Lewis & Partners Foundation, a charity</p> |

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| | <p>geographical presence matching our estate where possible, giving our Partners the opportunity to make a difference locally.</p> <p>The John Lewis & Partners Foundation is an independent charity established to benefit communities in the UK and overseas in which John Lewis operates by supporting projects that promote training and skills which demonstrably lead to meaningful and sustainable employment. The John Lewis Partnership Golden Jubilee Trust is the Partnership's flagship volunteering programme. It is an independent charity through which Partners have the opportunity to volunteer full-time for up to six months at a charity of their choice while remaining on full Partnership pay and benefits.</p> <p>For more on how the Partnership engages with communities, visit www.johnlewispartnership.co.uk/csr where you can also read our Ethics and Sustainability Report 2021/22.</p> | <p>independent to the Partnership, funded eight new UK based employability projects to the value of £156,868, whilst also continuing to fund seven ongoing projects, including projects with Fine Cell Work and Save the Children.</p> <p>During 2021, the John Lewis Partnership Golden Jubilee Trust awarded both virtual and in-person secondments to a total of 31 charities across the country. This equates to 2,392 Partner days' work donated, an increase on last year's 1,931 days.</p> |
| <p>The Environment</p> <p>We are committed to sourcing the raw materials used in our own-brand products more sustainably, collaborating with others to drive positive change and being transparent about our progress. We recognise the potential negative impacts that raw materials used in our products can have on people, animals and the natural environment.</p> <p>See also:</p> | <p>The Board and Directors monitor environmental impact via the Ethics and Sustainability Committee, including responding to the environmental challenges faced by today's society and those which may impact our business operations. Waitrose and John Lewis leadership teams attend internal workshops used to establish programmes to reduce the environmental</p> | <p>We announced we would set science based targets in line with limiting global temperature rise for our operations and supply chain and are in the process of establishing these.</p> <p>We launched a Circular Future Fund with Hubbub to search for trailblazing circular innovation across key product areas. We selected the</p> |

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| <ul style="list-style-type: none"> • Our Ethics and Sustainability Strategy on page 16 • Task Force on Climate-related Financial Disclosures, pages 19 to 23 • Streamlined Energy and Carbon Reporting on pages 17 to 19 • Our Ethics and Sustainability Report and further information at www.johnlewispartnership.co.uk/csr | <p>impact on those matters most material to the Partnership.</p> <p>The Partnership engages on environmental issues via a number of stakeholders including our Partners, third parties and as signatories of a number of industry sustainability initiatives. This engagement ensures we have visibility of emerging risks as well as opportunities, are able to communicate and advocate collaboratively with the wider retail sector and develop our own initiatives to reduce our environmental footprint. Examples of collaborative or pre-competitive activity include our memberships of the British Retail Consortium and Aldersgate Group.</p> <p>For more on how the Partnership monitors and engages on matters concerning environmental impact, visit www.johnlewispartnership.co.uk/csr where you can also read our Ethics and Sustainability Report 2021/22.</p> | <p>winners, which will be announced in May 2022, amongst which £1m will be awarded to help bring their innovations to fruition.</p> <p>Waitrose became a signatory of the WWF Retailers Commitment for Nature (WWF Basket), aiming to halve the environmental footprint of a UK shopping basket by 2030. Success will be measured annually by WWF against metrics linked to climate, deforestation, alternative protein, nature, packaging, food waste and more.</p> <p>We became a founding signatory of WRAP's Textiles 2030 agreement, together with our industry peers we are collaborating to reduce the aggregate greenhouse gas and water footprint of our textile supply chains.</p> <p>Waitrose continued its partnership with the Forest Conservation Fund, providing project funding equivalent to that needed to protect 821 hectares of the Mului-forest in East Kalimantan, Borneo, home to the indigenous Mului community. The project is empowering the Mului community to protect their forests from illegal logging and conversion for agriculture.</p> |
| <p>Lenders This includes our relationship banks and holders of John Lewis plc bonds.</p> | <p>Through our website, we share details on our performance, and our Treasury team provides further detail as needed. We invite them to join our</p> | <p>Our banks and bondholders were invited to a virtual results call and presentation at half year and year end, hosted by the Executive Team. We also held an in person meeting</p> |

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| | financial updates and announcements, which gives them an opportunity to hear and engage with the Chairman, Executive Director, Finance and senior management. | with our banks in March as part of the revolving credit facility (RCF) refinancing, which included an update from the Director, Ethics & Sustainability on E&S strategy, and our progress towards science based targets for greenhouse gas emissions. |
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Maintaining a reputation for high standards of business conduct

The Partnership's reputation for its standard of business conduct is a key driver of customer perception of our brands. All Partners are expected to contribute to the maintenance of high standards, and the Constitution provides our framework to do this for all Partners. It includes specific Rules for Partners relating to maintaining honesty, fairness, courtesy and promptness in their business conduct. The Partnership Board's Audit and Risk Committee oversees how the business manages compliance and, during the year, this has been an increasing area of focus. Further information is provided in the risk and uncertainties section on pages 33 to 39 and the Audit and Risk Committee Report on pages 53 to 63.

Acting fairly as between the company's members (Partners)

The first Principle of the Constitution states that we treat people with fairness, courtesy and respect. All Partners benefit from an interest in the ownership of the Partnership.

The section on Becoming a more inclusive business on pages 14 to 15 of this Strategic Report and the Partnership's Inclusion Report, which can be viewed at www.johnlewispartnership.co.uk, set out how equality is fostered within the business.

MANAGING OUR RISKS

Our approach

Risk is inherent in both our current operations and the strategic decisions we make in pursuit of the Partnership's future goals. The Partnership Board sets our risk appetite, derived from our Constitution, which provides the guardrails for how much strategic, operational, financial and regulatory risk we are willing to take in the pursuit of these goals. For example we will take more risk in pursuit of our strategic objectives to drive our business forward and less risk in the delivery of our day-to-day operations.

We implement a structured approach to risk management, designed to identify emerging and changing risks, to manage and monitor them; and to communicate those that matter most through our governance structure. Our leaders are empowered to make risk-informed decisions within the Board's risk appetite for the Partnership. All Partners should be aware of risks in their areas of responsibility and manage them in their day-to-day activities.

Our principal risks are each owned and managed by a member of the Executive Team. Individually they are materially significant enough to require Board oversight. Our governance processes ensure a blend of 'bottom up' visibility of risk, with quarterly 'top down' oversight by the Executive Team, and challenge by the Audit and Risk Committee (ARC), the Ethics and Sustainability Committee (ESC) and the Partnership Board. Regular monitoring of principal risks also supports the Directors' assessment of the long-term viability of the Partnership as detailed on pages 40 to 42. Throughout the year, the Partnership Board undertook an assessment, with the support of the Executive Team, the ARC and the ESC, of the principal risks to achieving the Partnership Plan. See pages 33 to 39.

Governance

The risk management governance structure in place for the year under review is set out below including the reporting and feedback flows. Members of the Executive Team own and oversee the implementation of the risk framework and own individual principal risks. The Senior Leadership Team supports the Executive to identify, monitor and mitigate risks to within appetite, with the objective where possible, of achieving risk appetite within two years from the date when the principal risk was identified. We have further refined our governance this year, after updating our overall risk management approach in February 2020, to clarify and upweight challenge to risk-related decision making in line with governing body knowledge and expertise as follows:

- Risks most related to the completeness and accuracy of our financial statements and our overall financial health, such as financial, information security and compliance-related risk taking and mitigations are challenged by the ARC, on behalf of the Board (except Ethics and Sustainability related compliance);
- Ethics and Sustainability risks and compliance matters are reviewed by the ESC, on behalf of the Board. This new Board Committee was established during the year;
- All other principal risks, predominantly related to Partners, customers, change and our response to the evolving external environment, are challenged directly by the Partnership Board.

This activity is supported by a small team of risk specialists led by the Director, Audit and Risk, who provide risk-related insight and challenge to decision-making and coaching to continually develop the maturity of our risk management framework. For further details about key roles and responsibilities, please see the Audit and Risk Committee report on pages 53 to 63 and Ethics and Sustainability Committee report on pages 64 to 65. The Director, Audit and Risk continues to report independently across all governance bodies on a quarterly basis in relation to principal and emerging risks, risk management maturity and on the outcome of the ongoing assessment of key areas of regulatory compliance.

Emerging risks

Identifying emerging risks is integral to our risk management process and Partners throughout each stage of the governance structure undertake horizon scanning as part of their quarterly risk discussions. Specifically, this year Partners have surfaced changing risks as a result of the evolution of the pandemic and more recently the war in Ukraine, along with risks resulting from the volatility in the external environment linked to inflation, energy price

risers and labour shortages. Internally, our capacity and capability to deliver the Partnership Plan at the pace required, make sufficient profit, ensure operational resilience to meet customer needs and secure the wellbeing of our Partners have emerged as important risks to manage. Those associated with climate change and the transition to a lower-carbon economy continue to emerge.

Covid-19

The impact of Covid-19 continued to be felt during the year with John Lewis stores closed in the first quarter whilst Waitrose stores remained open with operational restrictions in place. Our crisis response team remained in place throughout the year, working to a 'safety first' position at all times. Extra precautionary measures first implemented in 2020 were maintained in our stores, including dedicated marshals to monitor social distancing, screens at checkouts, protective equipment, cashless payments and wearing appropriate face coverings. Social distancing measures and protective equipment were also in place across our supply chain and offices with work from home guidance followed by Partners as applicable to their roles and workplace testing facilities available across all Partnership locations. As national restrictions gradually relaxed, the Partnership continued to follow national public health bodies' guidance with a view to protecting our customers, Partners and community groups' safety and wellbeing as a top priority.

The Partnership has experienced significant supply chain disruption as a result of numerous global lockdowns and labour shortages, largely driven by sickness absence and 'pingdemic' isolation requirements, alongside the additional Brexit impact. We continued to support our suppliers, add resilience to our technology and distribution network and prioritise the most important goods to serve our customers, while not compromising on our sourcing principles.

Brexit

Our planning and preparedness leading up to the UK leaving the European Union proved critical. As border checks increased incrementally over the year the Partnership adjusted accordingly, working with couriers and suppliers with no significant impacts experienced on our supply over and above those felt due to Covid-19. Secondary impacts on labour availability within the supply chain were acute, contributing to a shortage of HGV drivers and warehouse operatives. A combination of pay incentives, leveraging the Partnership's reputation as a good place to work, and targeted 'Helping Hands' (head office Partners volunteering to support the supply chain) helped to mitigate peak trading resourcing challenges. More structured approaches, including the development of a Driver Academy, have been explored for the year ahead.

Russian invasion of Ukraine

The Russian invasion of Ukraine in February 2022 and the resulting sanctions imposed have already impacted the global economy. This is expected to worsen during the 2022/23 financial year, increasing our risk position. Therefore whilst any direct effect on the Partnership is relatively modest in terms of impact at present, we recognise that the geopolitical change to come may impact the sourcing of goods and resources and our global supply chain in the longer term, with nations seeking to become more self-sufficient to mitigate the impact of rising energy, food and product prices and disruption. Within the Partnership we are continuously monitoring the position, with relevant teams preparing mitigation plans for those risks which may worsen over the coming weeks and months. Within both brands, the decision has been made to no longer sell products made in Russia. More broadly, as a member of the Disaster Relief Alliance we proudly support the British Red Cross in their efforts to help communities impacted by this humanitarian crisis, and have provided mechanisms for customers to do so as well.

PRINCIPAL RISKS AND UNCERTAINTIES

Our principal risks are those that have been assessed as high or very high risk in the pursuit of the Partnership Plan when considering the potential impact and likelihood of occurrence. Oversight and monitoring takes place formally on a quarterly basis through governance.

Our principal risks are:

1. External environment
2. Proposition
3. Insufficient profit to achieve our purpose
4. Change delivery
5. Information security
6. Partner differentiation
7. Customer experience
8. Partner wellbeing
9. Regulatory non-compliance
10. Ethics and sustainability

What has changed since last year?

The challenging and changing retail environment, along with progress made in managing our risks, has resulted in the following changes to the principal risk profile in the reporting period:

- **Insufficient profit to achieve our Purpose** was added as a principal risk in recognition that the Partnership's financial performance continues to be significantly challenged by the trading environment. Further detail is provided in the principal risk table below.
- The likelihood of **Change delivery** risk occurring increased as our capacity to receive the volume of change planned reduced as a result of reducing Partner numbers through the transformation of our Head Office;
- **Liquidity** has been removed from the principal risk register now that the risk has been managed to within appetite, driven by a number of factors including refinancing an ESG-target linked credit facility in the year. Mitigation activities designed to monitor our liquidity position will continue with Executive, rather than Board, oversight;
- The impact of **Partner differentiation** risk was managed down in the period. The likelihood of occurrence was increased to reflect the change in Partner confidence through this period of significant internal and external change and drive different activity in response;
- The impact of **Regulatory non-compliance** was increased in line with our greater understanding of changing regulatory requirements following further assessment.

Principal risks are described over the following pages, together with an explanation of how they are managed or mitigated.

Managing our principal risks

The external risk environment in which we operate remains challenging with a range of existing, evolving and new emerging risks driving reduced margins in traditional retail. The Partnership Plan is our strategic response to this environment and its effective operationalisation is our single most important mitigation.

| I. External environment (no movement) | | |
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| <p>Risk External environment changes impact delivery of business-as-usual (BAU) operations or strategic objectives.</p> <p>Key causes and consequences Reduced margins in traditional retail, Covid-19, Brexit, government policy changes, regulatory changes, climate change, social movements and a weakened economy could result in erosion of operating profit, operational disruption and an inability to meet customers' changing needs.</p> | <p>Current controls and improvements in the year</p> <ul style="list-style-type: none"> • Partnership Plan communicated, refreshed annually and progress monitored quarterly by the Executive Team and Partnership Board • Investment portfolio reprioritisation • Financial strategy agreed with the Executive Team • Horizon scanning for indicators of change • Monitoring of business and market performance by the leadership and Executive Team • Regular review of the potential impacts of Covid-19 to course correct supported by the crisis management response team • Continuity and crisis management framework in place • Proactive management of disruption to operations and supply chain as a result of Covid-19, labour shortages and cost inflation | <p>Further actions planned</p> <ul style="list-style-type: none"> • Embedding our refreshed Purpose • Ongoing delivery of the Partnership Plan • Evolving the business/operating model, to deliver the agreed strategy, including establishing a Partnership-wide objective framework and embedding new governance structures • Engaging Partners in the Partnership Plan and their critical role in delivery • Embed climate-related risks and opportunities scenario analysis insight into our risk management and strategic planning - see pages 19 to 23 for further information on the Task Force on Climate-related Financial Disclosures (TCFD) framework |

| 2. Proposition (no movement) | | |
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| <p>Risk Failure to deliver profitable, market-leading propositions to inspire our customers and maintain competitive advantage.</p> <p>Key causes and consequences Poor customer insight, range, quality, pricing strategy, lack of investment and/or availability of products or competitor disruption could negatively impact the customer proposition and its competitiveness, leading to loss of customers, erosion of profit margins, reputational damage and failure to deliver growth plans.</p> | <p>Current controls and improvements in the year</p> <ul style="list-style-type: none"> • Regular strategic risk review and monitoring by leadership and the Executive Team • Regular strategy implementation, customer and performance metrics evaluation • Ongoing product quality checks and monitoring of supply chain contingency plans • Continued development of high quality, innovative propositions, tested with customers for relevance and consideration • Launch of ANYDAY, additional beauty brands and Christmas 2021 including new emporiums • Competitive supply chain reward package | <p>Further actions planned</p> <ul style="list-style-type: none"> • Continued differentiation on products for example ANYDAY, Waitrose No.1, beauty, new and exclusive brands and products, as well as further broadening John Lewis Financial Services product range into investments and insurance • Store development programme • Development of online propositions including new routes to market • Systems advancements to improve stock availability and ranging • Significant investment in price and value • Ongoing range and category reviews • Continued delivery of Better together - unlocking further value between our brands • Driver apprentice scheme |
| 3. Insufficient profit to achieve our Purpose (new) | | |
| <p>Risk Risk that we won't make sufficient profit to achieve our Purpose; the impact of which would be a combination of reduced competitiveness and ultimately commercial failure, loss of Partner faith and democratic vitality due to lack of suitable Partner rewards endangering our partnership model, and inability to maintain our distinctive character.</p> <p>Key causes and consequences An inability to diversify fast enough, trade profitably, take out costs and/or allocate capital effectively in a challenging retail environment, combined with increasing inflation, could mean that we fail to deliver the Purpose, Plan and Partnership Profit.</p> | <p>Current controls and improvements in the year</p> <ul style="list-style-type: none"> • Partnership Plan refreshed in autumn 2021 to account for the impacts of the currently hostile macro economic environment • Budget targets for leaders have been communicated and reflected in the Partnership Plan Objectives with quarterly progress updates • Business case approval processes • Regular reporting and review | <p>Further actions planned</p> <ul style="list-style-type: none"> • Development of a roadmap for achieving the required cost savings in the Partnership Plan • Deliver the cost savings budgeted for 2022 • Produce a refreshed Financial Strategy • Improve the financial understanding of the Partnership and drive a 'cost-conscious' mindset • Enhance financial reporting to provide greater visibility of profitability |

| 4. Change delivery (increased) | | |
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| <p>Risk Change activity does not realise the desired benefits and drives unforeseen costs and consequences.</p> <p>Key causes and consequences Business, operating model and change complexity combined with the volume and pace of the change required and capacity to receive change, could result in increased costs, disruption to trade, missed growth opportunities and a poor customer and Partner experience.</p> | <p>Current controls and improvements in the year</p> <ul style="list-style-type: none"> • Roles and responsibilities defined and visibility of change and portfolio ownership communicated to the Executive Team and Partnership Board • New change and transformation organisational model announced • Ongoing monitoring of 'on time, in full and to budget' delivery of change activities • Change management toolkit: Planview rollout completed and relevant projects onboarded, reporting established and governance in place • Outcome delivery accountability | <p>Further actions planned</p> <ul style="list-style-type: none"> • Design, implement and embed a standardised change methodology • Review and improve the end-to-end change operating model • Review trade-offs for business as usual and portfolio activity • Implement and embed the new Transformation and Operations Delivery Group (TxODG) set up to help manage change contention and activity trade-offs in-year |
| 5. Information security (no movement) | | |
| <p>Risk Loss of key customer, Partner and/or commercially sensitive data leading to financial, regulatory, legal, operational and reputational issues.</p> <p>Key causes and consequences External and internal threats, behaviour which fails to protect the integrity of data in both Partnership and third party systems could result in loss of key customer, Partner or business data, causing internal and/or external reputational damage, interruption of IT service and trading, fines, unforeseen costs and regulatory consequences.</p> | <p>Current controls and improvements in the year</p> <ul style="list-style-type: none"> • Updated Information Security and Data Protection Strategy, Policy, Standards, controls and monitoring effectiveness • Partner training • Robust network security monitoring and regular testing to assess network or system vulnerabilities • Security impact assessments undertaken for projects to ensure compliance with security standards • Delivery of IT Security related projects • Security monitoring | <p>Further actions planned</p> <ul style="list-style-type: none"> • Continue to deliver further IT Security related projects • Mature control framework reporting and ongoing delivery of improvements per new information security strategy • Ongoing monitoring, training and controls improvement |
| 6. Partner differentiation (reduced impact; increased likelihood) | | |
| <p>Risk The responsibilities and benefits of membership are not sufficiently felt and experienced by Partners and/or do not drive a distinctive and better business in service of our Purpose.</p> | <p>Current controls and improvements in the year</p> <ul style="list-style-type: none"> • Partnership Values • Refreshed Purpose • Earning membership • Partner handbook • The Constitution | <p>Further actions planned</p> <ul style="list-style-type: none"> • Communicate, activate and engage Partners with the Partner deal (previously referred to as the new Partner Strategy) • Delivery of a reimagined approach to performance focussed on |

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| <p>Key causes and consequences Lack of clarity, understanding and knowledge of responsibilities and rewards of being a Partner, as well as not delivering against the expectations of membership could lead to Partners not feeling a differentiated experience.</p> | <ul style="list-style-type: none"> • Democracy structure and channels, including Council and Forum, with support from a remodelled Democratic Vitality function • Leadership engagement and communications through specific change programmes via democracy channels • Raising the lowest rates of pay to voluntary Real Living Wage as at March 2022 • Sharing financial and wider business performance more transparently and frequently with Partners • Operating Model changes embedded and new ways of working established • Leadership behaviours have been socialised with the Leadership Group, highlighting what is distinctive and different about leading in the Partnership | <p>recognition, wellbeing, contribution and development through delivery of the Total Review of Reward</p> <ul style="list-style-type: none"> • Communication of the updated Principles of the Constitution to all Partners • Improved performance management • Continued progression of the Total Review of Reward |
| <p>7. Customer experience (no movement)</p> | | |
| <p>Risk Customers do not receive differentiated, excellent customer service across touchpoints.</p> <p>Key causes and consequences Systems, data, process, and the store environment impact service quality and convenience in store and online, resulting in declining customer experience and loyalty, and a gap between customer expectation and reality.</p> | <p>Current controls and improvements in the year</p> <ul style="list-style-type: none"> • Service principles and standards, including the ABC123 programme in Waitrose • Branch Operational Procedures • Partner training • Regular 'Customer Voice' meetings • Customer insight data and KPIs, including Have Your Say (HYS), Customer Satisfaction (CSAT) and Net Promoter Scores (NPS) • Weekly performance report reviewed, including metrics for product availability • Purpose-built learning facility launched in The School of Service to develop Partners' skills, knowledge and confidence to sell through service • John Lewis customer pain points improvement projects focussed on contact and website experience, | <p>Further actions planned</p> <ul style="list-style-type: none"> • John Lewis customer experience diagnostics, strategy development and roadmap • Refreshed customer experience principles and service standards • Embed Customer Voice Group and Customer Experience Steering Group • Continue School of Service training to develop Partners skills, knowledge and confidence to sell with high quality service • Investment in store environment • Allocation of business plan funding specifically to projects which will enhance customer experience |

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| | <p>technology after sales and support, returns and refunds, and delivery and installations</p> <ul style="list-style-type: none"> • Customer segmentation, NPS and target customer analysis to inform development of strategy • Prioritisation of safety and service of customers through Covid-19 with social distancing measures | |
| 8. Partner wellbeing (no movement) | | |
| <p>Risk Partners' sense of wellbeing is threatened by societal and organisational uncertainty and change.</p> <p>Key causes and consequences Pressure on Partners relating to the pandemic (in respect of both physical and mental health and broader measures such as social restriction and shielding) and/or significant organisational change and job insecurity could lead to deterioration in Partner wellbeing, increased absence, loss of talent and failure to deliver the Partnership Plan.</p> | <p>Current controls and improvements in the year</p> <ul style="list-style-type: none"> • Wellbeing support services such as Partner Support, Partnership Health Services and Personnel Policy and Advice are in place to provide Partners with mental and physical health, emotional, financial and bereavement support • Mental health awareness training for People Managers • Monitoring of Partner Happiness in line with our renewed Purpose • Monitoring of the Partner Choice membership (non financial rewards and benefits) • Regular Partner surveys providing a quantifiable view of Partner Wellbeing | <p>Further actions planned</p> <ul style="list-style-type: none"> • Maintain routine measurement of Partner Wellbeing with rolling Partner surveys and benchmarking against the UK population. • Ongoing encouragement for Partners to engage with new positive habits and self-manage/build ability to cope and thrive • Continued promotion of the Five Ways to Wellbeing model (as evidenced by increasing Partner Choice membership numbers referenced in the current controls and improvements column) |
| 9. Regulatory non-compliance (increased) | | |
| <p>Risk Failure to comply with key regulatory requirements.</p> <p>Key causes and consequences Lack of awareness, understanding or control of key regulatory requirements could have legal, reputational and/or financial damage which, depending on scale, could cause major trading disruption.</p> | <p>Current controls and improvements in the year</p> <ul style="list-style-type: none"> • Policies and standards • Partner training and monitoring of completion • Clear Executive accountability for all key regulatory areas • Horizon scanning of new/changing regulations and the potential Partnership impact and response • Implemented a programme of independent high risk regulatory assurance reviews • Improvements in data protection supplier and people assurance processes | <p>Further actions planned</p> <ul style="list-style-type: none"> • Data owners continue to work with Information Security teams to mature data protection priorities • Continue to embed and strengthen new supplier assurance processes and systems • Continue to implement improvement activity arising from regulatory assurance reviews |

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| | <ul style="list-style-type: none"> • More mature oversight and monitoring • People focused Internal Controls framework developed with a maturing database of risks, controls and assurance mechanisms • All legacy People systems decommissioned • Equal Parenthood leave and parental bereavement leave including pregnancy loss policies have been launched and necessary changes made to systems, standards and operating procedures to ensure compliance with policy | |
| 10. Ethics and sustainability (no movement) | | |
| <p>Risk Failure to live up to our ethics and sustainability ambition.</p> <p>Key causes and consequences Central to the Partnership Plan and our Purpose, rising stakeholder expectations, broad and complex supply chains and the need to invest in systems, processes, data and people. Falling short could cause reputational damage through loss of trust, with knock-on effects on trading performance.</p> | <p>Current controls and improvements in the year</p> <ul style="list-style-type: none"> • Ethics and Sustainability Committee implemented, chaired by the Chairman • Responsible Sourcing Code of Practice • Factory audits programme • Product certification standards and targets • Traceability systems • External targets and reporting e.g. E&S report and Modern Slavery Report • Dedicated agricultural supply chains in key product categories • See also Our Performance - Ethics and sustainability page 8 | <p>Further actions planned</p> <ul style="list-style-type: none"> • Partnership Ethics and Sustainability Strategy embedded in the Partnership Plan • Improving the sustainability credentials of own-label products and services and continuing to strengthen animal welfare credentials • Deliver operational climate and carbon commitments including 2035 operations net zero pathway, science based targets and further TCFD climate scenario analysis (see pages 19 to 23) • Continue to improve visibility, monitoring and ethical compliance of the supply chain • Embed improved governance and ways of working • Improve communication and engagement with ethics and sustainability activity |

Looking ahead

Our principal risk portfolio will continue to be monitored through our governance into year two of the Partnership Plan. Further maturing of our risk management framework across leadership to support decision making in pursuit of the Partnership Plan is paramount. Alongside we are providing risk related behavioural coaching to ensure we continuously improve the effectiveness of our risk management framework and our culture.

VIABILITY STATEMENT

The UK Corporate Governance Code (the Code) requires Directors of all Companies with a Premium Listing to make a statement on the viability of their business within their annual reports. Although the Partnership is not required to adhere to the requirements of the Code, in the case of the Viability Statement we believe that the Code provides the best framework for the Directors to communicate how they have assessed the Partnership's ability to remain commercially viable in line with best practice, and to show how they continue to uphold their constitutional obligation to protect the long-term health of the Partnership. This takes into account the Partnership's current position (pages 86 to 159); current strategy (page 6); and risks and uncertainties (pages 33 to 39).

Assessment period

The Partnership Plan is designed to develop our business over the long term and is underpinned by work in recent years to strengthen the Partnership's balance sheet and financial sustainability, with £1.5bn in total liquidity available at the date of approval of these financial statements. As shown below, a wide variety of time horizons are relevant to the management of the Partnership:

| | 1 | 2 | 3 | 4 | 5 | 8 | 10+ |
|--------------------------------|--|--|---|------------------------------|---|------------------------------|----------|
| Strategy | Years 2-5 of the five year Partnership Plan | | | | | | |
| Forecasting and budgeting | Detailed budget | Currency and commodity hedging forecasts | | | | | |
| Financial strategy and funding | Annual funding and liquidity plan | | | Funding the Partnership Plan | | Long-term financial strategy | |
| Asset lives | Majority of lease payments subject to market review every five years | | | | | | |
| | Useful economic lives for intangible assets | | | | | | |
| | Useful economic lives for larger tangible assets | | | | | | |
| Employee benefit liabilities* | | | | | | Long leave | Pensions |

*Weighted average duration

The Directors have assessed the Partnership's viability over a three-year period to January 2025. Reflecting the speed of change in the retail environment, a three-year period of assessment is deemed an appropriate timeframe as it captures the period over which detailed budgeting and forecasting is provided for planning purposes.

Current climate

Given the pace of change in the retail sector, the recent economic uncertainty due to Covid-19 and the war in Ukraine, along with risks resulting from the volatility in the external environment linked to inflation, energy price rises and labour shortages, we expect to see continued volatility over the short-term. We are continuing on our journey to implement the five year Partnership Plan in order to transform our business into a thriving Partnership, loved by Partners and customers.

Severe downside modelling

In assessing the viability of the Partnership, the Directors considered the Partnership's revenue, profit, net assets and cash position under the budget and the Partnership Plan approved by the Partnership Board. In the context of a challenged UK economy, these took account of factors such as increased levels of inflation and sustained cost pressures. A severe but plausible downside scenario was applied to incorporate additional sensitivities overlaid on the budget and five year Partnership Plan. These were based on the potential financial impact of the Partnership's principal risks which are the most relevant risks when assessing the Partnership's viability, and scored highest on the combined scale of impact and likelihood.

The severe downside scenario and the principal risks (pages 33 to 39) underpinning it have been assumed to occur over the three-year period of assessment, in order to test the Partnership's ability to withstand multiple simultaneous challenges. The scenario also assumes that all Partnership borrowings are repaid at their maturity date and that no further refinancing or funding is undertaken. The potential impact of one-off 'black-swan' events that cannot reasonably be anticipated are not included within the severe downside scenario.

The severe downside scenario assumes that the rising levels of inflation continue for the rest of 2022/23. This is followed by a UK economic recession throughout the assessment period resulting in a reduction in sales, as well as a further reduction in margin across both brands and a number of one-off events, e.g. a regulatory and data security breach, higher impairment charge, a decrease in pension scheme assets and project under-delivery. The severe downside modelled has a significant adverse impact on sales, margin, costs and cash flow.

The severe downside detailed above is deemed by the Directors to provide a severe, but plausible, stress test on our underlying viability. This includes a significant reduction in year 1 performance as a result of the impact of increased inflation and reduced trading performance across both brands, resulting in a pre-mitigation cash reduction to Plan in excess of £1.9bn over the three years. The impacts of the severe downside adjustments have been reviewed against the Partnership's projected cash position and financial covenants over the three-year viability period. Should these occur, mitigating actions would be required to ensure that the Partnership remains liquid and financially viable.

Mitigating actions

In response, the Directors have identified £2.7bn of mitigations (£1.9bn available within the first two years up to January 2024, and a further £0.8bn available in the third year 2024/25), all within management's control, to reduce costs and optimise the Partnership's cash flow, liquidity and covenant headroom, the majority of which would only be triggered in the event of the severe downside scenario materialising. These actions were identified as part of the Partnership's contingency planning which considered both feasibility and time frames to execute. Mitigating actions include, but are not limited to, reducing capital and investment expenditure through postponing or pausing projects and change activity; deferring or cancelling discretionary spend (including discretionary Partner benefits); and reducing marketing spend. These mitigations are all within the control of the Partnership and exclude those mitigations which place some reliance on the external market (such as asset sales).

Internal mitigations alone would be sufficient to absorb the effects of the severe downside scenario. Additional liquidity could be sourced from the external market assuming sufficient appetite existed, e.g. asset disposal or sale and leaseback of property. Continuous monitoring of the Partnership's liquidity position enables management to proactively apply these mitigations as required.

Viability assessment

This assessment is based on the Directors' best view of the severe but plausible downside scenario that the Partnership might face. If outcomes are unexpectedly significantly worse, the Directors would need to consider what additional mitigating actions were needed, for example accessing the value of our asset base to support liquidity.

Having reviewed current performance, forecasts and risks, the Directors have a reasonable expectation that the Partnership:

- Has adequate resources to continue in operation;
- Can meet its liabilities as they fall due;
- Can retain sufficient available cash across all three years of the assessment period;
- Will not breach any financial covenants attached to its financial debt (bonds, term loans and bank facilities).

The Directors therefore have a reasonable expectation that the Partnership will remain commercially viable over the three-year period of assessment. An overview of the process undertaken to reach this conclusion was provided to, and reviewed by, the Audit and Risk Committee (see page 57).

| Variable | Downside scenario | | | Partnership principal risks | | | | | | | | | |
|--|--------------------|-------------------|-------------------|-----------------------------|---|---|---|---|---|---|---|---|----|
| | 22/23 Yr 1 | 23/24 Yr 2 | 24/25 Yr 3 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| Sales underperformance | (2.4)% vs budget | *(2.4)% vs Plan | *(2.4)% vs Plan | x | x | x | x | | x | x | x | | x |
| Gross margin rate including inflation | (218)bps vs budget | *(213)bps vs Plan | *(208)bps vs Plan | x | x | x | x | | x | x | x | | x |
| Cost of shift in JL channel mix | £(9)m | - | - | x | | x | | | | | | | |
| Inflationary impact on operating costs | £(31)m | - | - | x | | x | | | | | | | |
| Missed project delivery | £(114)m | - | - | | x | x | x | | x | x | x | | |
| Cost savings under delivery | £(82)m | - | - | | | x | x | | x | | x | | |
| GNFR under delivery | £(25)m | - | - | | | x | x | | x | | x | | |
| One-off IT data breach | £(50)m | - | - | | | | | x | | | | | |
| One-off regulatory non-compliance risk | £(25)m | £(25)m | - | | | | | | | | | x | x |
| Decrease in pension scheme assets | £(225)m | - | - | | | x | | | | | | | |
| Additional impairment | £(50)m | - | - | x | | | | | | | | | |

*cumulative based on Partnership Plan

OTHER REPORTING INFORMATION

Non-financial reporting statement

This section of the Strategic Report constitutes the Partnership's Group Non-Financial Information Statement, produced in accordance with sections 414CA and 414CB of the Companies Act 2006. The information listed is incorporated by cross-reference and the table below, and the information it refers to, is intended to help our Partners and other stakeholders understand the Partnership's position on key 'non-financial matters', meaning quantitative and qualitative information on the strategies, policies or activities we pursue towards our business, environmental and social goals. In reporting this, we focus on the aspects that are most material to our business, our Partners and other stakeholders. This builds on our existing reporting, such as on ethics and sustainability. Read more at www.johnlewispartnership.co.uk/csr.

| Reporting requirement | How we manage these issues: policies, standards, risks and additional information |
|--|--|
| Environmental matters | <ul style="list-style-type: none"> • Ethics and Sustainability Strategy on page 16 • Task Force on Climate-related Financial Disclosures on pages 19 to 23 • S172(I) Statement (the Environment) on pages 28 to 29 • Streamlined Energy and Carbon Reporting on pages 17 to 19 • Ethics and Sustainability Report 2021/22 and other ethics and sustainability reports, statements, policies and further information available at www.johnlewispartnership.co.uk/csr |
| Employees | <ul style="list-style-type: none"> • Supporting Partners and communities on pages 13 to 14 • Becoming a more inclusive business on pages 14 to 15 • S172(I) Statement (Partners) on pages 23 to 30 • Partnership Council President's and Partnership Council Report on pages 76 to 80 • Board Diversity Statement on page 69 |
| Human rights | <ul style="list-style-type: none"> • S172(I) statement (Producers and Suppliers) and our Responsible Sourcing Code of Practice (RSCOP) on pages 26 to 27 • Our latest Human Rights Report and Modern Slavery Statement, Ethics and Sustainability Report 2021/22 and other reports, statements and policies available at www.johnlewispartnership.co.uk/csr |
| Social matters | <ul style="list-style-type: none"> • Helping communities in need on page 14 • Ethics and Sustainability Strategy on page 16 • Ethics and Sustainability Report 2021/22 and other reports, statements, policies and further information available at www.johnlewispartnership.co.uk/csr |
| Anti-corruption and anti-bribery | <ul style="list-style-type: none"> • Anti-bribery and Corruption section on the following page |
| Policy embedding, due diligence and outcomes | <ul style="list-style-type: none"> • Throughout this report and Ethics and Sustainability Report 2021/22 and other reports, statements, policies and further information available at www.johnlewispartnership.co.uk/csr • Task Force on Climate-related Financial Disclosures on pages 19 to 23 • Managing our risks on pages 31 to 32 • Audit and Risk Committee Report on pages 53 to 63 |
| Description of principal risks and impact of business activity | <ul style="list-style-type: none"> • Our principal risks and uncertainties are set out in Managing our risks section on pages 33 to 39 |

| | |
|---|---|
| Description of our business model | <ul style="list-style-type: none"> • The Partnership business model on page 13 • Our Purpose and the Partnership Plan on pages 5 and 6 • The Partnership's Constitution is available on our website at www.johnlewispartnership.co.uk |
| Non-financial key performance indicators (KPIs) | <ul style="list-style-type: none"> • Through various measures, we continue to track and seek to improve the happiness of Partners • The Partnership has a target of net zero emissions across our operations by 2035, and progress against that target is set out in this report (pages 17 to 19) and the Ethics and Sustainability Report 2021/22 • Becoming a more inclusive business on pages 14 and 15 sets out some of the diversity and inclusion initiatives over the past year and related KPIs • The Further Actions Planned to mitigate the principal risks on pages 34 to 39 are KPIs for the business |

Anti-bribery and corruption

The Partnership does not condone bribery or tax evasion in any form and manages risks in respect of bribery, corruption and offences under the Bribery Act 2010 and Criminal Finances Act 2017 through policies, standards, guidance and mandatory training. We have a policy (available at www.johnlewispartnership.co.uk/csr) on Anti-Bribery and Corruption (ABC) and Gifts and Hospitality; these are reviewed and refreshed annually, the latest review having taken place in October 2021.

The policy is clear that the Partnership is committed to preventing bribery in all forms and prohibits Partners and other personnel from making, offering or accepting bribes. Facilitation payments are also prohibited, and gifts and hospitality are permitted only where the requirements of the policy are followed. Charitable donations are permitted only where requirements of the Charitable Giving Standard are met. The policy also states that the Partnership does not make political donations.

The Partnership is also committed to ensuring our third party suppliers adhere to our policies and relevant legislation, through stringent supplier assurance processes. The Gifts and Hospitality register has been updated across the Partnership to ensure consistency and to make compliance obligations clear for all Partners.

Contribution to the UK tax system

This year, the Partnership paid taxes of £267m and collected £781m. A breakdown is provided below.

| Taxes paid by the Partnership | Taxes collected by the Partnership |
|---|---|
| £113m Employer National Insurance contributions | £279m net VAT |
| £110m business rates | £255m Excise Duty |
| £15m Fuel Duty | £160m Partners' Pay As You Earn (PAYE) |
| £10m Customs Duty | £87m Partners' National Insurance contributions |
| £7m Apprenticeship Levy ¹ | |
| £5m Climate Change Levy (CCL) | |
| £7m other | |
| £267m total | £781m total |

¹ Before the drawdown of funds of £4m

Our approach to tax can be found at www.johnlewispartnership.co.uk/financials/financial-results.html.

GOVERNANCE REPORT

GOVERNANCE IN THE PARTNERSHIP

The two Trust Settlements made by John Spedan Lewis in 1929 and 1950 established the John Lewis Partnership, to be owned in Trust for the benefit of its members - its employees - who are known as Partners. The Trustee of the two Settlements is John Lewis Partnership Trust Limited (referred to in this report as the Trust Company). The Partnership is governed by a written Constitution, which must not conflict with the Settlements. The Constitution can only be changed by the agreement of two-thirds of the voting membership of Partnership Council, and the Chairman. It is available on the Partner intranet and is published on our website at www.johnlewispartnership.co.uk.

Power in the Partnership is shared between the three governing authorities: the Chairman, Partnership Board and Partnership Council (Rule 2 of the Constitution). Rule 4 of the Constitution is: "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 entrepreneurial spirit but must not risk any loss of financial independence".

For more information on each of the governing authorities, see page 46 on the Chairman, pages 48 to 52 on the Partnership Board and its Committees, and pages 76 to 80 on Partnership Council.

The Partnership's governance checks and balances are clear and robust in accordance with its democratic principles of sharing of power for the benefit of Partners. Partnership Council is at the heart of the Partnership's governance controls. The Council reflects Partners' opinion. It stays in touch with the views of Partners in various ways including through elected Councillors each representing the constituency in which they work, and Forums which are the Partnership's first formal layer of democracy where representatives reflect the opinions of Partners locally.

The Chairman must attend, twice a year, a meeting of the Council, to account for the progress of the Partnership. If at any time the Council judges that the Chairman has failed to fulfil, or is no longer a suitable person to fulfil, the responsibilities of the office as laid down in the Constitution, it may pass a "Resolution upon the Constitution" to dismiss the Chairman.

During each of its terms, usually of three years, the Council elects three Partners to be Trustees of the Constitution. They are the Directors, together with the Chairman and Deputy Chairman, of the Trust Company, which owns in trust for Partners all the shares in John Lewis Partnership plc. Baz Naik and Matthew Street were elected, and Johnny Aisher was re-elected, Trustees of the Constitution in January 2022, taking up their appointments in March 2022, when former Trustees Mark Anderson and Claire Barry stood down.

The Council also elects each term three Partners to be Partnership Board members, known as Elected Directors. So our Board is different to most, with a mix of Executive, Non-Executive and employee (Partner) Directors. Becky Wollam was re-elected, and Jules Rushworth and David Wood were elected Directors by the Council in January 2022 and took up those roles in March 2022, when former Elected Directors Ollie Killinger and Nicky Spurgeon stood down having concluded their terms of office.

The Partnership has established Committees of the Board which assist it in carrying out its oversight and assurance responsibilities: the Audit and Risk Committee (see pages 53 to 63), the Ethics and Sustainability Committee (see pages 64 to 65), the Nomination Committee (see pages 66 to 69) and the Remuneration Committee (see pages 70 to 75). 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 Board. The responsibilities and membership of these Board Committees are set out in each Committee's Report and their respective Terms of Reference are available at www.johnlewispartnership.co.uk. Each Committee Chair is available to report to the Partnership Council meeting at which it discusses the Partnership's performance in the previous trading year.

The Partnership has in place a structure for sharing power amongst the Partnership Council, the Partnership Board and the Chairman. There are further formal ways in which democratic vitality is encouraged: through Councillors and Forum representatives; open journalism through the Gazette; through the work of the Democratic Vitality Team itself which seeks to gather and promote the communication of Partner opinion; and through the Independent Directors. The structure is knitted together by the Partnership Secretary's role in ensuring information flow, trusted support and coordination across the three governing authorities.

The Chairman

The Chairman must ensure that the Partnership develops its distinctive character and its democratic vitality. As such, they have three distinct roles:

- The Chairman is the senior executive in the Partnership, ultimately responsible for its commercial performance, and they lead and are supported in this by the Executive Team;
- They are Chair of the Trust Company, responsible with the other Trustees for carrying into effect with or without modification the Deeds of Settlement; upholding the Constitution; and promoting in every possible way the wellbeing of the Partnership;
- They are, by virtue of their appointment as Chair of the Trust Company, Chair of the Partnership Board.

As set out in the Trust Company's constitutional documents, the ultimate choice of successor remains with an outgoing Chairman. However, this is overseen by the Nomination Committee, which keeps the Partnership Board informed of the plans and process for the Chairman's succession, before the Partnership Board is asked to approve the Chairman's nominee.

Sharon White became the Partnership's sixth Chairman on 4 February 2020. In accordance with the Partnership's constitutional arrangements, she signed a written undertaking to support the Constitution.

The use of the terms 'Chairman' and 'Deputy Chairman' in this report reflect the terminology contained within the Partnership's constitutional documents and are intended to be construed as gender neutral.

The Executive team

The Partnership's Executive Team defines a strategy to enable the Partnership's Purpose, to create a successful business and a fairer, more sustainable future for Partners, customers, suppliers and communities, to succeed, recommending it for the approval of the Partnership Board and then delivering it through its management and running of the business.

In addition to the Chairman, the Executive Team is made up of the following members at the date of this report:

James Bailey, Executive Director, Waitrose;
Nina Bhatia, Executive Director, Strategy and Commercial Development;
Nikki Humphrey, Executive Director, People;
Bérangère Michel, Executive Director, Finance;
Andrew Murphy, Chief Operating Officer from February 2022, previously Executive Director, Operations;
Pippa Wicks, Executive Director, John Lewis.

More information about the members of the Executive Team can be found at www.johnlewispartnership.co.uk.

Independent Directors

Whilst the Partnership's structure promotes Partner opinion, the two Independent Directors bring a further perspective to support and challenge business leaders. They are Partners who are independent from executive accountabilities and report to the Chairman. Their role is to: be a provocative and engaging force that focuses on what the Partnership stands for; inspire people to think differently; provide an independent perspective on the progress of the business towards its Purpose and Principles (and advise the Chairman in this respect); be completely open with the Chairman, tell them anything which they ought to know for the good of the

Partnership; and maintain focus on the distinctive character of the Partnership, including specifically humanity (amongst Partners and with the communities within which the Partnership operates). They have a constitutional 'right to roam' and investigate any area of the business and are supported by a group of Independent Advisors. They are not Directors of the Partnership but Independent Directors attend meetings, but are not members of, the Executive Team, the Partnership Board and its Committees, and the Partnership Council.

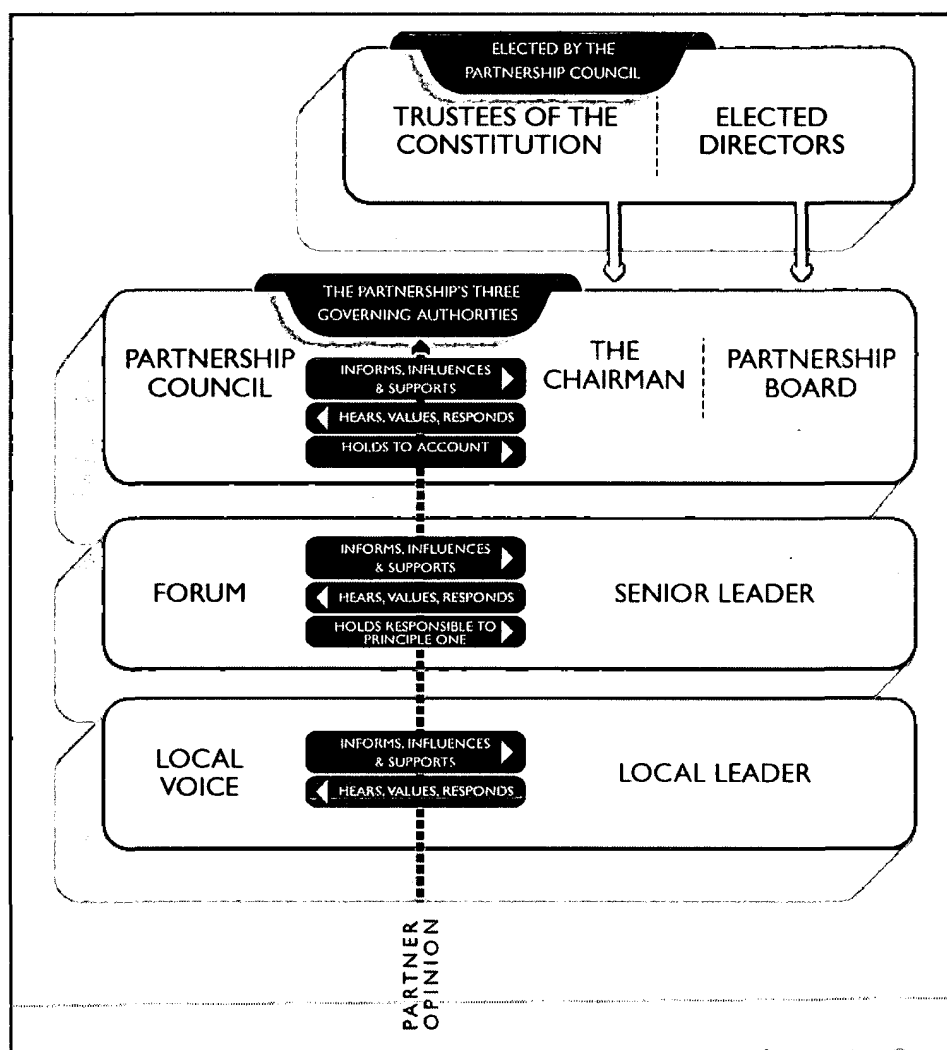
Clare Tickell took up the role of Independent Director on 14 October 2019. Michael Herlihy ceased to be an Independent Director on 31 December 2021, and James Allport was appointed the second Independent Director on 25 April 2022.

The Partnership Democratic Vitality team

The Partnership Democratic Vitality team was created in May 2021 following the restructuring of the Partnership Democratic Engagement team. It is divided into three areas: Democratic Governance - designed to support and develop our formal democratic bodies; Capability - focused on measuring, diagnosing and activating democratic vitality; and Proposition and Insight - set up to help integrate democratic principles in strategic business decisions and projects.

Our Democracy

This diagram illustrates how power is shared and the ways in which the opinions of Partners are heard and influence decisions within the Partnership.



The Partnership Board

The Partnership Board has ultimate responsibility for issues of major policy and for allocating the financial and other resources of the business. It decides the policy for the prudent and adequate financing and development of the business and monitors its efficient implementation.

The Partnership Board's role is:

- To provide the Executive Team with constructive challenge and make its advice, experience and specialist knowledge available to both the Executive Team and Partnership Council;
- To ensure that in delivering the Partnership Purpose the Partnership's financial condition remains sound;
- To ensure proper governance of John Lewis Partnership plc.

The role and responsibilities of the Board are contained in the Board's reserved matters which are available at www.johnlewispartnership.co.uk/about/how-we-share-power.html. In performing its role, the Partnership Board: approves the Partnership's Strategy and business plan; sets risk appetite; oversees and monitors the delivery of the business plan, financial performance and management of risk; oversees behaviours within the Partnership; ensures that there is appropriate engagement with Partners (so that their views are listened to and taken into account in a way that encourages their active engagement) and other stakeholders; and ensures that as Directors they fulfil their legal duties to promote the Partnership's success. Directors have regard to the Partnership's Purpose and to the matters they must consider under section 172(1) of the Companies Act 2006; see pages 23 to 30 for the Partnership's statement on section 172(1). The Group Strategic Report on pages 3 to 44 contains more information on activities overseen by the Board and led by the Executive Team during the year.

Membership

Since February 2020, in addition to the Chairman and Deputy Chairman (which is currently a Non-Executive role), the Board comprises two other Non-Executive Directors, one Executive Director (the Executive Director, Finance) and three Elected Directors. The Partnership Board has determined that this composition provides a balanced leadership, appropriate for an employee-owned business. Elected Directors and Non-Executive Directors together form a majority of the Partnership Board.

At the date of this report, the Partnership Board comprises:

- **Executive Directors:** Sharon White and Bérangère Michel;
- **Elected Directors:** Jules Rushworth, Becky Wollam and David Wood;
- **Non-Executive Directors:** Rita Clifton (Deputy Chairman), Nish Kankiwala and Andrew Martin.

Biographies for the members of the Partnership Board can be found from pages 50 to 52. Biographical details for former members can be found in the 2021 Annual Report and Accounts available at www.johnlewispartnership.co.uk.

Rita Clifton was appointed as Deputy Chairman and Non-Executive Director with effect from 1 February 2021. Andrew Martin, a Non-Executive Director, acted as interim Deputy Chairman until Rita Clifton was appointed. Nish Kankiwala was appointed as a Non-Executive Director with effect from 12 April 2021 for an initial three-year term. Laura Wade-Gery stepped down as a Non-Executive Director on 30 April 2021. Nicky Spurgeon and Ollie Killinger ceased to be Elected Directors on 3 March 2022.

Deputy Chairman

The role of Deputy Chairman includes: having responsibility for leading the Chairman's performance appraisal and remuneration review; chairing both the Nomination and Remuneration Committees; acting as an alternative point of contact to the Chairman for other Directors and, as and when necessary and in periods of organisational stress, acting as an intermediary between the stakeholders to resolve major issues. The intent is that the Deputy Chairman should remain a Non-Executive Director role, but that if the role of Deputy Chairman were to be filled by someone who was not 'independent' (i.e. a Partner or a former Partner), some or all of these responsibilities would need to be reallocated to a Non-Executive Director. It has also been recognised that

there are occasional agenda items at the Partnership Board for which the Chairman is acting in a 'Chief Executive' capacity, and to avoid any potential conflict the Deputy Chairman steps in and chairs the Board meeting for such discussions.

Elected Directors

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

Non-Executive Directors

The Non-Executive Directors bring an independent view to the Partnership Board's discussions and the development of strategy. Their range of skills and experience ensures that the performance of management in achieving the Partnership's plans is appropriately challenged.

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.

Board effectiveness review

An internally facilitated Board Effectiveness Review was carried out at the end of the 2020/21 year. It covered the Board's oversight of strategy, risk and controls, relationships, ethics and sustainability, Partnership culture, Board composition and development, the Board's Committees, and Board meetings. An initial survey of Board members and Independent Directors identified key themes. The Company Secretary then conducted individual interviews to follow up on these themes. Full details of the review's conclusions were published in last year's annual report. The Board further discussed the implementation of the recommendations in September 2021.

At the beginning of 2022 it was agreed that Board members should carry out a knowledge/skills/experience self-assessment, which will be reviewed by the Nomination Committee and inform Board succession planning.

In the final quarter of the year, the Deputy Chairman and the Partnership Secretary sponsored a post-implementation review of the three reports on Partnership governance reviews which were published in 2017 and 2018, with particular focus on how the pandemic has affected implementation. The output of this work was considered by the Board and by the Trustees of the Constitution in January 2022. It reaffirmed that working to promote the success of the Partnership was a shared endeavour for the three governing authorities and that there had been progress to develop the checks and balances in the governance model over the past three years.

An external evaluation to assess the performance and effectiveness of the Partnership Board, its Committees and individual members, by Jan Hall of No 4, has been commissioned for completion later in 2022.

Board information and arrangements

The Board receives and reviews a broad range of information and reports including: monthly reporting packs which include customer, Partner and financial performance data; quarterly risk reports; and minutes and updates from Executive Team and Board Committee meetings. Senior executives attend Board and Committee meetings as appropriate to support business proposals and investments and report on material business matters.

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

There were 14 Board meetings during the year, attended by all the Directors eligible to attend except that Laura Wade-Gery, Nish Kankiwala and Becky Wollam each could not attend one meeting. In addition to the full Board meetings, the Board also meets on a quorate basis on occasions for specific approvals or items of business.

In addition to attending Board meetings, the Non-Executive Directors and the Elected Directors met together without the Executive Directors on five occasions during the year. The Deputy Chairman and Partnership Secretary also facilitated informal meetings between Board members, the Trustees of the Constitution, the President of Partnership Council and the Independent Directors.

Partnership Board members' biographies

Key for Committee membership:

A - Audit and Risk Committee

N - Nomination Committee

* - Committee Chair

E&S - Ethics and Sustainability Committee

R - Remuneration Committee

SHARON WHITE (E&S*, N)

Partner and Chairman, appointed: February 2020

Sharon White became the Chairman of the John Lewis Partnership and Chairman of John Lewis Partnership Trust Limited on 4 February 2020. Prior to this Sharon was Chief Executive of Ofcom from 2015.

Before joining Ofcom, Sharon had a long career in the civil service. She was Second Permanent Secretary at the Treasury, responsible for overseeing public finances. Before that she held Board level positions at the Ministry of Justice and the Department for International Development. She has worked as a civil service advisor at the Prime Minister's Policy Unit and in Washington DC as a senior economist at the World Bank.

Sharon is a Non-Executive Board member of Barratt Developments PLC and Deputy Chairman of Sadler's Wells Trust Limited. She also sits on an Advisory Board for Altermind, a strategy consultancy.

Sharon is a trained economist and studied at Cambridge University and University College London.

RITA CLIFTON (A, E&S, N*, R*)

Non-Executive Director and Deputy Chairman, appointed: February 2021

Rita became Deputy Chairman of the John Lewis Partnership and Deputy Chairman of John Lewis Partnership Trust Limited on 1 February 2021.

Her career has included being a Vice Chair and Strategy Director at Saatchi & Saatchi, London CEO and Chair at the global brand consultancy Interbrand and co-founder of BrandCap. Rita was previously a Board member of ASOS for six years, and has held non-executive roles with Nationwide Building Society, Dixons Retail, Emap, Bupa and the research firm Populus Group. Non-profit Board experience has included WWF (World Wide Fund for Nature) and the UK Sustainable Development Commission. Rita is also Senior Independent Director at Ascential plc, a member of the Advisory Board of Brand Experience Group, a Trustee of the environmental think tank Green Alliance and Chair of the Board of Trustees at the sustainability organisation Forum for the Future.

NISH KANKIWALA

Non-Executive Director, appointed: April 2021

Nish Kankiwala joined the Partnership Board as a Non-Executive Director on 12 April 2021. Nish is currently the Chief Executive of Hovis, a business with over 130 years of heritage. He brings 40 years' experience in retail and consumer brands. Nish started his career at Unilever in a number of commercial and operational roles, before moving to PepsiCo where he became President of the soft drinks business in Europe and Africa. He then moved to Burger King International as President. He continued his career within private equity led

businesses and joined Hovis in 2014, initially as Chairman and for the past five years as Chief Executive, where he has led the transformation of the brand.

Nish is a Fellow at the Institute of Chemical Engineers and Fellow at University College London, where he graduated in Chemical Engineering.

ANDREW MARTIN (A*, N, R)

Non-Executive Director, appointed: July 2018

Andrew is Non-Executive Chairman at Intertek Group plc, Non-Executive Chairman at Hays plc, and also chairs the Nomination Committees of both companies. He is also a Director and Trustee of The Compass Group Foundation.

Andrew 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 (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. Until August 2020, he was also a Non-Executive Director of easyJet plc. 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.

BÉRANGÈRE MICHEL (E&S)

Partner & Executive Director, Finance, appointed: January 2021

Bérangère joined the Partnership in April 2008 as Group Head of Financial Strategy, before being appointed Director, Supply Chain Development and subsequently Finance & Strategy Director and Operations Director for John Lewis. Bérangère became Executive Director, Customer Service in February 2020 and was then appointed Executive Director, Finance in January 2021. Before joining the Partnership, Bérangère spent eleven years at the Royal Mail in a number of finance, change and strategy roles, including as Finance Director of the Property Division.

Bérangère is a Board Trustee at World Animal Protection, a global animal welfare charity, where she also chairs the Audit & Finance Committee.

Bérangère is an Associate Chartered Management Accountant, holder of a Master in Business Administration from the University of Bradford (UK), and has a degree in Business Studies from the Institut Commercial de Nancy (France).

JULES RUSHWORTH (N, R)

Elected Director, Partner and Branch Manager, appointed: March 2022

Jules joined the partnership in 2009 as a Department Manager in Waitrose Southampton, progressing through various Branch Manager roles until taking up her current position as Branch Manager of Waitrose Dorking in 2022. In addition to her retail role, Jules has been involved in the Partnership's democratic bodies, being an elected Partnership Councillor, Chair of the Partner Focus Group and Member of the Council Steering Committee between 2015 and 2021 before being elected by Partnership Council to join the Partnership Board in 2022. Before joining the Partnership, she was a Royal Navy Officer.

Jules holds a Certificate of Higher Education (Naval Studies) from the University of Plymouth, a City and Guilds Graduateship in Leadership and Management and a Postgraduate Certificate in Executive and Financial Management.

BECKY WOLLAM (N, R)

Elected Director, Partner & Business Lead, Purpose & Re-engagement, appointed: May 2018

Becky joined the Partnership in 2009 as a Graduate Trainee, following the completion of a degree in Economics. She worked in a range of shops before her first Branch Manager position at Waitrose Leighton Buzzard, before leading shops in York, Leek and Glasgow. After six years in Retail Operations Becky moved into Head Office, spending a year in Finance representing retail on a large change programme, before spending a year leading change within Retail. She moved back into Retail Operations where she has had appointments as a Regional Manager, accountable for Waitrose shops in Central London, and as Head of Shop Trade. In March 2022, Becky commenced the role of Business Lead, Purpose and Re-engagement, in which she will lead the embedding of the Partnership's new Purpose. Becky was elected to Partnership Council in 2015 and is in her second term as a member of the Partnership Board elected by Partnership Council, having been re-elected in 2022.

DAVID WOOD (A)

Elected Director, Partner & Real Estate Senior Development Manager, appointed: March 2022

David joined the Partnership in 2018 as part of the Real Estate Team charged with getting best value for the Partnership from its property assets and currently holds the position of Senior Development Manager. In addition to his role he was until 2022 a Partnership Councillor, representing Partners from the Property and Construction constituency. He was elected by Partnership Council to become an Elected Director and joined the Partnership Board in March 2022.

He has almost 20 years of experience in large retail organisations; prior to joining the Partnership he was Head of Estates at Arcadia Group Ltd.

David has a degree in Business Management, is currently studying for an MBA at Henley Business School and is a Member of the Royal Institution of Chartered Surveyors.

AUDIT AND RISK COMMITTEE REPORT

The Partnership Board's Audit and Risk Committee provides independent scrutiny and challenge to seek to ensure that the Partnership 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 and maintains direct oversight of the principal risks most related to the completion and accuracy of the Partnership's financial statements and overall financial health. The Committee assists the Partnership Board in fulfilling its responsibility by reviewing and monitoring:

1. The integrity of the Partnership's financial and narrative statements, other formal announcements relating to the Partnership's financial performance, and reviewing significant financial reporting judgements contained in them;
2. The effectiveness of the Partnership's system of internal controls and risk management;
3. The effectiveness of the Partnership's auditor and the internal and external audit process;
4. The effectiveness of the Partnership's processes for compliance with laws and regulations, including systems and controls for the detection of fraud.

The Committee operates in accordance with its Terms of Reference, which were reviewed and refreshed during the year to ensure they reflect current best practice and are fit for purpose. Amendments this year were to: (i) document the Committee's direct oversight of certain of the Partnership's principal financial risks on behalf of the Partnership Board, in line with the agreed governance of risk (see pages 31 to 32); and (ii) align with the Partnership's Whistleblowing policy (see page 63). The Terms of Reference are available at www.johnlewispartnership.co.uk.

Membership and composition

The 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 the Chair (or their appointed deputy) and at least one member who is independent. The members of the Committee at the date of this report are:

| | |
|------------------------|---|
| Andrew Martin | Chair of the Committee and Non-Executive Director |
| Rita Clifton | Non-Executive Director |
| Sharon Fennessy | Independent External Member |
| Vijay Thakrar | Independent External Member |
| David Wood | Elected Director |

Vijay Thakrar was appointed as an Independent External Member of the Committee on 1 August 2021, succeeding Zarin Patel who stepped down as an Independent External Member on 30 April 2021.

The Independent External Members assist, in the same way as the other Committee members, in fulfilling the responsibilities of the Committee. They are experienced accountants with no connection to the Partnership and they are not Partnership Board Directors. They provide a further level of assurance that the obligations of the Committee to provide independent scrutiny and challenge are discharged.

David Wood, Elected Director, was appointed as a member of the Committee with effect from 3 March 2022, succeeding Ollie Killinger who ceased to be an Elected Director and member of the Committee on this date.

There were seven Committee meetings held during the year under review, which were attended by all members who were eligible to attend, except Ollie Killinger who was unable to attend one meeting. During at least one meeting in each quarter of the year, the Committee meets separately with each of the external auditor and the Director of Internal Audit and Risk or her designate, without management being present.

Relevant qualifications of Committee members and competence to the sector

Andrew Martin, Sharon Fennessy and Vijay Thakrar have significant, recent and relevant financial experience. Each is a qualified accountant and has held or currently hold senior finance roles. See page 51 and below for biographical information. Viewed as a whole, the Committee possesses competence relevant to the retail sector in which the Partnership operates.

Independent external members

Sharon Fennessy, appointed: March 2016

Sharon was Group Controller of Diageo plc from October 2018 until September 2021 having joined in 2010 from Nortel Networks Corporation where she held a number of senior finance leadership positions. Prior to her role as Group Controller, 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.

Vijay Thakrar, appointed: August 2021

Vijay was previously a partner at Deloitte and EY before taking up a number of non-executive director roles. He is currently non-executive chairman and chair of the Nomination Committee of Alumasc Group plc, a non-executive director and chair of the Audit and Risk Committee of Alpha FX Group plc and Treatt plc, and a non-executive director and chair of the Remuneration Committee of RSM Group. Previous appointments include non-executive director and chair of the Audit Committee of Sanderson Design Group plc and non-executive director and chair of the Audit and Remuneration Committees of Quorn Foods Limited. Vijay is a fellow of The Institute of Chartered Accountants in England and Wales.

Committee effectiveness

During April 2022 Committee members contributed to an assessment of the Committee's effectiveness on the areas of the Annual Report and Accounts process, risk, controls framework, Internal Audit and Committee meetings and support. The output from the evaluation was considered by the Committee at its April meeting and will be followed up through the agreed actions as well as being considered as part of the externally facilitated Board evaluation taking place in 2022.

External financial reporting

The Partnership prepares consolidated financial statements, which form part of the Annual Report and Accounts, in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, and in compliance with UK-adopted international accounting standards. 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.

Annual report and accounts

Since the year-end the Committee has reviewed the draft Annual Report and Accounts 2022 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, giving appropriate weighting to risks, 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 to 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 and distracting detail?
- Does the report include simple and 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 2022 is fair, balanced and understandable.

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 (Notes to the financial statements: 3.1, 3.2)

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 include performance, temporary store closure or significant external changes with an adverse effect on cash flows. These 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. The model includes a number of assumptions in relation to trading expectations, long-term growth rates, cost inflation, online sales and costs allocation and discount rate. For each intangible asset identified, consideration was given to changes in use, deterioration and evidence of obsolescence, with an impairment charge calculated where appropriate.

Response: The Committee reviewed and challenged the methodology and results of the impairment review, including the appropriateness of key assumptions and data points used. This included review and challenge over the growth rates, cost inflation, online sales and costs allocation and the discount rate used for tangible impairment. At meetings in November 2021 and January 2022, particular focus and challenge was given to the tangible impairment approach, including the allocation of online sales and costs and review of fully impaired stores. The Committee also considered the sensitivity of the proposed impairment charges and releases to movements in key assumptions such as the trading expectations, long-term growth rates, online sales and costs allocation and the wider economic environment. Where releases of previous impairments were proposed, the Committee assured itself that the improved performances were ongoing and sustainable.

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 within the tangible and intangible impairment models, together with the resulting impairment charges, were reasonable. The Committee also reviewed the associated disclosure for inclusion within the financial statements.

2. Pensions (Notes to the financial statements: 6.1)

Issue: The Partnership operates a defined benefit pension scheme which closed to future accrual on 1 April 2020. The pension scheme liability is calculated using an actuarial model with a number of key assumptions, notably the discount rate and inflation rate.

Management has continued to monitor its approach to mortality assumptions in light of the impact of the pandemic. The mortality assumptions have been updated to use the latest Continuous Mortality Investigation data (CMI 2020). The CMI 2020 tables have been applied excluding 2020 data, which includes the pandemic, since the 2020 experience is unlikely to be an accurate predictor of long-term future mortality improvements.

For this year, the net of the pension assets and pension liabilities has changed from a deficit of £646.9m to a net surplus of £473.5m. Management has reviewed the pension scheme rules and concluded that it is appropriate to recognise this accounting pension surplus.

Response: The Committee considered 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 peer companies. The Committee satisfied itself as to the acceptability of the key assumptions, particularly the discount rate and inflation rate assumptions, as well as mortality assumptions and the ability to recognise a surplus. The Committee concluded that the overall pension scheme liability is appropriate.

3. Provisions (Notes to the financial statements: 4.4)

Issue: The Partnership has significant provisions in relation to its long leave scheme, which provides six months' paid leave to Partners 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 provisions calculations.

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

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.

4. Exceptional items (Notes to the financial statements: 2.5)

Issue: The Partnership has recorded exceptional costs of £160.8m, principally relating to exceptional shop closure costs, restructuring and redundancy charges arising as a result of transformational strategic programmes including head office reviews and our physical estate programme including property exit costs. Management exercise judgement in the application of Partnership's accounting policy for exceptional items.

Response: The Committee considered the items presented as exceptional, in respect of the Partnership's policy to present separately items that are significant by virtue of their size and nature. The Committee challenged management and the auditor on the inclusion within exceptional items of the John Lewis shop impairment charge, with particular focus on the proportion driven by trading performance compared to that driven by changing assumptions. Having considered the significance of both the size of the impairment charge and the reassessment of assumptions, the Committee concluded that it was appropriate to disclose as exceptional and requested a full explanation be given in the financial statements.

Restructuring and redundancy costs continue to be incurred as a result of strategic reviews, with £137.7m recognised in respect of our store closures announced during the year and shop leadership transformation as well as truing up historic provisions such as Head Office Transformation (HOT). The Committee considered and challenged management on the continued inclusion of these costs within exceptional items, and to demonstrate

that the costs were part of transformational strategic programmes of activity that would take a number of years to deliver. The Committee requested continued enhanced disclosure to be included within the financial statements. The Committee, having reviewed and discussed both the analysis presented 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.

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 severe but plausible risk scenario identified, including changes in customer behaviour and further cost pressures arising from increased levels of inflation, the Partnership has adequate liquid resources to meet its obligations as they fall due for at least the next 12 months and to remain commercially viable over the three-year period to January 2025.

The Committee reviewed papers presented by management on its assessment of the Partnership's going concern and longer term financial viability based on the budget, Partnership Plan and cash flow forecasts. It also reviewed the stress testing performed in the form of a severe downside scenario, ensuring this was based on the potential financial impact of the Partnership's principal risks. This severe downside scenario, as set out in the Viability Statement (from page 40), represents a severe but plausible scenario and, whilst being considered by the Directors to be extremely cautious, has a significant adverse impact on sales, margin, costs and cash flow. In response, the Directors have identified a number of actions, all within management's control, to reduce costs and optimise the Partnership's cash flow and liquidity. The Committee reviewed and challenged the appropriateness of the scenario modelled and scrutinised the underlying Partnership Plan to ensure the assumptions within the base case, such as committed levels of investment, did not undermine the validity of proposed mitigations. The Committee also assessed the feasibility of management to deliver the quantum of the mitigations within the time frame required and how quickly and willingly management were able to take action as required. The Committee also reviewed and tested management's assessment that, whilst there remains significant risk and uncertainty in the market, no material uncertainty exists for the Partnership. The Committee also reviewed the level of disclosure proposed.

As a result of the procedures performed, and the responses received from management on the challenges raised and the level of disclosure proposed, 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 reviewed the basis of preparation disclosures (pages 92 to 93) to ensure this sufficiently detailed the considerations made in making this conclusion. The Board's going concern statement is included within the Directors' Report on page 84 and the Viability Statement within the Group Strategic Report from page 40.

External audit activities

KPMG LLP were the Partnership's external auditor for 2021/22. 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 April 2022, the Committee conducted an evaluation of the external auditor's performance. Members of the Committee and key members of management were provided with an opportunity 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 2021/22;

- The limited scope of work on the interim results and the detailed findings of the year-end audit, 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.

Based on the above, the Committee concluded that the effectiveness of the external auditor and the audit process was satisfactory and recommended to the Partnership Board the re-appointment of KPMG LLP.

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 29 January 2022 was the sixth year of audit by KPMG LLP and the first year of the audit engagement partner, Nick Frost, who has a history of undertaking and leading audits of consumer goods and retail group businesses.

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 Partnership's non-audit services policy is summarised below.

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 Executive Director, Finance 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.

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 6% (2021: 14%).

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.

Our 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 implements 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, Partners and a risk governance structure with defined accountability. Further details on this can be found on pages 31 to 39 along with details of our principal risks and how we mitigate them.

Internal controls

The systems of internal control we have established are designed to manage, rather than eliminate, the risk that is inherent in pursuit of the Partnership Plan 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 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 of Internal Audit and Risk reports operationally to the Chair of the Committee and structurally to the Executive Director, Finance.

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

During the year the Committee:

- has ensured the appropriate assessment and disclosure of viability;
- has continued to challenge management to understand and appropriately mitigate against the risks arising from the external environment and internal change across the Partnership; from the ongoing response to the pandemic, global supply chain and labour shortages, inflation, information security and changing customer behaviour and regulations, to the Partnership's ability to land change in order to deliver its strategy;
- has maintained its focus on security and data privacy requirements and the actions needed to continuously improve our cyber security resilience;
- has supported the continuing maturity of risk management across the Partnership by reassessing the information flows and governance over principal risks shared between the Board and its sub Committees, reviewing deep dives presented by leadership, and challenging quarterly updates on the progress made;
- has continued to review the outcome of Internal Audit work and receive updates on regulatory assurance;
- 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;
- continues to have oversight of open and overdue Internal Audit findings, with an ongoing focus on action-owner accountability.

In the coming year the Committee will continue to oversee the Partnership's systems of risk management and internal control. This will be achieved through a continued focus on maturing risk management across the Partnership and challenging where there are gaps or blockers to delivering the Partnership Plan at the pace required against the backdrop of an incredibly challenging external environment. It will specifically focus on reviewing the management of financial-related risks, information security and compliance on behalf of the Partnership Board.

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, as laid out in its charter, is to support the Audit and Risk Committee in fulfilling the parts of its remit laid down by the Partnership Board that require it to oversee:

- The integrity of the Partnership's financial and narrative statements, other formal announcements relating to the Partnership's financial performance, and reviewing significant financial reporting judgements contained in them;
- The effectiveness of the Partnership's system of internal controls and risk management.

The Internal Audit work plan is structured to align with the key risks faced by the Partnership and the objectives of its five year strategic plan, and covers both advisory and assurance related reviews of operational, financial and IT processes as well as key change projects and programmes and regulatory and operating compliance.

Reflecting the volatility of the current retail environment, the Committee is presented with the Internal Audit work plan each quarter. Work undertaken during the year has included:

| <i>Lean Simple Fast</i> | <i>Retail Customers Love</i> | <i>A Force for Good</i> |
|--|--|--|
| <ul style="list-style-type: none">• Internal Controls Framework• IT Asset Management• Management Reporting• Payroll | <ul style="list-style-type: none">• Customer Complaints• Shop Transformation• Peak Resourcing | <ul style="list-style-type: none">• Factory assessments• Ethics and Sustainability reporting and governance |
| <i>Regulatory Assurance</i> | | |
| <ul style="list-style-type: none">• Health & Safety• Intellectual Property• Food Safety | <ul style="list-style-type: none">• Anti Bullying & harassment• Anti Bribery & corruption• Anti Money Laundering | <ul style="list-style-type: none">• Environment - waste• Data |

KPIs measuring the efficiency and effectiveness of the Internal Audit (IA) function against 'impact', 'involvement' and 'influence' drivers are used to assess the value provided to the Partnership, in order to benchmark performance against prior years; and to demonstrate the continuous improvements made to mature the function. The Director, Internal Audit and Risk reports on these KPIs at each regular Committee meeting, as well as providing a status on management's implementation of agreed actions from audits undertaken.

An assessment of the IA function with respect to ongoing capability and capacity against the requirements of the Partnership's strategic plan was presented to the Committee during the year. In addition, an independent external quality assessment (EQA) was undertaken by Ernst & Young (EY), in compliance with section 1312 of the Institute of Internal Auditors (IIA) standards, which requires an independent EQA once every five years. The review assessed the function as having a high level of maturity - rated 'progressive' overall and ranking 5 out of 6 on the maturity scale. IA was considered to be a 'valued, respected and trusted advisor, delivering a high level of contribution and value to the Partnership'. The assessment showed 100% compliance with the Global Institute of Internal Auditors standards.

Fraud

The Committee reviewed the Partnership's level of compliance with the Partnership Fraud Standard and received a pan-Partnership assessment of the approach to this risk. At the request of the Committee, this included an assessment of control effectiveness and explanation as to how this is used to focus work on control improvement.

Groceries (Supply Chain Practices) Market Investigation Order 2009 and the Groceries Supply Code of Practice (GSCOP)

Waitrose is subject to the Groceries (Supply Chain Practices) Market Investigation Order 2009 (the 'Order') and the Groceries Supply Code of Practice ('GSCOP' also referred to as the 'Code'). Both the Order and, in particular, the Code, regulates Waitrose's everyday trading relationships with our grocery suppliers, ensuring that, as a Designated Retailer, we treat our suppliers fairly. The Order also includes provisions on training requirements for our buyers, mandates a need for agreements to be in place with all our groceries suppliers and that any such agreements incorporate the Code. The desire to treat our suppliers fairly, is also enshrined within the John Lewis Partnership's Constitution and therefore is in keeping with the Partnership's general ethos. The Committee has responsibility for satisfying itself that the GSCOP governance framework and systems are appropriate and effective.

Breaches or alleged breaches

During the reporting period of 31 January 2021 to 29 January 2022 there was a small decrease, compared to last year, in the number of cases where a supplier either alleged that there had been a breach of the Code by Waitrose or quoted the Code in a query they raised. Specifically, there were 13 'level 1' complaints and two 'level 2' complaints reported, and a further two complaints carried over from 2020/21, one at 'level 1' and one at 'level 2'. Several of these involved the Code Compliance Officer (CCO) and in each case we worked with the suppliers involved to understand their concerns and seek a resolution in a timely manner.

All queries bar one were resolved by the end of the reporting period, with the outstanding query also having since been closed to the supplier's satisfaction.

This year's supplier complaints primarily related to de-listing (usually relating to the amount of notice that has been given) or delays in payments (albeit Waitrose has maintained a 96% payment on time figure). Whilst the vast majority of supplier issues were resolved (as above), we have also taken additional steps to improve our compliance in these common areas of complaint, including:

- De-listing:
 - Establishing a quarterly audit of our internal GSCOP mailboxes focused on de-listing communications to identify potential cases of non-compliance with our internal processes;
 - A mandatory reading update was issued by the CCO to all Buying Team members, reminding them of their key responsibilities regarding de-listing and providing links to our guidance;
 - Development of a de-listing specific e-learning module which will launch in 2022.
- Delays in payments:
 - Our Financial Accounts Team has introduced a new query management tool which has improved the time taken in repaying suppliers should the occasion arise;
 - A review of the rules and policies regarding early payment requests has also been completed and has resulted in few queries and prompter payments.

For the reporting period of 31 January 2021 to 29 January 2022 no formal disputes were raised.

Training and guidance

As in previous years, we have continued to train more Partners on the requirements of the Code than is strictly required by the Order, extending our mandatory training to all Partners who have a potentially supplier-facing role in business areas where GSCOP could have an impact.

Mandatory training takes the form of a suite of e-learning modules on the Code which need to be completed each year, together with attending an interactive briefing prepared by our Legal, Compliance and Commercial Management teams and the CCO. This year's content focused on our supplier contracts project, the Groceries Code Adjudicator's (GCA's) 7 golden rules for cost price increases, Para 13(1) (predominant funding of a promotion), supplier relationships and de-listing with an emphasis on the HFSS (food and drinks high in fat, sugar and salt) legislation.

Of the 111 Partners who make up the Buying Team (as defined by the Order and to whom the legal requirement for training relates) 100% completed their e-learning and attended the interactive briefing session. In addition to the legal requirement, a further 458 Partners also completed GSCOP e-learning and 366 attended the briefing session.

In addition, a range of GSCOP-related guidance has been produced year to support our trading teams. This includes how to respond to Cost Price Increase requests appropriately, conducting commercial negotiations, the GCA's 7 golden rules, and ensuring our processes are compliant with the GCA's Best Practice Statement on Forensic Auditing. We are also in the process of updating the content of our mandatory e-learning modules which should go live in 2022.

Commentary

Over the past year we have continued to work with the GCA, and our collaborative approach supports us in identifying underlying issues and trends, and allows us to address individual supplier concerns that the GCA may bring to our attention.

We work to continuously improve our supplier interaction and in the past year we have made progress in a number of areas, including:

- Revising and rolling out our new Conditions of Purchase in September 2021, which has improved for suppliers the underlying terms on which our supply agreements are based;
- Introducing a dedicated CCO section to the GSCOP page on our supplier portal, Waitrose Engage, with links to the GCA Code Confidential pack and the 'Tell the GCA' reporting platform;
- Updating our supplier onboarding materials to make reference to how we manage GSCOP at Waitrose;
- Introducing a bi-monthly CCO newsletter;
- Implementing a GSCOP email audit so internal processes and training can be strengthened as a result;
- Updating our internal GSCOP e-learning modules so as to ensure that they focus on key issues and topics of relevance.

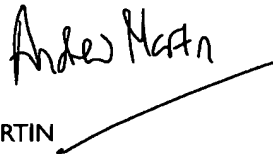
The Partnership continues to take compliance with the Code very seriously and Waitrose has worked hard over the past year to continue to make further improvements to our overall GSCOP compliance. Our GSCOP governance and operational groups are well established in their roles. Where a Code-related issue or complaint is identified, Waitrose will always seek to understand the root cause of the problem and in the case of a supplier complaint, the reasons behind their concerns with the ultimate aim of resolving the issues quickly and ensuring that our suppliers have been treated fairly and in line with the Code.

Whistleblowing

The Partnership's whistleblowing policy outlines the Partnership's approach to dealing with allegations which relate to suspected wrongdoing or potential risks at work which have a wider impact. The Committee receives biannual reports on the level and nature of issues raised. Any significant matters raised would be escalated to the Audit and Risk Committee Chair on a more timely basis.

The respective responsibilities of the Committee and the Board in respect of whistleblowing are set out in the Terms of Reference. The Committee's Terms of Reference were reviewed during the year under review and updated with respect to whistleblowing to align with the Partnership's Whistleblowing Policy. Accordingly, the Committee reviews, on behalf of the Board, the adequacy and security of the Partnership's arrangements for its Partners, employees of third-party organisations, agency workers and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Committee seeks to ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow-up action. The Board retains responsibility for reviewing reports arising from use of these arrangements.

On behalf of the Audit and Risk Committee.

A handwritten signature in black ink that reads "Andrew Martin". The signature is written in a cursive style and is positioned above a horizontal line that extends to the right.

ANDREW MARTIN

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

ETHICS AND SUSTAINABILITY COMMITTEE

In recognition both of the importance of the Ethics and Sustainability Strategy to the successful delivery of the Partnership Plan, and also of our responsibilities to Partners, to those with whom the Partnership builds strong relationships - including suppliers, customers and communities - and to the environment, the Partnership Board agreed in July 2021 to the re-establishment of the Ethics and Sustainability Committee as a Board Committee. Prior to this, the Committee was a sub-group of the Partnership's Executive Team.

Role of the Committee

The Committee's role is to:

- Monitor that Ethics and Sustainability (E&S) remains core to the Partnership and assist the Board in setting an E&S strategy in accordance with the Partnership's Purpose and Values;
- Oversee and review the delivery of the Partnership's E&S commitments, management of E&S risk and opportunities, and adherence to E&S compliance obligations;
- Ensure that the E&S strategy is embedded into the Partnership's operations and that E&S issues are considered when reviewing and guiding the Partnership strategy, major plans of action, risks, annual budgets, and business plans;
- Review and monitor the expectation of Partners and other stakeholders in relation to the Partnership's E&S performance;
- Work within the Partnership's risk management framework, to monitor and review risks relating to E&S, and provide input and assurance to the Audit and Risk Committee on issues relating to risk management, internal control and E&S reporting, including reporting in accordance with the Task Force on Climate Related Financial Disclosures (TCFD).

Its Terms of Reference are available at www.johnlewispartnership.co.uk.

Since its formation the Committee has reviewed the current E&S strategy, set the direction for how this is implemented in the brand plans for Waitrose and John Lewis, and approved the intention to focus the strategy with the impact on nature at its forefront. E&S priorities have been set, including activity during the period of the COP26 meeting in Glasgow, progress towards becoming Net Zero in the Partnership's operations, and setting Science Based Targets. Plans for reporting and assurance, including Task Force on Climate-Related Financial Disclosure, have been approved. At each meeting the Committee has monitored areas of E&S risk and compliance to ensure the correct level of prioritisation. Since the financial year-end the Committee has also considered the Partnership's response to the humanitarian impact of the war in Ukraine.

More information about the work done by the Committee, about the Partnership's E&S strategy and performance more broadly, and steps taken relating to E&S during the year, is in the Strategic Report on pages 8 and 16 to 23, with further detail published in our Ethics and Sustainability Report 2021/22 available at www.johnlewispartnership.co.uk/csr.

Membership and composition

The Committee comprises three Partnership Board Directors, the Chairman, Deputy Chairman, and Executive Director, Finance (all the Partnership Board Directors attended all the meetings during the year), one external independent member (who is currently being recruited), and three further members of the Executive Team. The members of the Committee at the date of this report are:

| | |
|-------------------------|---|
| Sharon White | Chair of the Committee and Chairman |
| Rita Clifton | Deputy Chairman and Non-Executive Director |
| Bérangère Michel | Executive Director, Finance |
| James Bailey | Executive Director, Waitrose |
| Nina Bhatia | Executive Director, Strategy and Commercial Development |
| Pippa Wicks | Executive Director, John Lewis |

The Committee meets quarterly and met twice during the year under review. The Committee is supported by the Director, Ethics & Sustainability.

On behalf of the Ethics and Sustainability Committee



SHARON WHITE

Chairman and Chair of the Ethics and Sustainability Committee

NOMINATION COMMITTEE REPORT

The Nomination Committee's main role is to ensure there is a strong succession and robust appointment process to the Partnership Board, the Executive Team and other Senior Management positions (which is defined as Partners at executive director and director level reporting directly to the Chairman, but not the Independent Directors nor the President of Partnership Council). The Committee supports the Partnership Board in ensuring that:

- There is a formal, rigorous and transparent procedure for Board and Senior Management appointments;
- Plans are in place for orderly succession to the Partnership Board and Senior Management positions and that there is a diverse talent pipeline for succession;
- There is an appropriate induction and training programme for the Board and its Committees;
- The composition of the Board is regularly reviewed and refreshed, so that it is effective and able to operate in the best interests of the Partnership.

Its Terms of Reference (which are available at www.johnlewispartnership.co.uk) were reviewed by the Committee during the year (and approved by the Board on 15 July 2021). The Committee's forward planner reflects the updated Terms of Reference. They now encompass:

- As part of its role in overseeing plans for orderly succession to the Partnership Board and Senior Management, ensuring that there is a sufficient breadth of talent, based on merit and objective criteria, that the plans take into account the challenges and opportunities facing the business, and the skills, experience, independence, knowledge and diversity needed for the future;
- Setting measurable objectives for diversity and inclusion for Partnership Board and Senior Management positions, overseeing the setting of diversity objectives for the Partnership as a whole, and monitoring the outcome of diversity initiatives particularly the development of a diverse pipeline for succession;
- The Chair of the Committee having regular engagement with Partnership Council.

Membership and composition

The members of the Committee at the date of this report are:

| | |
|------------------------|---|
| Rita Clifton | Chair of the Committee and Non-Executive Director |
| Andrew Martin | Non-Executive Director |
| Jules Rushworth | Elected Director |
| Sharon White | Chairman |
| Becky Wollam | Elected Director |

Andrew Martin was Interim Chair of the Committee while the search process was conducted for a successor to Keith Williams as Deputy Chairman of the Partnership. Rita Clifton joined the Committee on being appointed as Non-Executive Deputy Chairman on 1 February 2021 and became Chair of the Committee on 1 May 2021. Laura Wade-Gery left the Committee on ceasing to be a Non-Executive Director on 30 April 2021. Nicky Spurgeon left the Committee on ceasing to be an Elected Director on 3 March 2022, and Jules Rushworth joined the Committee on this date.

There were eight Committee meetings during the year. All members attended each meeting except for Laura Wade-Gery, Becky Wollam and Andrew Martin who were each unable to attend one meeting. The Committee is supported by the Executive Director, People and assisted by independent consultants, who attend Committee meetings as required.

Appointments

The Nomination Committee oversees the process for selecting and recommending candidates for Partnership Board, Executive Team and Senior Management appointments (with the exception of Elected Directors, whose selection is overseen by Partnership Council and not the Committee).

Working with the Chairman and the Executive Director, People the Committee evaluates the balance of skills, experience, independence, knowledge and diversity within the Partnership Board, Executive Team and Senior Management as well as those needed to meet future challenges affecting the Partnership and from this evaluation prepares a role profile and capabilities specification for a particular appointment. The Committee decides on the appropriate search and selection process, including whether to use open advertising or the services of external search consultants to facilitate the search. The process ensures that candidates are considered on merit, against objective criteria and with due regard to promoting the benefits of diversity including gender, social and ethnic backgrounds, as well as cognitive and personal strengths. During the year, the Committee was supported by external search consultancy firms as required for the appointments made within its remit, none of which have any other connection with the Partnership aside from the provision of recruitment services.

The Committee regularly reviews and makes recommendations to the Partnership Board on the composition of the Partnership Board and its Committees in consultation with the Chair of those Committees. During 2021, the Committee approved the appointment of Rita Clifton as the Non-Executive Director on the Board's Ethics and Sustainability Committee (the membership of which is set out on page 65). Following the election of new Partnership Board Directors, the Committee reviewed the composition of the Board's Committees on 3 March 2022, with the Board subsequently agreeing to its recommendations. These are reflected in each Committee's report.

External independent members of Partnership Board committees

The Committee oversees the process for selecting and appointing any external independent members of Committees of the Partnership Board, and makes recommendations to the Board on any such appointments.

The Audit and Risk Committee had two Independent External Members, Zarin Patel and Sharon Fennessy, who joined the Committee in March 2016. Their terms of office expired on 30 April 2021 and Zarin Patel stepped down on that date. A search process was undertaken, supported by Russell Reynolds Associates, to find a successor and Vijay Thakrar was appointed an External Independent Member of the Audit and Risk Committee for a three year term from 1 August 2021. Sharon Fennessy confirmed that she was willing to extend her term for a further two years which was approved by the Committee on 2 February 2021.

A recruitment process for an external independent member of the Ethics and Sustainability Committee began during the year and is in progress.

Elected Directors

Under the unique ownership model for the John Lewis Partnership, Partnership Councillors choose three Partners to be Directors of the Partnership Board. In October 2021, the Committee approved the role profile, including key skills and attributes, how performance in the role is measured, and the time commitment of Elected Directors. Although the election process is for Partnership Council to decide, the Committee reviewed and commented on proposals relating to that process and subsequent induction arrangements; individual Committee members also participated in the information campaign to encourage Partners to put themselves forward for election.

An election takes place in each Council term; the most recent was in January 2022, with appointments effective from March 2022. A full induction programme is being delivered (informed by work by the previous cohort of Elected Directors), with both core elements and tailored training relevant to the new Directors' background, and structured development support, including (internal) mentoring and (external) coaching.

General Counsel and Company Secretary

Hannah Hullah, General Counsel and Peter Simpson, Company Secretary, both left the Partnership at the end of June 2021. An extensive recruitment process, supported by Audeliss, for their replacement commenced in early 2021 and Rebecca Law, Head of Legal, Commercial, and Simon Blackburn, Deputy Company Secretary, acted as Interim General Counsel and Interim Company Secretary, respectively, from June until a new appointment was

made. Jane Cheong Tung Sing, who was Co-Head of the Real Estate Sector at Clifford Chance LLP where she had been a partner since 2005, was appointed General Counsel, Company Secretary and Partnership Secretary and took up the role on 1 November 2021.

Senior management

The Committee oversees and approves any substantial change in duties or responsibilities and any suspension or termination of employment of members of the Executive Team and Senior Management. During the year, the Committee discussed changes to the responsibilities of some Executive Team members associated with the creation of the Chief Operating Officer role and the creation of the Transformation and Operations Delivery Group.

Succession planning and talent management

The Terms of Reference of the Committee sets out its role in ensuring that there is a sufficient breadth of talent for Partnership Board and Senior Management succession. The Committee has noted the concern, expressed at Partnership Council, about the number of external appointments in the wider leadership community. The Committee reviews succession plans for the Board and Executive Team. It will also review annually the potential of Director level (Partnership Level 3) leadership talent and the existence of any capability gaps to achieving the Partnership Plan.

In addition, after year-end the Committee receives reports, at aggregate level, on the outcomes of the leadership community's (Partnership Level 4 and above) performance reviews, including how these compare to the broad population of Partners.

Induction, training and development

The Committee ensures that all new members of the Partnership Board and Senior Management are provided with an appropriate induction programme, and oversees the provision of appropriate training and development for all members of the Partnership Board and Senior Management to maintain and enhance their effectiveness.

During the year the Committee:

- Noted the induction process for the Non-Executive Directors who joined the Board in 2021;
- Reviewed the arrangements that have been put in place for new Directors including the core background documents, scheduled meetings and topics, site visits, courses and support available;
- Reviewed and agreed the proposals for collective and tailored development plans for Elected Directors prior to their use after the January 2022 election.

Diversity and inclusion

Under its Terms of Reference, the Committee's role includes setting measurable objectives for diversity and inclusion in relation to Partnership Board and Senior Management positions, overseeing the setting of diversity objectives for the Partnership as a whole, and monitoring the outcome of diversity initiatives and in particular the development of a diverse pipeline for succession into senior roles. The Committee reviews annually diversity in the leadership community, and progress against diversity and inclusion objectives, with a six monthly review of progress against leadership diversity objectives. At its January 2022 meeting the Committee considered the draft Inclusion Report, which was published on 18 February 2022.

Further information on diversity and inclusion in the Partnership can be found in the section on Becoming a more inclusive business on pages 14 to 15.

Through the Committee, the structure, size and makeup of the Partnership Board (including skills, knowledge, experience and backgrounds) are monitored, to make sure that when considering Partnership Board candidates, we consider diversity, including gender, ethnicity and other characteristics protected by the provisions of the Equality Act 2010, and other underrepresented groups in the Partnership. Three members of the Partnership Board are elected by Partnership Council and their appointments are not subject to oversight by the Committee

or the Partnership Board; all other Partnership Board appointments are overseen by the Committee. It is not the Partnership Board's policy to set specific targets by legally protected characteristics such as gender or ethnicity. At year-end, the gender diversity of the Partnership Board was 62.5% female, 37.5% male.

The Partnership Board has adopted a Diversity Statement, set out below, about the makeup of the Partnership Board. The Partnership Board recognises and embraces the benefits of having diverse members and the need to work inclusively.

Diversity statement

We are an inclusive business. Our Purpose includes a commitment to happier Partners, enjoying worthwhile and satisfying work in a supportive environment we all help to create. We treat people with fairness, courtesy and respect, and we work with others who do the same. We create an inclusive environment and celebrate diversity with our Partners, customers and the communities we serve.

Inclusion is vital in every element of our business. It shows up in everything we do and in all that makes us different. It ensures we live our Purpose, connect with our Partners, bring our Values to life and listen to the voice of our Partners. We have a clear action plan, and our Partnership Board Diversity Statement reflects our plans.

The makeup of the Partnership Board should reflect the diverse population of the Partnership and the customers and communities we serve:

- All Board appointments are based on merit and objective criteria to enhance the Board's overall effectiveness and, within this context, consider 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' and will always include a broad range of characteristics;
- We will only use search firms that have signed up to the standard voluntary code of conduct on gender and ethnic diversity;
- 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 Nomination Committee monitors the structure, size and composition of the Board to ensure due regard is given to diversity.

On behalf of the Nomination Committee.



RITA CLIFTON

Deputy Chairman and Chair of the Nomination Committee

REMUNERATION COMMITTEE REPORT

The Remuneration Committee's role is to ensure that the Partnership's remuneration policy supports its strategy and is aligned to its Purpose and Principles.

The Committee oversees how remuneration policy (comprising base pay, pension arrangements and other benefits) is applied to the Chairman, Executive Directors and other senior management who report to the Chairman. The Committee ensures remuneration arrangements for these Partners are competitive and appropriate, whilst also taking into account business performance, external market conditions and the broader approach to reward across the Partnership.

The Committee is responsible for:

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

The Elected Director members are also responsible for setting the fees for the Partnership Board's Non-Executive Directors.

The Committee's full Terms of Reference, updated in July 2021, can be found at www.johnlewispartnership.co.uk.

Membership and composition

The Remuneration Committee is made up of two Non-Executive Directors and two Elected Directors. This provides a combination 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 the Chair of the Committee or their appointed deputy, one Non-Executive Director and one Elected Director are present. Two Elected Directors must be present when considering Non-Executive Directors' remuneration. No Committee member can take part in any discussion or decision relating to their own remuneration.

The members of the Committee at the date of this report are:

| | |
|------------------------|---|
| Rita Clifton | Chair of the Committee and Non-Executive Director |
| Andrew Martin | Non-Executive Director |
| Jules Rushworth | Elected Director |
| Becky Wollam | Elected Director |

Laura Wade-Gery stepped down as Interim Chair of the Committee on leaving the Partnership Board on 30 April 2021. Rita Clifton joined the Committee on 1 February 2021 and succeeded Laura Wade-Gery as Chair of the Committee on 1 May 2021.

Nicky Spurgeon stepped down from the Committee on ceasing to be an Elected Director on 3 March 2022. Jules Rushworth joined the Committee as an Elected Director member on that date.

The Committee met on seven occasions during the year. All members attended each meeting with the exception of Becky Wollam who was unable to attend one meeting.

Advisors

Willis Towers Watson acts as independent remuneration consultant to the Committee. Willis Towers Watson provides the Committee with executive remuneration advice and external market assessments. The Partnership

also uses its job evaluation methodology, software and compensation data services and receives talent and reward consulting services.

The Committee is also supported by the Executive Director, People and the Director of Reward & Policy. Committee meetings are also regularly attended by the Chairman, the Partnership Secretary and the Independent Directors. These attendees are not present for any discussions relating to their own remuneration.

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. This sets out how pay rates and ranges are set as well as details of other pay elements (for example: bonuses, premium payments and allowances), pay review and holiday pay.

Each Partner's pay rate is reviewed annually in line with the agreed pay review approach. Every role in the Partnership, including Executive Team roles, has a pay range that is set with reference to similar roles or groups of roles in comparable organisations. As an employee-owned business, the Partnership does not operate annual or long-term incentive plans as would typically be the case in comparable organisations.

Key activities

Chairman's pay

The Remuneration Committee is responsible for making recommendations to the Partnership Board regarding the Chairman's pay. The Committee takes into account:

- A review of the Chairman's performance against objectives undertaken by the Deputy Chairman and Chair of the Remuneration Committee with input from the Partnership Board and Executive Team;
- 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 other Partners.

As noted in last year's report, the Chairman's pay was not reviewed in 2021/22. The Chairman also requested that no pay review increase be awarded in respect of the 2022/23 year.

CEO pay ratio

The Committee again agreed to retain the Partnership's Rule 63 disclosure in addition to reporting a CEO pay ratio figure in line with external best practice. Companies are required to choose one of three options (A, B or C) to calculate their CEO pay ratio. The Committee agreed to use a calculation methodology set out by the Government, known as Option B, which allows companies to use their most recent gender pay gap data.

Executive team pay

The Remuneration Committee also approves the pay of other Executive Directors. The Committee considers the Chairman's recommendations and also takes into account external market assessments provided by Willis Towers Watson. In the reporting year, the Committee agreed with the Chairman's recommendation that the approach to the Executive Team pay review should be identical to the rest of the Partnership (i.e. a consistent percentage increase for all eligible Partners), and further approved pay arrangements for two Executive Team members.

Partnership pay

During the year, the Remuneration Committee was provided with information and context on pay across the Partnership. This included the 2021 Pay Review approach and outcomes by Partnership Level, senior leadership appointments through Head Office Transformation and the review of Special Contribution Bonuses.

The Committee also noted Partnership Council's vote in favour of temporarily suspending part of Rule 61 linking pay and performance. It supported the decision by the Partnership Board regarding the agreed Pay Review 2022 approach of a consistent percentage increase for all eligible Partners.

Pension arrangements

As previously reported, the Committee agreed to lower the enhanced pension cash replacement amounts received by a small number of senior Partners to 12% by December 2022. The Committee received an update confirming pension arrangements for all Partners will be aligned by this date.

Gender pay gap reporting

The Committee reviewed the Partnership's Inclusion Report 2021. This included the Partnership's statutory gender pay gap reporting and voluntary ethnicity pay gap disclosure as part of a broader diversity report. The Committee welcomed the decrease in the gender pay gap and acknowledged the actions taken since last year.

Outlook

Looking forward, the Committee will continue to ensure that the Chairman, Executive Directors and senior management who report to the Chairman are rewarded appropriately for the work they do whilst also being mindful of broader Partnership pay and external developments.

The Committee will continue to provide input to the Total Review of Reward (TRR) and consider how the outcomes of this work impact the Partnership's senior pay proposition. The Committee will oversee any remuneration policy changes that are required and their application.

The Committee will consider corporate governance reforms, legislative changes and best practice developments relating to remuneration and consider how these should apply within the Partnership. We are not obliged to adopt all these changes but continue to consider the extent to which they are relevant to the Partnership to ensure our approach to pay remains fair and transparent.

Remuneration Report (audited)

All references to the Chairman below relate to arrangements for Sharon White. All references to the Executive Director refer to Bérangère Michel who served as Executive Director, Finance on the Partnership Board during the year. For the avoidance of doubt, such references do not include Executive Team members who did not serve on the Partnership Board.

Spend on pay

In 2021/22, the Partnership spent £1,843.2m on employment and related costs (2020/21: £1,806.1m). This represented 17.0% (2020/21: 16.8%) of the Partnership's revenue.

£1,540.2m was spent on basic pay (2020/21: £1,538.3m). Eligible Partners received a Partnership Bonus of 3% in respect of 2021/22; no Partnership Bonus was awarded in respect of 2020/21.

Chairman's pay

The Chairman's total reward was £1,150,600. The total reward package for the reporting period is made up of the following elements:

| | 2022 £ | 2021 £ |
|------------------------------|------------------|------------------|
| Pay | 990,000 | 947,000* |
| Partnership Bonus | 29,700** | - |
| Pension | 118,800 | 115,000* |
| Cash value of other benefits | 12,100 | 5,000 |
| Total reward | 1,150,600 | 1,067,000 |

*The Chairman's pay and pension value in 2021 reflect the voluntary 20% pay reduction taken for a period of three months at the start of the Covid-19 pandemic; these would otherwise have amounted to £990,000 and £118,800 respectively.

**The Chairman donated her Partnership Bonus for the year ended 29 January 2022 to the British Red Cross.

The Chairman was eligible to receive Partnership Bonus of 3% of pay in respect of 2021/22 and pension cash replacement of 12% of pay. Other benefits comprised car allowance and medical cover.

The Chairman's total reward in the year excluding Partnership Bonus increased by 5% (£53,900) principally due to the 2020/21 pay reduction as noted above.

The Chairman voluntarily decided not to accept a pay review in 2022; the Chairman's pay therefore remains at £990,000.

Rule 63

The Rule 63 calculation is based on basic pay earned during the reporting period. For the 2021/22 year, the highest paid Partner was the Chairman. At the end of the reporting period, the Chairman's pay was 52 times the average basic pay of non-management Partners calculated on an hourly basis; this is unchanged from last year.

Rule 63 only applies to basic pay but the Committee also considers a total reward comparison. This includes pension and other benefits (but not any Partnership Bonus) compared to the average total reward of non-management Partners with three or more years' service. At the end of the reporting period, the Chairman's total reward was 46 times the average total reward, based on the criteria set out above. This is up from 42 last year, primarily due to the Chairman's higher total reward in 2021/22.

| | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|------|------|------|------|------|
| Rule 63: Basic pay only | 52 | 52 | 63 | 66 | 68 |
| Rule 63: Total reward excluding Partnership Bonus | 46 | 42 | 54 | 55 | 56 |

The CEO pay ratio compares the Chairman's total reward to the total pay of Partners at the 25th, 50th and 75th percentiles, as identified using 2021 gender pay gap reporting data. Total pay for the purposes of the calculation includes ranking pay, Partnership Bonus and pension benefit. The movement in ratios this year also reflects the Chairman's higher total reward and the comparators' differing ranking pay versus last year.

| Year | Methodology | 25th percentile ratio | 50th percentile ratio | 75th percentile ratio |
|------|-------------|-----------------------|-----------------------|-----------------------|
| 2022 | Option B | 51 | 44 | 41 |
| 2021 | Option B | 54 | 49 | 36 |

Elected Directors' pay

Elected Directors' pay is set with reference to 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 fees

Non-Executive Directors receive fixed annual fees, which are set by the Elected Directors on behalf of the Committee. The fees reflect the Directors' responsibilities and external market data. Fees were last reviewed in 2020/21 and no changes were proposed at the time.

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

Total remuneration

The table below shows the total remuneration for the year, including Partnership Bonus and pension benefit, for all Directors who served on the Partnership Board during any part of the year, excluding the Elected Directors. The total remuneration paid to or receivable by Directors in respect of qualifying services for the year under review was £2,092,000 (2020/21: £2,142,000). The Chairman, Executive Director and Elected Directors are also entitled to the same benefits as all other Partners, including Partnership discount and long leave.

Chairman's, Executive Director's and Non-Executive Directors' Total Remuneration

| <u>Banding</u> | | <u>Number of Directors</u> | |
|-----------------------|------------|-----------------------------------|----------------|
| Min | Max | 2021/22 | 2020/21 |
| 1 | 50,000 | 1 | 2 |
| 50,001 | 100,000 | 2 | 2 |
| 100,001 | 150,000 | 1 | 1 |
| 650,001 | 700,000 | 1 | |
| 800,001 | 850,000 | | 1 |
| 1,050,001 | 1,100,000 | | 1 |
| 1,150,001 | 1,200,000 | 1 | |
| Total | | 6 | 7 |

Pension arrangements

The Chairman and Executive Director are not building up additional benefits in the Partnership's pension scheme; instead both receive a monthly cash replacement. The Chairman's pension cash replacement is 12% of pay, which is the same as the maximum Partnership contribution into the Defined Contribution section of the pension scheme. The Executive Director's cash replacement was equivalent to 15.7% of pay at year-end and will reduce to 12% by December 2022. For 2021/22, the total pension replacement value paid to the Chairman and Executive Director was £209,000 (2020/21: £245,000 for three individuals).

Defined benefit pension value

The defined benefit pension entitlement built up at the end of the year for the Executive Director was £64,000

per year (2021: £505,000 per year for three individuals). The Executive Director's pension increases in line with price inflation, according to the Scheme rules. Where there are any defined benefit pensions remaining on an unfunded basis, the Partnership has made provision for the associated liability. The Executive Director had no entitlement to temporary pension.

Payments to former Directors

Patrick Lewis, formerly a Director of the Partnership Board and Executive Director, Finance until 31 December 2020 left the Partnership on 30 June 2021 after a period of long leave. In connection with leaving the Partnership he was paid £1,539,237 as payment in lieu of salary, car, pension and other benefits for the remainder of his contractual notice period, payment for loss of office and contributions towards his legal fees. This amount was reported and accounted for in 2020/21 but is noted here again since payment was made in the 2021/22 year.

Contractual notice periods for Executive and Elected Directors

No contract of employment contains a notice period of greater than one year. No contract contains a provision regarding compensation for early termination.

External appointments

The Partnership recognises that Executive Directors may be invited to become Non-Executive Directors of other companies and that these appointments can broaden their knowledge and experience to the benefit of the Partnership. Details of external appointments for Executive Directors are included within the biographies from pages 50 to 52.

Sharon White has voluntarily decided to pay an amount equivalent to the fees she receives as a Non-Executive Director of Barratt Developments PLC to The John Lewis Partnership Golden Jubilee Trust, a UK registered charity (she is not a trustee of the charity).

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 Reports) 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 73 to 75 is cross-referenced with note 2.8.4 of the financial statements and forms part of the audited financial statements.

On behalf of the Remuneration Committee.



RITA CLIFTON

Non-Executive Director and Chair of the Remuneration Committee

PARTNERSHIP COUNCIL PRESIDENT'S REPORT

The President of the Partnership Council has constitutional responsibility for "the independence, health and effectiveness of the Partnership's representative bodies" (Rule 89) and for supporting them "with the necessary practical arrangements to maximise their effectiveness." As part of this remit, Chris Earnshaw also leads the Partnership Democratic Vitality team, which underwent reorganisation in 2021.

"2021 has, like its predecessor, been a challenging year for all areas of our business, including democracy. However, unlike the preceding year, our democracy was far better prepared for a year of blending virtual and physical connection.

Technology continued to play a key role, for the majority of the year, in bringing together our elected representative populations with senior leaders across the business, facilitating ongoing 'in the moment' conversations in response to the changing external environment, and providing crucial Partner sentiment to influence internal programmes of work. We also took the opportunity to experiment with technology, using it to strengthen the flow of opinion between our Forums and Partnership Council, thus creating closer connections; and experimenting with voting technology for Partnership Council.

Our refreshed Purpose reiterates that our Partnership is built on democratic principles, and that we share the responsibilities and rewards of ownership: knowledge, power and profit. It is also clear that Partner opinion is crucial in driving the actions of our governing authorities: the Partnership Council, the Partnership Board and the Chairman. Democratic Vitality will continue to be embedded as part of our Partnership Plan, ensuring that the power of our Partners' opinions drive the future of our business and remain our fundamental point of difference.

2021/22 also signals the end of the current term of office for our Partnership Councillors and the majority of our Forum representatives. Their dedication and contribution has materially shaped the Partnership's policies, programmes of work, future strategy and Purpose. I offer them my heartfelt thanks."

CHRIS EARNSHAW

Partner & Partnership Council President

In this report you will find an overview of our formal democratic channels, both from a governance perspective and on some of this year's main achievements and discussion points. Alongside this, we reflect on the work of the Partnership Democratic Vitality team, including their restructuring and how they have supported and driven improvements in the Partnership's Democratic Vitality.

PARTNERSHIP COUNCIL

Purpose

The purpose of the Partnership Council is to represent Partner opinion to support the Chairman and the Executive Team to ensure that the Partnership's continuing experiment succeeds. In sharing responsibility for the Partnership's health with the Partnership Board and the Chairman, Partnership Council holds the Chairman to account for the progress of the Partnership. It discusses, influences and makes recommendations on the development of policy. It shares in making decisions about the governance of the Partnership.

Powers

The Council has three principal decision-making powers:

- To elect three Trustees of the Constitution, three Directors to the Partnership Board and four Trustees to serve as Directors of the John Lewis Partnership Pension Trust, and a number of other roles;
- To change the Constitution, with the Chairman's agreement;
- To decide if the Chairman is a suitable person to fulfil the responsibilities of their office.

Membership

Council representatives are elected for a three year term and reflect the opinions of Partners across the Partnership. The Council term was originally due to end in May 2021 but was extended twice, first to October and then to February to allow constituencies to be set after the conclusion of the head office and shop leadership transformation programmes. Having begun the year with 58 seats, 2021 saw both the addition and removal of seats due to transformation programmes, such that Council ended its term with 59 seats, four of which were vacant. During the year there were a further 16 by-elections (ten in 2020/21) meaning only 25 Councillors served the extended Council term of nearly four years. All Board Directors, including Non-Executive Directors, and the Partnership Secretary, are members of Partnership Council and regularly attend meetings along with the Trustees of the Constitution and the Independent Directors. These are unique opportunities to enable all Directors and Trustees to develop an understanding of Partners' views and to act upon them.

Full Council elections were held in February 2022 for 57 Council seats, including a new option for two candidates to share a seat. For the first time, most Forum elections were held at the same time and the combined election campaign across the Partnership resulted in over 200 candidates and a 50% voting turnout for Partnership Council (up from 42% in May 2018), with some constituencies polling over 80%. For the new Council term (2022-25) there are 66 Councillors, 18 in shared seats, of whom 25 are returning Councillors - the highest number in recent years.

Meetings

Partnership Council held a record ten formal meetings during 2021/22 as well as a number of informal briefings and its annual conference. Almost all these sessions were held virtually - only in September did restrictions allow the whole Council to meet in person, and in May a 'hybrid' format was trialled, with 15 Councillors meeting at Odney, along with members of the Executive Team and the Chairman, and the remainder online. During the year an electronic voting system was introduced, also enabling Councillors' voting records to be published on the intranet.

Council business

There were ten formal resolutions passed during the year, the most significant of which were the agreement of the new Purpose and Principles as well as the Holding to Account votes. Also notable was the Council's agreement in December 2021 temporarily to suspend the requirement under Rule 61 of the Constitution to consider Partners' performance when determining pay, thereby enabling the Board to decide what approach to take in 2022. Councillors are also able to submit formal 'Written Questions' to which answers must be published on the Council's agenda, and which often lead to more detailed reports or subsequent debates. This year there were five, covering stock availability, COP 26, information sharing (Rule 51), special contribution bonuses, and

head office transformation. There was also a formal report to Council on Resourcing for Peak in response to a request made in November 2020.

Most Council meetings include a session entitled “What’s On Partners’ Minds”, ensuring that Partners’ opinions are properly gathered and passed up from the Forums. Other topics usually mirror priorities and projects across the Partnership. Alongside the annual Pay Outcomes report, Council held a number of sessions on the Partner Priorities and an additional meeting on special contribution bonuses. Other topics included updates on the Partnership Plan, Supply Chain, Financial performance, Ethics and Sustainability, and Partner Safety; discussions on Partner resilience and Partnership governance; briefings from Non-Executive Directors and an external retail analyst; and a number of sessions building towards agreement of the Partnership’s new Purpose.

Council’s own governance led to formal proposals on the extension to its term, the updated statement to meet the Information and Consultation of Employees Regulations, the delegation to the Steering Committee of the annual decision on discretionary (pre-1997) pension increases, and the modernisation of its own Procedures.

Holding the Chairman to account

May 2021 was the first occasion on which the Council formally voted on the Chairman’s leadership, having agreed in September 2020 that the half year had been so unusually affected by the pandemic and a formal vote was not appropriate. Ahead of the meeting Council issued its second formal report, which built on the views expressed in its May 2020 report, in relation to the seven Principles in the Constitution, and on the letter written to the Chairman in September 2020 indicating the areas where Councillors wanted to see more focus. Partners can access a copy of the report on the Partner Intranet.

The voting on the proposal ‘On behalf of Partners, this Council expresses its support for the Chairman’ was 29 in favour, 5 against and 18 abstentions (at the last comparable vote in May 2019 36 voted in favour, 18 against and no abstentions), Council wrote to the Chairman after the vote, noting that: ‘Many Councillors felt that it was still too early to tell whether we are making sufficient progress on Principle 1, our ultimate purpose, and their abstention from the proposal was intended to send a signal that more needs to be done rather than that they don’t support you as our Chairman.’

For the mid-year vote in September 2021, Partnership Councillors trialled a more nuanced approach, indicating their agreement on a scale. They also sought to ‘depersonalise’ the debate by focussing instead on the Partnership Plan as well as by distinguishing between the ‘What’ and the ‘How’. The results of the voting on the two resulting proposals were:

“This Council has confidence in the Partnership Plan”

Strongly agree 5 Agree 44 Disagree 3 Strongly disagree 1

“This Council has confidence in how the Partnership Plan is being delivered”

Strongly agree 1 Agree 9 Disagree 37 Strongly disagree 6

Following the meeting, Council wrote to the Chairman summarising the areas that the debate had identified as those on which she and the Executive Team should focus. These included more tangible action to improve Partners’ experience of democracy, better prioritisation of projects linked to the Partnership Plan (and at the same time, de-prioritisation of other work), action to demonstrate that the Partnership is a purpose-led business, and improved understanding by Partners of the impacts of the Plan and progress with its delivery. The letter was also published in the Gazette.

Focus groups

Much of the Council's work is carried out on its behalf by groups and committees, co-ordinated by the Steering Committee who also take responsibility for setting the Council's agendas. The Partner Focus Group and the Finance Focus Group work closely with their respective Executive Director and during the term a number of other groups were formed. These included Diversity and Inclusion, Customer and Digital, and Partnership Strategy/Partnership Plan - as well as "pop-up" and "sprint" groups on issues such as Black Lives Matter and the determination of constituencies. The Wellbeing and Financial Assistance Focus Group continued to meet monthly to oversee grants and loans to Partners experiencing extreme financial hardship (Rule 64) or to help realise their Long Leave plans, and to determine discretionary awards of Benefits in Retirement.

Diversity

A diverse Council is not guaranteed by our election method alone and work was undertaken through 2021 to better understand the barriers to 'distinctive voice' flowing through our formal democratic channels. As a result a number of changes were implemented ahead of the new Forum and Council term to broaden participation. These included the creation of 'Shared Seats' to allow two Partners to share the responsibilities of being a representative; 'Delegated Authority' allowing an elected representative to temporarily delegate their power to another Partner who may have a particular interest or expertise in a subject being discussed; and the formalisation of 'Out of Hours Forums' to ensure the opinions and experience of Partners working outside shop trading hours are heard as clearly as those working during the day. In readiness for the 2022/25 term of Partnership Council, 'Supplementary Roles' were identified to enable Councillors to align to areas of 'distinctive voice' in addition to their formal constituents. These areas include protected characteristics, geographical locations, distinctive operational formats and unique roles. Trials are underway to establish two Forums that are wholly comprised of Partners from specific Partnership Networks. The aim of both of these is to bring diverse thoughts and experiences into the conversations held at Partnership Council and therefore contributing to an ever more inclusive Partnership.

PartnerVoice liberation

2021 has been the first full year since the formally elected layer of democracy known as PartnerVoice was removed and replaced with the informal process of Local Voice. This has provided Partners and leaders the freedom to use their autonomy and judgement to bring the principles of democracy to life at the most local level. The removal of the rigidity of process around local democracy has allowed business units to respond to the changing needs of their Partners and engage in ways to suit their unique environments. A review of the successes and opportunities associated with this new approach is underway and will identify what further support is needed to ensure Partners can exercise their power as co-owners in their day-to-day roles.

Forum

Forum representatives are elected for a three-year term and reflect the opinions of the Partners they represent. Senior leaders attend regional or directorate Forum meetings in order to develop an understanding of the views of Partners locally and to be held to account for acting upon them. Partnership Councillors also attend Forum meetings, so that they may hear and be informed by the views of Partners.

This year has seen Forums and Partnership Council forge greater connections ahead of key votes and debates. This included Forums holding additional meetings, or extending those already planned, to discuss topics such as peak trading, Purpose, and ahead of Council's September 'Holding to Account' session. Forum reps were able to canvas the opinion of their Partners and debate the topics within their Forums before providing consolidated feedback to the whole of Partnership Council, ensuring Councillors had a broad spectrum of opinion to inform their views.

Journalism

There are a number of ways that Partner opinion is 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 comments from the appropriate member of management, within 21 days of acknowledgement.

Democracy in 2022/23

With the external and internal challenges facing the Partnership, there has never been a more important time to draw on the ideas and experiences of our Partners, bringing them to bear on the decisions the Partnership takes. 2022 sees us begin a new three year term as we hold elections for Partnership Council and the majority of Forums across the Partnership. The Partners who stand, vote and share their opinion over this three year term will markedly shape the future of the Partnership as we deliver the Partnership Plan and embed our refreshed Partnership Purpose. Their actions and the influence they will have on our Partnership will continue to demonstrate how we are a unique and better way of doing business.

CHRIS EARNSHAW

Partner & President of Partnership Council

DIRECTORS' REPORT

The Directors' Report for John Lewis Partnership plc (referred to here as 'the Partnership' or 'the Company') for the year ended 29 January 2022 comprises the Governance Report on pages 45 to 85 of this Annual Report and Accounts, together with the sections of the Report and Accounts incorporated by reference. The Board has chosen, as it considers them to be strategically important, in accordance with 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. These are:

- Future business developments - pages 4 and 6;
- Risk management - pages 31 to 39;
- Employee engagement - pages 8, 13 to 15 and 76 to 80;
- Engagement with suppliers, customers and others - pages 7 to 8 and 14;
- Becoming a more inclusive business - pages 14 to 15 and 68 to 69;
- Streamlined Energy and Carbon Reporting - pages 17 to 23.

The Company's statement on engagement with, and having due regard to, the interests of key stakeholders is contained within the section 172(1) statement in the Group Strategic Report on pages 23 to 30.

For more details on the progress the Partnership is making with its ethics and sustainability aims, the latest Modern Slavery Statement and more detailed non-financial performance information, please visit www.johnlewispartnership.co.uk/csr.

The Partnership's corporate governance statement

Good standards of corporate governance have always been and remain integral to the Partnership's business model. It is governed by a written Constitution. The Partnership's statements on corporate governance can be found in the Governance section on pages 45 to 85, including the Audit and Risk Committee Report, the Nomination Committee Report, the Ethics and Sustainability Committee Report and the Remuneration Committee Report.

Following the revision of the UK Corporate Governance Code (the Code) and the publication of the Wates Principles (Governance Principles for Large Private Companies), and in the light of full reviews of its own governance arrangements, the Board agreed in 2018/19 that the Partnership would cease voluntarily reporting against the Code or any other formal corporate governance code, because it is governed by its own Constitution. However, we continue to use the Code as a benchmark against which to measure the Constitution. The Constitution and the governance structures are broadly consistent with the Wates Principles.

Whilst unique, the Partnership's governance arrangements cover the major elements of the Code and the Wates Principles, namely company leadership; purpose; the composition of the bodies sharing power; accountabilities and responsibilities including challenge; opportunity and risk; remuneration; Partner engagement; and responsibilities to the environment, customers, suppliers and others. The Constitution is available on our website www.johnlewispartnership.co.uk.

Between May and December 2021, Partners were invited to help shape the Partnership's Purpose, which sets out the ultimate aim of the business. In January 2022 the Partnership Council agreed to the recommended refresh of the Partnership's Purpose and Principles. Further information on the Company's purpose is on page 5. The business is now embracing how best to give the Purpose life and encompass it within the Partnership's way of doing business.

Principal activity

The Partnership's principal activity is retailing, with the main trading operations being the Waitrose and John Lewis brands. John Lewis operates in a number of different formats including 34 John Lewis stores, online (johnlewis.com), financial services, in-home services, and sourcing offices in Gurgaon, India and Kwun Tong, Hong Kong. Waitrose operates 332 supermarkets and convenience shops, including shops which operate under licence in the Middle East, online (waitrose.com and specialist sites for wine, pet supplies, plants and flowers), cookery schools and the Leckford Estate (the Waitrose Farm). There are also hotels, manufacturing activities, customer contact centres, and business to business contracts in the UK and abroad. The two brands are working more closely together, enhancing customer choice. 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 of the Company, as employees of John Lewis plc, are 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 other subsidiaries.

Capital structure

At 29 January 2022 the Partnership had in issue 612,000 deferred ordinary shares of £1 each which are held in trust by John Lewis Partnership Trust Limited for the benefit of employees of John Lewis plc and certain other subsidiaries and 104,169,594 Share Incentive Plan (SIP) shares of £1 each. The total issued share capital of the Partnership was £104,781,594 at the year-end (2021: £104,781,594).

Dividends and Partnership Bonus

No dividends were paid on the deferred ordinary shares (2021: £nil). Each year, the Partnership resolves not to recommend or declare a dividend upon the deferred ordinary shares, but instead to consider recommending the payment of Partnership Bonus to eligible employees.

The Board decided, in March 2022, that the Partnership Bonus for the year 2021/22 would be at the rate of 3% of ranking pay, representing a pre-tax cost of approximately £46.4m (2020/21: £nil).

Partners benefit from employee ownership tax relief, which allows them to receive the first £3,600 of their Partnership Bonus free of Income Tax. National Insurance Contributions (NICs) however are still due.

The Partnership also operates BonusSave, a Share Incentive Plan (the Plan), although it did not operate for this year's bonus whilst the Partnership transitions to a new supplier for its administration. The Plan allows eligible Partners to enter into a savings contract to save up to a maximum of £5,400 in any one year from Partnership Bonus, held in SIP shares in the Partnership. It enables participating Partners to save Income Tax and NICs when the funds are invested for five years, and to receive a cash dividend for every full year the investment remains in the Plan. Partners now benefit from the £3,600 income tax-free element of Partnership Bonus (which was not the case when BonusSave was set up) and usage has declined to fewer than 4% of Partners.

Dividends on SIP shares (issued in connection with previous years' BonusSave) during the year under review were £43,663 (2021: £221,000). 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. Details of SIP shares can be found in note 5.5 to the consolidated financial statements.

Conflicts of interest

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 these disclosures and, if appropriate, approve them. A register of interests is maintained by the Company Secretary and reconfirmed every six months.

The Board has looked closely at the other appointments held by Directors, details of which are contained in their biographies on pages 50 to 52, and 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.

Directors' and officers' liability insurance and indemnities

The Partnership has purchased and maintained throughout the year Directors' and Officers' liability insurance for the benefit of Directors and others as set out below. The Directors' and Officers' liability insurance provides cover for claims made, subject to certain limitations and exclusions, against Directors, Partnership Board Committee members, key managers of the Partnership, its associated companies, and other companies (including as Directors of the corporate pension trust company) and trusts (including charities) related to the Partnership.

The Company also provides and provided throughout the year an indemnity for the benefit of Trustees of the Partnership's Pension Fund, in respect of liabilities that may attach to them in their capacity as a Trustee.

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 Plan, and the Inclusion Report (at www.johnlewispartnership.co.uk) sets out the steps to create inclusion. It is 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. We know adjustments are of the 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.

Please see pages 3 to 44 in the Group Strategic Report and the Nomination Committee Report on pages 66 to 69 for more information on our Diversity and Inclusion Plan and the Board Diversity Statement.

Groceries (Supply Chain Practices) Market Investigation Order 2009 (the Order) and the Groceries Supply Code of Practice (GSCOP)

Waitrose is subject to the Order and the GSCOP. Please see pages 61 to 62 of the Audit and Risk Committee Report for more information on compliance with GSCOP and the Order.

Political donations

It is not the Partnership's policy to make donations to political groups. No political donations were made in the year (2021: £nil).

Use of financial instruments

The notes to the financial statements, including note 7 on pages 151 to 157, 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 intervals by shareholders, but there are other controls on terms of appointment:

- If Partnership Council judges that the Chairman has failed to fulfil, or is no longer a suitable person to fulfil, the responsibilities of their office, it may pass a 'Resolution upon the Constitution' to dismiss the Chairman;
- No contract of employment, including those of the Executive Team, contains a notice period of greater than one year;
- Non-Executive Directors are appointed for specified initial three year terms, which may be extended subject to the approval of the Partnership Board;
- The Elected Directors are appointed or re-appointed in accordance with the outcome of a vote every term (usually three years) of Partnership Council.

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. Please refer to pages 92 to 93 for further detail.

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, is set out in the Group Strategic Report on pages 3 to 44.

Viability statement

The Directors have assessed the prospects of the Company over a three-year period to January 2025. 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. The Partnership's full Viability Statement is set out on pages 40 to 42.

Events after the balance sheet date

Since 29 January 2022, there have been two 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 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 have taken all reasonable 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 is unaware.

Company Secretary

Jane Cheong Tung Sing was appointed Company Secretary on 1 November 2021 in succession to Simon Blackburn, who was appointed Company Secretary on 7 June 2021 in succession to Peter Simpson.

Annual General Meeting (AGM)

The Partnership's 2022 AGM will be held and conducted in accordance with the Companies Act and the Company's Articles of Association on Wednesday 15 June 2022 at 9.45am at the Waitrose Conference Centre, Willoughby Road, Bracknell RG12 8FD. 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

A handwritten signature in black ink, appearing to read 'J.C. Cheong Tung Sing', with a stylized flourish at the end.

JANE CHEONG TUNG SING
Partner & Company Secretary
John Lewis Partnership plc
27 April 2022

FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT for the year ended 29 January 2022

Our revenue minus our incurred expenses showing the Partnership's overall profit for the year

| Notes | 2022 £m | 2021 £m |
|---|------------------|------------|
| 2.1, 2.2 Revenue | 10,837.5 | 10,771.8 |
| Cost of sales | (7,359.4) | (7,408.6) |
| Gross profit | 3,478.1 | 3,363.2 |
| 2.3 Other operating income | 108.1 | 102.4 |
| Operating and administrative expenses | (3,468.9) | (3,826.1) |
| of which: | | |
| 2.5 Exceptional items (net) | (160.8) | (648.0) |
| Partnership Bonus | (46.4) | - |
| 3.3 Share of profit of joint venture (net of tax) | 1.0 | 0.9 |
| 2.1 Operating profit/(loss) | 118.3 | (359.6) |
| 5.1 Finance costs | (155.3) | (168.9) |
| 5.1 Finance income | 10.3 | 11.3 |
| 2.6 Loss before tax | (26.7) | (517.2) |
| 2.9 Taxation | (41.1) | 65.2 |
| Loss for the year | (67.8) | (452.0) |
| 2.1 Profit before Partnership Bonus, tax and exceptional items | 180.5 | 130.8 |

¹ 53-week year

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME for the year ended 29 January 2022

Profit as shown in the income statement plus other income and expenses not yet realised, giving total comprehensive income for the year

| Notes | 2022 £m | 2021 ¹ £m |
|---|---------------|-------------------------|
| Loss for the year | (67.8) | (452.0) |
| Other comprehensive income/(expense): | | |
| Items that will not be reclassified to profit or loss: | | |
| 6.1 Remeasurement of defined benefit pension scheme | 1,116.9 | (237.4) |
| 2.9 Movement in deferred tax on pension scheme | (241.2) | 53.6 |
| 2.9 Movement in current tax on pension scheme | 1.9 | 1.6 |
| Items that may be reclassified subsequently to profit or loss: | | |
| Fair value loss on cash flow hedges | (2.1) | (5.6) |
| Cash flow hedge gain reclassified and reported in the consolidated income statement | (1.0) | - |
| 2.9 Movement in deferred tax on cash flow hedges | (3.5) | 0.3 |
| Other comprehensive income/(expense) for the year | 871.0 | (187.5) |
| Total comprehensive income/(expense) for the year | 803.2 | (639.5) |

¹ 53-week year

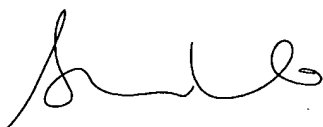
The accompanying notes are an integral part of the financial statements.

CONSOLIDATED BALANCE SHEET as at 29 January 2022

A financial snapshot of the Partnership, showing our assets and how they are financed

| Notes | 2022 £m | 2021 £m |
|--|------------------|------------------|
| Non-current assets | | |
| 3.1 Intangible assets | 446.0 | 467.9 |
| 3.2 Property, plant and equipment | 2,927.4 | 2,983.5 |
| 3.2 Right-of-use assets | 1,473.3 | 1,540.2 |
| 4.2 Trade and other receivables | 15.8 | 18.0 |
| 7.2 Derivative financial instruments | 1.7 | 0.1 |
| 3.3 Investment in and loans to joint venture | 4.4 | 3.4 |
| 2.9 Deferred tax asset | 0.5 | 103.4 |
| 6.1 Retirement benefit surplus | 492.8 | - |
| | 5,361.9 | 5,116.5 |
| Current assets | | |
| 4.1 Inventories | 655.7 | 643.9 |
| 4.2 Trade and other receivables | 251.0 | 179.7 |
| Current tax receivable | - | 9.0 |
| 7.2 Derivative financial instruments | 6.0 | 7.2 |
| 3.4 Assets held for sale | - | 10.6 |
| 5.3 Short-term investments | 95.3 | 0.3 |
| 5.4 Cash and cash equivalents | 1,415.4 | 1,518.2 |
| | 2,423.4 | 2,368.9 |
| Total assets | 7,785.3 | 7,485.4 |
| Current liabilities | | |
| 5.5 Borrowings and overdrafts | (173.2) | (107.8) |
| 4.3 Trade and other payables | (1,695.0) | (1,543.2) |
| Current tax payable | (0.5) | - |
| 5.2, 5.6 Lease liabilities | (156.6) | (127.3) |
| 4.4 Provisions | (140.8) | (193.6) |
| 7.2 Derivative financial instruments | (8.4) | (20.9) |
| | (2,174.5) | (1,992.8) |
| Non-current liabilities | | |
| 5.5 Borrowings | (641.8) | (795.7) |
| 4.3 Trade and other payables | (30.0) | (45.0) |
| 5.2, 5.6 Lease liabilities | (1,831.7) | (1,910.0) |
| 4.4 Provisions | (161.2) | (162.4) |
| 7.2 Derivative financial instruments | (0.8) | (2.7) |
| 6.1 Retirement benefit obligations | (19.3) | (646.9) |
| 2.9 Deferred tax liability | (177.5) | (5.2) |
| | (2,862.3) | (3,567.9) |
| Total liabilities | (5,036.8) | (5,560.7) |
| Net assets | 2,748.5 | 1,924.7 |
| Equity | | |
| 8.1 Share capital | 0.6 | 0.6 |
| Other reserves | 6.3 | (7.7) |
| Retained earnings | 2,741.6 | 1,931.8 |
| Total equity | 2,748.5 | 1,924.7 |

The financial statements on pages 86 to 159 were approved by the Board of Directors on 27 April 2022 and signed on its behalf by Sharon White and Bérangère Michel, Directors, John Lewis Partnership plc.



Sharon White and Bérangère Michel
Directors, John Lewis Partnership plc



Registered number 00238937

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY for the year ended 29 January 2022

A reconciliation between the beginning and the end of the year which discloses profit or loss, items of comprehensive income/(expense) and any changes in ownership interests

| Notes | Share capital £m | Capital redemption reserve £m | Capital reserve £m | Hedging reserve £m | Foreign currency translation reserve £m | Retained earnings £m | Total equity £m |
|---|---------------------|----------------------------------|-----------------------|-----------------------|--|-------------------------|--------------------|
| Balance at 25 January 2020 | 0.6 | 5.0 | 1.4 | (14.6) | 0.4 | 2,566.0 | 2,558.8 |
| Loss for the year | - | - | - | - | - | (452.0) | (452.0) |
| 6.1 Remeasurement of defined benefit pension scheme | - | - | - | - | - | (237.4) | (237.4) |
| Fair value loss on cash flow hedges | - | - | - | (5.6) | - | - | (5.6) |
| 2.9 Tax on above items recognised in equity | - | - | - | 0.3 | - | 55.2 | 55.5 |
| Total comprehensive expense for the year | - | - | - | (5.3) | - | (634.2) | (639.5) |
| Hedging losses transferred to cost of inventory | - | - | - | 5.4 | - | - | 5.4 |
| Balance at 30 January 2021 | 0.6 | 5.0 | 1.4 | (14.5) | 0.4 | 1,931.8 | 1,924.7 |
| Loss for the year | - | - | - | - | - | (67.8) | (67.8) |
| 6.1 Remeasurement of defined benefit pension scheme | - | - | - | - | - | 1,116.9 | 1,116.9 |
| Fair value loss on cash flow hedges | - | - | - | (2.1) | - | - | (2.1) |
| Cash flow hedge gain reclassified and reported in the consolidated income statement | - | - | - | (1.0) | - | - | (1.0) |
| 2.9 Tax on above items recognised in equity | - | - | - | (3.5) | - | (239.3) | (242.8) |
| Total comprehensive expense for the year | - | - | - | (6.6) | - | 809.8 | 803.2 |
| Hedging losses transferred to cost of inventory | - | - | - | 20.6 | - | - | 20.6 |
| Balance at 29 January 2022 | 0.6 | 5.0 | 1.4 | (0.5) | 0.4 | 2,741.6 | 2,748.5 |

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS for the year ended 29 January 2022

The Partnership's cash inflows and outflows analysed by various key activities

| Notes | 2022 £m | 2021 ¹ £m |
|-------|--|-------------------------|
| 2.7 | Cash generated from operations before Partnership Bonus | 831.3 |
| | Net taxation received/(paid) | (16.0) |
| | Pension deficit reduction payments | (7.5) |
| | Finance costs paid | (114.7) |
| | Net cash generated from operating activities before Partnership Bonus | 693.1 |
| | Partnership Bonus paid | (31.4) |
| 5.5 | Net cash flow in relation to Share Incentive Plan shares | (11.0) |
| | Net cash generated from operating activities after Partnership Bonus | 650.7 |
| | Cash flows from investing activities | |
| | Purchase of property, plant and equipment | (122.5) |
| | Purchase of intangible assets | (99.1) |
| | Proceeds from sale of property, plant and equipment and intangible assets | 142.2 |
| | Finance income received | 4.0 |
| 5.2 | Cash (outflow)/inflow from short-term investments | 316.1 |
| | Net cash (used in)/generated from investing activities | 240.7 |
| | Cash flows from financing activities | |
| | Finance costs paid in respect of bonds | (31.1) |
| | Finance costs paid in respect of financial instruments | - |
| | Payment of capital element of leases | (90.1) |
| 5.5 | Payments to Share Incentive Plan shareholders | (0.3) |
| | Cash (outflow)/inflow from borrowings | 150.0 |
| | Net cash (used in)/generated from financing activities | 28.5 |
| | (Decrease)/increase in net cash and cash equivalents | 919.9 |
| 5.2 | Net cash and cash equivalents at beginning of the year | 598.3 |
| | Net cash and cash equivalents at end of the year | 1,518.2 |
| 5.4 | Net cash and cash equivalents comprise: | |
| | Cash at bank and in hand | 178.2 |
| | Short-term deposits | 1,340.0 |
| | 1,415.4 | 1,518.2 |

¹ 53-week year

The accompanying notes are an integral part of the financial statements.

Notes to the consolidated financial statements
I ACCOUNTING INFORMATION
I.1 ACCOUNTING PRINCIPLES AND POLICIES

PURPOSE

We prepare our financial statements under international accounting standards in conformity with the requirements of the Companies Act 2006, and in compliance with UK-adopted international accounting standards (UK-adopted IFRS). We have set out our significant accounting policies in these notes. These have been applied in the current reporting period and apply to the financial statements as a whole. All of the Partnership's accounting policies are set in line with the requirements of IFRS. Changes to significant accounting policies are described in note 1.1.4.

1.1.1 BASIS OF PREPARATION

The consolidated financial statements are prepared under the historical cost convention, with the exception of certain land and buildings which are included at their deemed cost amounts, and financial assets and financial liabilities (including derivative financial instruments) which are valued at fair value through profit or loss. These consolidated financial statements have been prepared in accordance with UK-adopted international accounting standards (UK-adopted IFRS).

The preparation of consolidated financial statements in conformity with UK-adopted IFRS requires the use of judgements and estimates that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the year. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. The critical accounting estimates and key judgements made by management are disclosed in section 1.1.6.

The financial year is the 52 weeks ended 29 January 2022 (prior year: 53 weeks ended 30 January 2021). See Glossary section on pages 179 to 185 for explanation of financial terms.

Notes to the consolidated financial statements (continued)
1.1 ACCOUNTING PRINCIPLES AND POLICIES (CONTINUED)
1.1.1 BASIS OF PREPARATION (CONTINUED)

Going concern

In determining the appropriate basis of preparation of the financial statements for the period ended 29 January 2022, the Directors are required to consider whether the Partnership can continue in operational existence for a period of at least 12 months from the approval of these financial statements. The Board has concluded that it is appropriate to adopt the going concern basis, having undertaken a rigorous assessment of the financial forecasts with specific consideration to the trading position of the Partnership, for the reasons set out below.

2021/22 has seen the Partnership make a good start to the five year Partnership plan launched in October 2020 which is self-financed and targets profits of c£400m a year by year five of the plan. The Partnership is ahead of expectations for year one of the plan as demonstrated by the decision taken to pay a Partnership bonus and the voluntary Real Living Wage a year earlier than was originally planned. As at 29 January 2022, the Partnership had total assets less current liabilities of £5.6bn and net assets of £2.7bn. Liquidity as at that date remains strong at £1.9bn, made up of cash and cash equivalents, short-term investments and undrawn committed credit facilities of £0.4bn.

The Directors have modelled a severe downside scenario to cover the going concern assessment period, being for the 12 month period ending April 2023. In addition, the Directors have modelled a further period to January 2024 in order to ensure that the entire trading year is considered as this aligns with our bond and loan covenants. For the purposes of the going concern assessment, it is assumed that all Partnership borrowings are repaid at their maturity date and that no further refinancing or funding is undertaken. The severe downside case represents an increasingly severe but plausible scenario. It assumes that the inflationary pressures currently seen in the economy continue to grow but assumes no further lockdown due to Covid-19.

In this severe downside scenario, Waitrose and John Lewis remain operational both in store and online, albeit with sales and margin pulled back from current trading levels due to a UK economic recession throughout the assessment period resulting in a reduction in sales, as well as a reduction in margin across both brands and a number of one-off events, e.g. a regulatory and data security breach, higher impairment charge, a decrease in pension scheme assets and under-delivery of key activities of the Partnership Plan. The impact of the severe downside adjustments has been reviewed against the Partnership's projected cash position and financial covenants. Should these occur, mitigating actions would be required to ensure that the Partnership remains liquid and financially viable.

The severe downside model has a significant adverse impact on sales, margin, costs and cash flow. In response, the Directors have identified available mitigations in the going concern assessment period, all within management's control, to reduce costs and optimise the Partnership's cash flow, liquidity and covenant headroom. The majority of these mitigations would only be triggered in the event of the severe downside scenario materialising. Mitigating actions include, but are not limited to, reducing capital and investment expenditure through postponing or pausing projects and change activity; deferring or cancelling discretionary spend (including discretionary Partner benefits); and reducing marketing spend.

The Partnership has a syndicated credit facility of £420m in total maturing in 2026. It replaces a previous syndicated credit facility of £450m and also a previous bilateral credit facility of £50m, both of which have been terminated by the Partnership. The credit facility is at present undrawn. The Partnership's committed facility contains one financial performance covenant, which is a profit based covenant ('Fixed Charge Cover'). The severe downside scenario modelled indicates that without mitigating actions a number of the Partnership's covenants relating to the bonds, term loans and undrawn committed credit facilities would breach at the next balance sheet date due to the reduction in profits and net assets modelled. However, whilst the scenario indicates breaches, the same scenario indicates that post mitigating actions, the cash low point under such a scenario would be £817m, under which our covenants would not breach, the bonds would not be required to be repaid early and the committed credit facilities would remain undrawn. The Partnership would prefer to retain the option to utilise its facilities, therefore, covenant compliance will continue to be monitored closely and, if deemed necessary, the Partnership will seek a covenant relaxation from its bank group, or take other actions to replace the level of liquidity support provided by these facilities.

Notes to the consolidated financial statements (continued)

1.1 ACCOUNTING PRINCIPLES AND POLICIES (CONTINUED)

1.1.1 BASIS OF PREPARATION (CONTINUED)

The severe downside detailed above is deemed by the Directors to provide a severe but plausible stress test on our ability to adopt the going concern basis. This includes a significant reduction in 2022/23 performance and reduced trading performance across both brands, resulting in a pre-mitigation cash reduction to forecast. We have made our assessment based on our best view of the severe but plausible downside scenario that we might face. If outcomes are unexpectedly significantly worse, the Directors would need to consider what additional mitigating actions were needed, for example, accessing the value of our asset base to support liquidity.

Consequently, the Directors have concluded that the Partnership and Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the Annual Report and Accounts and therefore have prepared the financial statements on a going concern basis.

1.1.2 BASIS OF CONSOLIDATION

The Partnership's consolidated financial statements incorporate the results for the Company and all entities controlled by the Company including its subsidiaries and the Partnership's share of its interest in joint ventures made up to the year end date.

1.1.3 SUBSIDIARIES AND RELATED UNDERTAKINGS

Subsidiary undertakings are all entities over which the Partnership has control. Control exists when the Partnership has the power to direct the relevant activities of an entity so as to affect the return on investment. Joint ventures are investments for which the Partnership shares joint control with a third party. All intercompany balances, transactions and unrealised gains are eliminated upon consolidation.

The following UK subsidiaries will take advantage of the audit exemption set out within section 479A of the Companies Act 2006 for the year ended 29 January 2022. Unless otherwise stated, the undertakings listed below are registered at 171 Victoria Street, London, SW1E 5NN, United Kingdom, and all have a single class of ordinary share with a nominal value of £1.

| Company name | Company number |
|---------------------------------------|----------------|
| Herbert Parkinson Limited | 00318082 |
| JLP Scotland Limited ¹ | SC370158 |
| John Lewis Car Finance Limited | 04328890 |
| John Lewis International Limited | 07501166 |
| John Lewis Partnership Pensions Trust | 00372106 |
| John Lewis PT Holdings Limited | 07106855 |

¹ Registered office is John Lewis & Partners Edinburgh, 60 Leith Street, Edinburgh EH1 3SP

The following UK subsidiaries will take advantage of the exemption from preparing and filing individual accounts as set out within section 394A(1) and 448A of the Companies Act 2006 for the year ended 29 January 2022. Unless otherwise stated, the undertakings listed below are registered at 171 Victoria Street, London, SW1E 5NN, United Kingdom, and all have a single class of ordinary share with a nominal value of £1.

| Company name | Company number |
|------------------------------|----------------|
| Buy.Com Limited | 03709785 |
| Jonelle Jewellery Limited | 00223203 |
| Jonelle Limited ¹ | 00240604 |
| Peter Jones Limited | 00285318 |
| The Odney Estate Limited | 02828420 |

¹ Jonelle Limited has three classes of shares, each with a nominal value of £1.

Notes to the consolidated financial statements (continued)

1.1 ACCOUNTING PRINCIPLES AND POLICIES (CONTINUED)

1.1.3 SUBSIDIARIES AND RELATED UNDERTAKINGS (CONTINUED)

As required, John Lewis PLC, the principal trading subsidiary of the Partnership, guarantees all outstanding liabilities to which the subsidiary companies listed in the tables above are subject at the end of the financial year, until they are satisfied in full. This is in accordance with Section 479C of the Companies Act 2006. The guarantee is enforceable against John Lewis PLC as the parent undertaking, by any person to whom the subsidiary companies listed above are liable in respect of those liabilities.

1.1.4 AMENDMENTS TO ACCOUNTING STANDARDS

The following standards, amendments and interpretations were applicable for the period beginning 31 January 2021. They were adopted by the Partnership for the year ended 29 January 2022 and have not had a significant impact on the Partnership's consolidated results, financial position or disclosures:

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform – Phase 2 (applicable for the period beginning 31 January 2021).

The Partnership is assessing the impact of the following new and amended standards, which have been issued and are awaiting endorsement by the UK Endorsement Board:

- Amendments to IAS 16: Property, Plant and Equipment: Proceeds before Intended Use (applicable for the period beginning 30 January 2022);
- Amendments to IFRS 3: Business Combinations (applicable for the period beginning 30 January 2022);
- Amendments to IAS 37: Onerous Contracts – Cost of Fulfilling a Contract (applicable for the period beginning 30 January 2022);
- Amendments to IAS 1: Classification of Liabilities as Current or Non-current and the disclosure of accounting policies (applicable for the period beginning 29 January 2023);
- IFRS 17 Insurance Contracts (applicable for the period beginning 29 January 2023);
- Amendments to IFRS 17 Insurance Contracts (applicable for the period beginning 29 January 2023).

1.1.5 SIGNIFICANT ACCOUNTING POLICIES

Where significant accounting policies are specific to a particular note, they are described within that note. Other significant accounting policies are included below.

Financial instruments

The Partnership uses derivative financial instruments to manage its exposure to fluctuations in financial markets, including foreign exchange rates, interest rates and certain commodity prices. Derivative financial instruments used by the Partnership include forward currency and commodity forward contracts and interest rate swaps.

Derivative financial instruments are initially measured at fair value. The fair value of a derivative financial instrument represents the difference between the value of the outstanding contracts at their contracted rates and a valuation calculated using the forward rates of exchange and interest rates prevailing at the balance sheet date. Subsequent to initial recognition, unless designated as hedging instruments, derivatives are measured at fair value and any gains or losses arising from changes in fair value are taken directly to the income statement.

Hedge accounting has been adopted for derivative financial instruments where possible. At the inception of designated hedging relationships, the risk management objective and strategy for undertaking the hedge is documented. Additionally, the Partnership documents the economic relationship between the item being hedged and the hedging instrument, and a qualitative and forward-looking approach is taken to assess whether the hedge will be effective on an ongoing basis. At the end of each financial reporting period, for each derivative financial instrument, prospective testing is performed to ensure that the economic relationship remains; the impact of credit risk on changes in values is reviewed; and the hedging ratio is reassessed.

Hedge accounting is discontinued when the hedging instrument matures, is terminated or exercised, the designation is revoked or it no longer qualifies for hedge accounting.

Notes to the consolidated financial statements (continued)
1.1 ACCOUNTING PRINCIPLES AND POLICIES (CONTINUED)
1.1.5 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A cash flow hedge is a hedge of the exposure to variability of cash flows that are either attributable to a particular risk associated with a recognised asset or liability, or a highly probable forecast transaction. The effective portion of changes in the intrinsic fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. All other changes in fair value are recognised immediately in the income statement within other gains or losses. When the hedged forecast transaction subsequently results in the recognition of a non-financial item such as inventory, the amount accumulated in the hedging reserve is included directly in the initial cost of the non-financial item when it is recognised. For all other hedged forecast transactions, amounts accumulated in equity are recycled to the income statement in the periods when the hedged item affects profit or loss. Derivative financial instruments qualifying for cash flow hedge accounting are principally forward currency contracts.

A fair value hedge is a hedge of the exposure to changes in the fair value of a recognised asset or liability. Derivative financial instruments qualifying for fair value hedge accounting are principally interest rate swaps.

The table below sets out the Partnership's accounting classification of each class of its financial assets and liabilities:

| | Note | Measurement |
|----------------------------------|----------|--|
| Financial assets: | | |
| Trade receivables | 4.2 | Amortised cost |
| Other receivables | 4.2 | Amortised cost |
| Derivative financial instruments | 7.2 | Fair value through profit and loss or OCI ¹ |
| Short-term investments | 5.3 | Amortised cost |
| Cash and cash equivalents | 5.4 | Amortised cost |
| Financial liabilities: | | |
| Borrowings and overdrafts | 5.5 | Amortised cost |
| Trade payables | 4.3 | Amortised cost |
| Other payables | 4.3 | Amortised cost |
| Accruals | 4.3 | Amortised cost |
| Partnership Bonus | 4.3 | Amortised cost |
| Lease liabilities | 5.2, 5.6 | Amortised cost |
| Derivative financial instruments | 7.2 | Fair value through profit and loss or OCI ¹ |

¹ Cash flow hedges designated as being in a hedged relationship upon initial recognition are measured at fair value with the effective portion of any changes in the intrinsic value recognised in equity.

Offsetting

Balance sheet netting only occurs to the extent that there is the legal ability and intention to settle net. As such, bank overdrafts are presented in current liabilities to the extent that there is no intention to offset with any cash balances.

Foreign currencies

Transactions denominated in foreign currencies are translated at the exchange rate at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges. On translation of assets and liabilities in foreign currencies, movements go through the foreign currency translation reserve.

Government grants

The Partnership accounts for government grants on an accruals basis and has elected to present receipts relating to government grants as a deduction in reporting the related expense. During the year ended 29 January 2022, the Partnership has recognised no grant income receipts from the UK Government's Coronavirus Job Retention Scheme (2021: £54.8m).

Notes to the consolidated financial statements (continued)

1.1 ACCOUNTING PRINCIPLES AND POLICIES (CONTINUED)

1.1.6 KEY JUDGEMENTS AND CRITICAL ACCOUNTING ESTIMATES

Estimates and judgements are continually evaluated and are based on historical experience and other relevant factors, including management's reasonable expectations of future events.

The preparation of the financial statements requires management to make estimates and judgements concerning the future. The resulting accounting estimates will, by definition, be likely to differ from the related actual results. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

| Areas of key risk | Note | Critical accounting estimates and key judgements |
|----------------------------|----------|--|
| Exceptional items | 2.5 | Key judgements |
| Impairment | 3.1, 3.2 | Critical accounting estimates |
| Provisions and liabilities | 4.3, 4.4 | Critical accounting estimates |
| Retirement benefits | 6.1 | Critical accounting estimates |

1.2 NON-GAAP MEASURES

PURPOSE

Our financial statements disclose financial measures which are required under UK-adopted IFRS. We also report additional financial measures that we believe enhance the relevance and usefulness of the financial statements. These are important for understanding underlying business performance, and they are described as non-GAAP measures. In this note, we have explained what the primary non-GAAP financial measures are and why we use them. For definitions, and where applicable, reconciliations, of other non-GAAP measures, please see the glossary on pages 179 to 185.

1.2.1 TOTAL TRADING SALES

Total trading sales represents the full customer sales value including VAT as reported weekly to the Partnership's Executive Team, before adjustments for sale or return sales and other accounting adjustments. This measure shows the headline sales trend.

1.2.2 TRADING OPERATING PROFIT

Trading operating profit (TOP) is based on operating profit, but excludes centrally managed costs. These centrally managed costs are outside of the direct influence and control of the brands and are reviewed and managed by the Executive Team at a Partnership level in aggregate. TOP is used to assess the performance of the John Lewis and Waitrose brands and determine the allocation of resources to those segments.

1.2.3 CENTRALLY MANAGED COSTS

Centrally managed costs include all Partnership fixed property costs, head office costs, change-related costs, revenue expenditure and one-off adjusting items. One-off adjusting items are those that do not meet the Partnership's definition of 'exceptional items', because they are considered to be relevant to the principal activities of the business. However, these are removed from the trading operating profit of each brand, as they are non-recurring in a business-as-usual scenario. This allows management to better assess the underlying performance.

Notes to the consolidated financial statements (continued)

1.2 NON-GAAP MEASURES (CONTINUED)

1.2.4 EXCEPTIONAL ITEMS

The separate reporting of exceptional items helps to provide an indication of the Partnership's underlying business performance. Exceptional items relate to certain costs or incomes that individually or collectively, are significant by virtue of their size and nature. In considering the nature of an item, management's assessment includes, both individually and collectively, each of the following:

- Whether the item is outside of the principal activities of the business;
- The specific circumstances which have led to the item arising;
- The likelihood of recurrence.

1.2.5 PROFIT BEFORE PARTNERSHIP BONUS, TAX AND EXCEPTIONAL ITEMS (PBTBE)

Profit before Partnership Bonus, tax and exceptional items is presented at the foot of the consolidated income statement. This measure is important as it allows for a comparison of the Partnership's underlying profitability, and is a core measure of performance for Partners.

1.2.6 NET DEBT

Net debt incorporates the Partnership's consolidated borrowings, bank overdrafts, fair value of derivative financial instruments and lease liabilities, less cash and cash equivalents, short-term investments and unamortised bond transaction costs. This measure indicates the Partnership's debt position, excluding any pension deficit/surplus.

Notes to the consolidated financial statements (continued)

2 PARTNERSHIP PERFORMANCE

2.1 SEGMENTAL REPORTING

PURPOSE

During the year we analysed our performance between our two reporting segments, Waitrose and John Lewis. This analysis is consistent with how our Executive Team reviewed performance throughout the year.

ACCOUNTING POLICIES

Segmental reporting: *The Partnership's reporting segments are determined based on business activities for which operating results are reviewed by the chief operating decision-maker (CODM). The Partnership's CODM is the Executive Team and the reporting segments reflect the management structure of the Partnership.*

Partnership Bonus: *The Partnership Bonus is announced and paid to Partners each March and is determined in relation to the performance for the previous financial year. The Partnership Bonus is recorded in the year it relates to rather than the year it was declared because there is a constructive obligation to pay a Partnership Bonus and the amount can be reliably estimated once the results for the year are known.*

IFRS 8 Operating Segments requires operating segments to be identified based on the way in which the Partnership's internal financial reporting is organised and regularly reviewed by the CODM to allocate resources and to assess the performance of the different operating segments. The Partnership's reporting segments are determined based on the business activities of its brands (John Lewis and Waitrose) for which operating results are reviewed by the CODM which is the Executive Team.

The Executive Team reviews the operating performance for each brand (John Lewis and Waitrose) in the Partnership, including non-GAAP measures known as Total trading sales and Trading operating profit (TOP) (see note 1.2).

Notes to the consolidated financial statements (continued)

2.1 SEGMENTAL REPORTING (CONTINUED)

| 2022 | Waitrose £m | John Lewis £m | Partnership £m |
|---|----------------|------------------|-------------------|
| Total trading sales | 7,535.9 | 4,925.6 | 12,461.5 |
| Value added tax | (439.6) | (797.5) | (1,237.1) |
| Sale or return and other accounting adjustments | (112.7) | (274.2) | (386.9) |
| Revenue | 6,983.6 | 3,853.9 | 10,837.5 |
| Trading operating profit¹ | 1,019.6 | 757.7 | 1,777.3 |
| Other operating and administrative expenses | | | (1,659.0) |
| of which: | | | |
| Exceptional items (net) | | | (160.8) |
| Partnership Bonus | | | (46.4) |
| Operating profit² | | | 118.3 |
| Finance costs | | | (155.3) |
| Finance income | | | 10.3 |
| Loss before tax | | | (26.7) |
| Taxation | | | (41.1) |
| Loss for the year | | | (67.8) |
| Profit before Partnership Bonus, tax and exceptional items | | | 180.5 |

¹ Included in trading operating profit is other operating income of which £101.2m (split between operating segments: £30.8m Waitrose and £70.4m John Lewis) represents further income from external customers (see note 2.3). This is reported to the CODM separately as part of other income and expenses.

² Included within operating profit is a £1.0m share of profit of a joint venture in John Lewis. See note 3.3.

Notes to the consolidated financial statements (continued)

2.1 SEGMENTAL REPORTING (CONTINUED)

| 2021 | Waitrose £m | John Lewis £m | Partnership £m |
|---|----------------|------------------|-------------------|
| Total trading sales | 7,595.2 | 4,721.9 | 12,317.1 |
| Value added tax | (438.9) | (766.9) | (1,205.8) |
| Sale or return and other accounting adjustments | (112.4) | (227.1) | (339.5) |
| Revenue | 7,043.9 | 3,727.9 | 10,771.8 |
| Trading operating profit¹ | 1,144.6 | 554.4 | 1,699.0 |
| Other operating and administrative expenses | | | (2,058.6) |
| of which: | | | |
| Exceptional items (net) | | | (648.0) |
| Partnership Bonus | | | - |
| Operating profit² | | | (359.6) |
| Finance costs | | | (168.9) |
| Finance income | | | 11.3 |
| Loss before tax | | | (517.2) |
| Taxation | | | 65.2 |
| Loss for the year | | | (452.0) |
| Profit before Partnership Bonus, tax and exceptional items | | | 130.8 |

¹ Included in trading operating profit is other operating income of which £95.6m (split between operating segments: £45.6m Waitrose and £50.0m John Lewis) represents further income from external customers (see note 2.3). This is reported to the CODM separately as part of other income and expenses.

² Included within operating profit is a £0.9m share of profit of a joint venture in John Lewis. See note 3.3.

Notes to the consolidated financial statements (continued)

2.2 REVENUE

PURPOSE

Revenue is generated solely from contracts with customers.

Revenue is measured based on the consideration specified in a contract with a customer. The Partnership recognises revenue when it transfers control over a good or service to a customer.

ACCOUNTING POLICIES

Revenue: *We evaluate our revenue with customers based on the five-step model under IFRS 15: Revenue from Contracts with Customers: (1) identify the contract with the customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to separate performance obligations; and (5) recognise revenues when (or as) each performance obligation is satisfied. We generate the majority of our revenue from the sale of goods or from providing services to our customers.*

Revenue from the sale of goods and services is recognised when the Partnership has satisfied its performance obligations by transferring a promised good or service to the customer. The good or service is considered to be transferred when the customer obtains control of that good, or the service is complete. Revenue in respect of 'sale or return sales' which represents concession income is stated at the value of the margin that the Partnership receives on the transaction. Revenue is also net of Partner discounts and VAT, adjustments for the sale of free warranties and adjustments for expected customer returns. Revenue is recognised in respect of sales under bill and hold arrangements when the buyer takes control of the asset, even if it has not physically been transferred to the customer. Revenue under bill and hold arrangements is not recognised when there is simply an intention to acquire.

Sales of gift vouchers and gift cards are treated as liabilities, and revenue is recognised when the gift vouchers or cards are redeemed against a later transaction. Non-redemption revenue is recognised in proportion to the pattern of rights exercised by the customer based on assumptions regarding redemption rates and time to expiry. Certain entities within the Partnership sell products with a right of return, and experience is used to estimate and provide for the value of such returns at the time of sale. This is further discussed under inventory note 4.1.

Business is predominantly carried out in the United Kingdom and gross sales and revenue derive almost entirely from that source.

Notes to the consolidated financial statements (continued)

2.2 REVENUE (CONTINUED)

2.2.1 DISAGGREGATION OF REVENUE FROM CONTRACTS WITH CUSTOMERS

We analyse our revenue between goods and services. Goods are split into four major product lines: Grocery, Home, Fashion and Technology. Services currently comprise free warranties on selected goods. This presentation is consistent with how our Partnership Board and Executive Team review performance throughout the year.

| | 2022 £m | 2021 £m |
|-----------------------------|-----------------|-----------------|
| Major product lines: | | |
| Goods | | |
| – Grocery | 6,899.7 | 7,040.4 |
| – Home | 1,119.8 | 995.5 |
| – Fashion | 1,127.9 | 946.6 |
| – Technology | 1,577.2 | 1,695.5 |
| Services | | |
| – Free warranty | 4.7 | 25.9 |
| Other revenue | 108.2 | 67.9 |
| | 10,837.5 | 10,771.8 |

2.2.2 REVENUE RECOGNITION POLICIES

The following table provides information about the nature of the major product and service lines generating revenue.

| Type of product/ service | Nature and timing of satisfaction of performance obligations | Revenue recognition |
|--------------------------|---|---|
| Grocery | <p>Grocery products are principally sold by Waitrose and include food, drink, household and other items. Additionally, fuel sales and food halls are shown here.</p> <p>Customers obtain control of grocery products when the goods are received by the customer.</p> <p>Customers pay at the point of sale in Waitrose shops. Where a grocery product is ordered online, it is fulfilled by a Waitrose shop and customers are charged on the day of delivery.</p> <p>For business to business (B2B) customers, invoices are raised and are usually payable within 30 days.</p> <p>Waitrose accepts returns in accordance with a customer's statutory rights under consumer laws in the United Kingdom and has a discretionary goodwill policy. Under the goodwill policy, customers can return products within 35 days after receipt, if not entirely satisfied.</p> | <p>Revenue is recognised when the goods have been received by the customer and control obtained.</p> <p>Adjustments are recorded for returns where material, based on historic trends and recent sales patterns. The right to return goods is included under inventory, note 4.1.</p> |
| Home | <p>Home products are principally sold by John Lewis and include items intended for use in the home environment.</p> <p>Customers obtain control of home products when the goods are received by the customer.</p> <p>Customers pay at the point of sale in John Lewis shops. Where a home product is ordered online, it is generally fulfilled from a centralised location.</p> <p>For B2B customers, invoices are raised and are payable on a variety of payment terms up to 30 days.</p> <p>John Lewis accepts returns in accordance with a customer's statutory rights under consumer laws in the United Kingdom and has a discretionary goodwill policy. Under the goodwill policy, customers can return products within 35 days after receipt, if not entirely satisfied.</p> | <p>Revenue is recognised when the goods have been received by the customer and control obtained.</p> <p>Adjustments are recorded for returns where material, based on historic trends and recent sales patterns. The right to return goods is included under inventory, note 4.1.</p> |

| | | |
|------------------------|---|---|
| Fashion | <p>Fashion products are principally sold by John Lewis and include clothing, jewellery and other items. This also includes 'sale or return' sales.</p> <p>Customers obtain control of fashion products when the goods are received by the customer.</p> <p>Customers pay at the point of sale in John Lewis shops. Where a fashion product is ordered online, it is generally fulfilled from a centralised location.</p> <p>For B2B customers, invoices are raised and are payable on a variety of payment terms up to 30 days.</p> <p>John Lewis accepts returns in accordance with a customer's statutory rights under consumer laws in the United Kingdom and has a discretionary goodwill policy. Under the goodwill policy, customers can return products within 35 days after receipt, if not entirely satisfied.</p> | <p>Revenue is recognised when the goods have been received by the customer and control obtained.</p> <p>Adjustments are recorded for returns where material, based on historic trends and recent sales patterns. The right to return goods is included under inventory, note 4.1.</p> |
| Technology | <p>Technology products are principally sold by John Lewis and include televisions, computers, tablets and other electrical items.</p> <p>Customers obtain control of Technology products when the goods are received by the customer.</p> <p>Customers pay at the point of sale in John Lewis shops. Where a Technology product is ordered online, it is generally fulfilled from a centralised location.</p> <p>For B2B customers, invoices are raised and are payable on a variety of payment terms up to 30 days.</p> <p>John Lewis accepts returns in accordance with a customer's statutory rights under consumer laws in the United Kingdom and has a discretionary goodwill policy. Under the goodwill policy, customers can return products within 35 days after receipt, if not entirely satisfied.</p> | <p>Revenue is recognised when the goods have been received by the customer.</p> <p>When Technology products are sold with a free warranty an element of the sales price is allocated to the performance of that service (see below).</p> <p>Adjustments are recorded for returns where material, based on historic trends and recent sales patterns. The right to return goods is included under inventory, note 4.1.</p> |
| Free warranties | <p>The free service guarantee is provided with certain Technology products which are sold by John Lewis.</p> <p>Customers receive a free warranty of between two and five years on the purchase of specified Technology products. No separate payment is made for this free service guarantee.</p> <p>An element of the sales price of the Technology product is allocated to the free service guarantee on a cost plus margin basis. This amount is deducted from revenue and deferred on the balance sheet.</p> | <p>Revenue is deferred on the balance sheet and then released to the income statement over the period of the guarantee on a straight-line basis.</p> <p>Deferred income is shown under trade and other payables. See note 4.3.</p> |
| Other revenue | <p>Other revenue products/services are principally sold by John Lewis and includes catering, customer delivery and workrooms. Other revenue also includes non-redemption revenue relating to gift vouchers and gift cards that are never redeemed or expire unredeemed.</p> <p>Customers obtain control of other revenue products/services when the products/services have been rendered and the performance obligations have been met.</p> <p>Customers pay at the point of sale in John Lewis shops. Where other revenue products/services are ordered online, it is generally fulfilled from a centralised location.</p> | <p>Revenue is recognised when the products/services have been received by the customer and the performance obligations have been met.</p> <p>Non-redemption revenue is recognised in proportion to the pattern of rights exercised by the customer based on assumptions regarding redemption rates and time to expiry.</p> |

Notes to the consolidated financial statements (continued)

2.3 OTHER OPERATING INCOME

PURPOSE

Other operating income is income that does not satisfy the definition of revenue in that it does not relate to the main trading operations of the Partnership.

ACCOUNTING POLICIES

Other operating income includes:

Commissions, backhauling, car park income and licence fees: *Income is recognised when the Partnership has satisfied its performance obligation by delivering a promised service to the customer in accordance with the transaction price agreed.*

Rental income: *Rental income is recognised on a straight-line basis based on the length of the contract and when the performance obligation of the contract is satisfied.*

Other income: *Other income is recognised when the services have been rendered to the customer and performance obligations have been met.*

| | 2022 £m | 2021 £m |
|-------------------------------|--------------|--------------|
| Other operating income | | |
| Commissions | 77.2 | 70.1 |
| Rental income | 6.9 | 8.0 |
| Backhauling income | 7.0 | 6.8 |
| Car park income | 5.0 | 4.4 |
| Licence fees | 3.5 | 3.7 |
| Other income | 8.5 | 9.4 |
| | 108.1 | 102.4 |

Other income mainly relates to concession income and data provision for industry research. It is made up of items that individually are not material and no other material groups were considered to be shown.

2.4 OPERATING AND ADMINISTRATIVE EXPENSES

PURPOSE

We analyse operating expenses into shop operating expenses and administrative expenses, as well as exceptional items and Partnership Bonus. Shop operating expenses are directly associated with the sale of goods and services. Administrative expenses are those which are not directly related to the sale of goods and services.

| | 2022 £m | 2021 £m |
|--|------------------|------------------|
| Operating and administrative expenses | | |
| Shop operating expenses | (2,225.9) | (2,141.1) |
| Administrative expenses | (1,035.8) | (1,037.0) |
| Exceptional items (net) | (160.8) | (648.0) |
| Partnership Bonus | (46.4) | - |
| | (3,468.9) | (3,826.1) |

In addition to the items disclosed in note 2.6, within operating and administrative expenses, we include charges such as marketing expenses, general rates and customer delivery.

Notes to the consolidated financial statements (continued)

2.5 EXCEPTIONAL ITEMS

PURPOSE

Exceptional items are items of income/expense that are significant by virtue of their size and nature (see note 1.2.4). We believe these exceptional items are relevant for a better understanding of our underlying business performance, and exceptional items are therefore highlighted separately on the face of the income statement. This note provides detail of the exceptional items reported in both the current and prior year.

KEY JUDGEMENTS

Exceptional items: Exceptional items are those where, in management's opinion, their separate reporting provides a better understanding of the Partnership's underlying business performance; and which are significant by virtue of their size and nature. In considering the nature of an item, management's assessment includes, both individually and collectively, whether the item is outside the principal activities of the business; the specific circumstances which have led to the item arising; the likelihood of recurrence; and if the item is likely to recur, whether it is unusual by virtue of its size.

No single criterion alone classifies an item as exceptional, and therefore management must exercise judgement when determining whether, on balance, presenting an item as exceptional will help users of the financial statements understand the Partnership's underlying business performance.

| | 2022 Operating (expense)/ income £m | 2022 Taxation credit/ (charge) £m | 2021 Operating (expense)/ income £m | 2021 Taxation credit/ (charge) £m |
|---|---|---|---|---|
| Exceptional items | | | | |
| Strategic restructuring and redundancy programmes: | | | | |
| Head office reviews | 11.7 | (2.2) | (96.1) | 18.3 |
| Physical estate | (108.0) | 2.5 | (93.7) | 15.6 |
| Shop operations | (41.4) | 7.9 | 0.6 | (0.1) |
| | (137.7) | 8.2 | (189.2) | 33.8 |
| Shop impairments (Waitrose) | - | - | 9.6 | (1.3) |
| Shop impairments (John Lewis) | (23.1) | 3.0 | (468.1) | 72.2 |
| Pay provision | - | - | (0.3) | 0.1 |
| | (160.8) | 11.2 | (648.0) | 104.8 |

Strategic restructuring and redundancy programmes

The Partnership Plan is a five-year plan that envisages a significant level of transformation to ensure the Partnership is thriving for both Partners and customers. Some of this transformation is in the form of restructuring.

The costs incurred over the life of the change programmes outlined are significant in value and, given the level of change, they are significant in nature, therefore the Partnership considers them exceptional items to provide a more meaningful view of the Partnership's underlying business performance.

Since January 2021, the Partnership has continued its strategic review of physical estate with the closure of a further eight John Lewis stores, a customer delivery hub, and a reduction in the lease term for our Victoria head office. The Partnership also announced a major reorganisation of management structures in John Lewis and Waitrose stores, and progressed with the restructure of head office functions.

These programmes present significant deviations from normal operations for the Partnership, in terms of their size and nature, and are therefore presented as exceptional items. The financial impacts of these programmes are detailed below.

Notes to the consolidated financial statements (continued)

2.5 EXCEPTIONAL ITEMS (CONTINUED)

Head office: The transformation of head office operations has continued this year. This is part of the wider review of a number of pan Partnership functions which began at the end of 2017. Given the scale of the change, the delivery of these reviews was expected to take four years, and are now well progressed with the Head Office Transformation (HOT) programme nearing completion. This programme was announced as part of the Partnership Plan in November 2020 and builds on previous reviews to make the head office leaner and more efficient. Last financial year £(96.1)m of exceptional costs were recognised for head office reviews, £(72.6)m of which were based on management's best estimates of expected costs for redundancy and voluntary severance related to the HOT programme. The redundancy consultation period was completed in the first half of this year and the programme is now nearing completion. Redundancy and other related project costs have been lower than early estimates, resulting in a release of provisions and a net credit of £11.7m this year, principally attributable to the HOT programme. The credit related to the release of these provisions has been classified as exceptional as the original charge was treated as such last financial year.

The net credit of £11.7m for Head office reviews also includes a charge of £(1.2)m driven by expenses incurred for consultancy fees and redundancies for the Tech & Change restructure, offset by releases of the provisions held for prior year redundancy programmes.

Included within operating expenses, and not separately reported as exceptional, are £(4.6)m (January 2021: £(4.0)m) of restructuring and redundancy costs which are considered by the Partnership to be separate from our strategic programmes and part of the underlying business performance.

Physical estate: Since 2017, we have been working on our programme of rebalancing our existing estate; this includes ensuring that the size and shape of our physical estate is delivering on both our customer proposition, and financial returns. With the launch of the Partnership Plan, and the acceleration of change we have seen in customer shopping behaviour, we have refocused on the need to ensure our stores reflect how our customers want to shop - 'right space, right place' - and as a result we anticipate these changes may now be extended to 2025/26.

We announced the closure of eight John Lewis stores in 2020. This year, we confirmed a further eight stores would be closed along with a customer distribution hub, and we negotiated a head office property exit. Accordingly, we have recognised a net exceptional charge of £(108.0)m (January 2021: £(93.7)m) in relation to our physical estate programme. The net charge includes the impairment of assets (reflecting the shortening of the useful economic life), accelerated depreciation of buildings and fixtures and fittings, and management's best estimate of closure costs including onerous leases, dilapidations, project costs and, where closure has been approved and announced, redundancy costs. The impairment charge of the recently announced store closures are included in this category.

Shop operations: Alongside the assessment of our physical estate, we also identified that the way in which we run and manage our shops would require adjustment. In order to improve the customer experience and efficiencies in our stores, we have made a number of changes in our shop operating models in order to deliver a more flexible, multi-skilled and productive model.

The next stage of this review was announced in July 2021, with the proposal to redesign management structures in Waitrose and John Lewis shops to be simpler and more flexible. Approximately 3,000 Partners entered into a period of consultation in July with a proposed overall reduction of around 1,000 management roles. As such, £(39.8)m of expected redundancy-related costs, as well as £(1.6)m of project costs, have been recognised as of January 2022, based on management's best estimate of future expenses. In the year to January 2021, a credit of £0.6m was recognised in exceptional items under 'shop operations' due to the release of redundancy provisions relating to the prior year.

Store impairments (Waitrose)

In 2022, there was no charge to exceptional items (2021: £9.6m credit).

Store impairments (John Lewis)

In 2022, a net impairment charge of £(23.1)m (2021: £(468.1)m charge) has been recognised. The cash flow forecasts across the John Lewis store estate at January 2022 have been updated for the latest view of future trading, allocation of online sales and the impact of the John Lewis property strategy concluded during the period.

Notes to the consolidated financial statements (continued)

2.5 EXCEPTIONAL ITEMS (CONTINUED)

The updated cash flow forecasts have led to a reversal of impairment charges of £63.1m and new impairment charges of £(86.2)m. The existing provisions were previously charged as exceptional. By virtue of the size of the charge, and that the circumstances which have led to the charge arising are unique and unusual, the charge has been recognised as exceptional. See note 3.2 for further detail.

2.6 LOSS BEFORE TAX

PURPOSE

Detailed below are items (charged)/credited to arrive at our loss before tax as defined by UK-adopted IFRS and required to be reported under UK-adopted IFRS.

| | 2022 £m | 2021 £m |
|---|------------|------------|
| Staff costs (note 2.8.2) | (1,843.2) | (1,806.1) |
| Depreciation ¹ | (387.9) | (906.1) |
| Amortisation of intangible assets | (129.4) | (129.7) |
| Net (loss)/profit on sale of property (including exceptional items) | (39.2) | 11.9 |
| Net loss on disposal of other plant and equipment and intangible assets | (2.6) | (1.9) |
| Net (loss)/profit on lease exit ² | (9.8) | 11.1 |
| Inventory – cost of inventory recognised as an expense | (7,359.4) | (7,408.6) |
| Sub-lease income: | | |
| – land and buildings | 6.0 | 5.2 |

¹ Included within depreciation is an impairment charge of £35.6m (2021: £525.7m) of which £1.9m (2021: £6.9m) is in Waitrose, £33.7m (2021: £508.6m) is in John Lewis and £nil against Partnership central assets (2021: £10.2m).

² Includes gain from the early termination of lease liabilities, less cost of the corresponding right-of-use asset and any termination payments or receipts.

Total auditor's remuneration is included within administrative expenses, and is payable to our auditor, KPMG LLP, as analysed below:

| | 2022 £m | 2021 £m |
|---|--------------|--------------|
| Auditor's remuneration | | |
| Audit and audit-related services: | | |
| – Audit of the parent Company and consolidated financial statements | (0.6) | (0.4) |
| – Audit of the Company's subsidiaries | (1.2) | (1.0) |
| | (1.8) | (1.4) |
| Non-audit services: | | |
| – Other assurance services | (0.1) | (0.2) |
| | (0.1) | (0.2) |
| Total fees | (1.9) | (1.6) |

Notes to the consolidated financial statements (continued)

2.7 RECONCILIATION OF LOSS BEFORE TAX TO CASH GENERATED FROM OPERATIONS BEFORE PARTNERSHIP BONUS

PURPOSE

We have analysed how our loss before tax reconciles to the cash generated from our operating activities before Partnership Bonus. Items added back to, or deducted from, loss before tax are non-cash items that are adjusted to arrive at cash generated from operations before Partnership Bonus which is shown in the consolidated statement of cash flows.

| | 2022 £m | 2021 £m |
|--|--------------|--------------|
| Loss before tax | (26.7) | (517.2) |
| Amortisation and write-offs of intangible assets | 129.4 | 135.6 |
| Depreciation ¹ | 387.9 | 906.1 |
| Share of profit of joint venture (net of tax) | (1.0) | (0.9) |
| Net finance costs | 145.0 | 157.6 |
| Partnership Bonus | 46.4 | - |
| Fair value gains on derivative financial instruments | (1.2) | (0.3) |
| Loss/(profit) on disposal of property, plant and equipment and intangible assets | 51.6 | (21.0) |
| Increase in inventories | (12.9) | (30.2) |
| (Increase)/decrease in receivables | (70.5) | 80.0 |
| Increase in payables | 86.6 | 51.4 |
| Decrease in retirement benefit obligations | (3.4) | (8.2) |
| (Decrease)/increase in provisions | (52.6) | 78.4 |
| Cash generated from operations before Partnership Bonus | 678.6 | 831.3 |

¹ Includes net impairment charges. See note 3.2.

Notes to the consolidated financial statements (continued)

2.8 PARTNERS

PURPOSE

The average number of Partners employed during the year, together with details of the area of the Partnership in which they work, and total employment-related costs are shown in the tables below. At the end of the year, our total number of Partners was 78,600 (2021: 80,900). This note also covers Partner benefits, including pay for senior Partners and the Partnership Board.

2.8.1 PARTNER NUMBERS

During the year the average number of Partners in the Partnership was as follows:

| | 2022 | 2021 |
|------------|---------------|---------------|
| John Lewis | 21,200 | 23,900 |
| Waitrose | 55,800 | 54,300 |
| Other | 2,500 | 2,700 |
| | 79,500 | 80,900 |

2.8.2 PARTNER PAY AND BENEFITS

Employment and related costs were as follows:

| | 2022 £m | 2021 £m |
|--|------------------|------------------|
| Staff costs: | | |
| Wages and salaries | (1,540.2) | (1,538.3) |
| Social security costs | (112.6) | (114.4) |
| Partnership Bonus | (41.4) | - |
| Employers' National Insurance on Partnership Bonus | (5.0) | - |
| Other pension (charge)/credit (note 6.1.2) | (134.0) | (143.3) |
| Long leave cost | (10.0) | (10.1) |
| Total before Partner discounts | (1,843.2) | (1,806.1) |
| Partner discounts (excluded from revenue) | (105.0) | (104.1) |
| | (1,948.2) | (1,910.2) |

Notes to the consolidated financial statements (continued)

2.8 PARTNERS (CONTINUED)

2.8.3 KEY MANAGEMENT COMPENSATION

| | 2022 £m | 2021 £m |
|---------------------------------------|------------|------------|
| Salaries and short-term benefits | (6.0) | (5.5) |
| Post-employment benefits ¹ | (0.5) | (0.7) |
| Termination payments ² | - | (1.8) |
| | (6.5) | (8.0) |

¹ Includes cash supplements in lieu of future pension accrual.

² Includes contractual payments and compensation for loss of office.

Key management includes the Directors of the Company and other officers of the Partnership. Key management compensation includes salaries, Partnership Bonus, National Insurance costs, pension costs and the cost of other employment benefits, such as company cars, private medical insurance and termination payments where applicable. Costs of key management compensation are included within operating expenses and exceptional items as applicable.

Key management participate in the Partnership's long leave scheme, which is open to all Partners and provides up to six months' paid leave after 25 years' service. There is no proportional entitlement for shorter periods of service. It is not practical to allocate the cost of accruing entitlement to this benefit to individuals, and therefore no allowance has been made for this benefit in the amounts disclosed.

2.8.4 DIRECTORS' EMOLUMENTS

Directors' emoluments have been summarised below. Further details of the remuneration of Directors is given in the parts of the Remuneration Committee Report noted as audited on pages 70 to 75.

| | 2022 £m | 2021 £m |
|----------------------|------------|------------|
| Aggregate emoluments | (2.1) | (2.1) |

Notes to the consolidated financial statements (continued)

2.9 TAXATION

PURPOSE

Our tax charge for the year is shown below. This includes an explanation of how each item is calculated, a reconciliation of our effective tax rate to the UK standard tax rate, and an update on any tax rate changes. We have placed further explanatory boxes within the note to explain each table.

Our Tax Strategy aligns to the Principles of our Constitution and, as a responsible leading retailer, we recognise that paying taxes arising from our activities is an important part of how our business contributes to the societies in which we operate. The Tax Strategy adopted by the Partnership Board is available on the Partnership's website. In addition, our total tax contributions are shown on page 44.

ACCOUNTING POLICIES

Taxation: *Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in other comprehensive income/(expense), in which case it is recognised directly in other comprehensive income/(expense).*

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustments to tax payable in respect of previous years.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax arising from the initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss, is not recognised.

In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is calculated at the tax rates that are enacted or substantively enacted at the balance sheet date that are expected to apply to the period when the asset is realised or the liability is settled.

Notes to the consolidated financial statements (continued)

2.9 TAXATION (CONTINUED)

2.9.1 ANALYSIS OF TAX CHARGE FOR THE YEAR

PURPOSE

The components of our tax charge are below. The tax charge is made up of current and deferred tax. Current tax is the amount payable on the taxable income for the year, and any adjustments to tax payable in previous years. Current tax is charged through the consolidated income statement and consolidated statement of comprehensive income/(expense). Deferred tax is explained in note 2.9.3.

| | 2022 £m | 2021 £m |
|---|----------------|-------------|
| Tax credited/(charged) to the income statement | | |
| Current tax – current year | (11.1) | (5.4) |
| Current tax – adjustment in respect of prior years | 0.5 | 6.1 |
| Total current tax (charge)/credit | (10.6) | 0.7 |
| Deferred tax – current year | (14.6) | 80.3 |
| Deferred tax – rate change | (15.4) | (10.9) |
| Deferred tax – adjustment in respect of prior years | (0.5) | (4.9) |
| Total deferred tax (charge)/credit | (30.5) | 64.5 |
| | (41.1) | 65.2 |
| | | |
| Tax credited to other comprehensive income | | |
| Current tax on pension scheme ¹ | 1.9 | 1.6 |
| Total current tax credit | 1.9 | 1.6 |
| Deferred tax on pension scheme | (241.2) | 53.6 |
| Deferred tax on cash flow hedges | (3.5) | 0.3 |
| Total deferred tax credit | (244.7) | 53.9 |
| | (242.8) | 55.5 |

¹ An additional deficit funding contribution of £10.0m has been paid by the Partnership during the year (2021: £7.5m) in relation to the defined benefit pension scheme, resulting in a tax credit of £1.9m (2021: £1.6m) to the statement of other comprehensive income/(expense) and a corresponding reduction in our current tax liability.

Notes to the consolidated financial statements (continued)

2.9 TAXATION (CONTINUED)

2.9.2 FACTORS AFFECTING TAX CHARGE FOR THE YEAR

PURPOSE

Taxable profit differs from profits as reported in the income statement because some items of income or expense may never be taxable or deductible.

The table below shows the reconciliation between the tax charge on profits at the standard UK tax rate and the actual tax charge recorded in the income statement ignoring the effects of temporary differences. The effective tax rate is the tax charge as a percentage of Partnership profit before tax.

The tax charge for the year is higher (2021: lower) than the standard corporation tax rate of 19.0% (2021: 19.0%). The differences are explained below:

| | 2022 £m | 2021 £m |
|---|----------------|-------------|
| Loss before tax | (26.7) | (517.2) |
| Loss before tax multiplied by standard rate of corporation tax in the UK of 19.0% (2021: 19.0%) | 5.1 | 98.3 |
| Effects of: | | |
| Changes in tax rate | (15.4) | (10.9) |
| Adjustment in respect of prior years | - | 1.2 |
| Depreciation on assets not qualifying for tax relief | (12.4) | (49.0) |
| Difference between accounting and tax base for land and buildings | (2.4) | 29.1 |
| Differences in overseas tax rates | (0.1) | - |
| Sundry disallowables | (20.4) | (3.5) |
| Other | 4.5 | - |
| Total tax credit/(charge) | (41.1) | 65.2 |
| Effective tax rate (%) | (153.9) | 12.6 |

2.9.3 DEFERRED TAX

PURPOSE

Deferred tax is the tax expected to be payable or recoverable in the future due to temporary differences that arise when the carrying value of assets and liabilities differ between accounting and tax treatments. Deferred tax assets represent the amounts of income taxes recoverable in the future in respect of these differences, while deferred tax liabilities represent the amounts of income taxes payable in the future in respect of these differences. Here we show the movements in deferred tax assets and liabilities during the year.

Deferred tax is calculated on temporary differences using a tax rate of 25% reflecting that the rate of Corporation Tax will increase from April 2023 to 25% for companies with profits over £250,000. The movement on the deferred tax account is shown below:

| | 2022 £m | 2021 £m |
|--|----------------|-------------|
| Deferred tax | | |
| Opening net asset/(liability) | 98.2 | (20.2) |
| (Charged)/credited to income statement | (30.5) | 64.5 |
| (Charged)/credited to other comprehensive income/(expense) | (244.7) | 53.9 |
| Closing net (liability)/asset | (177.0) | 98.2 |

Notes to the consolidated financial statements (continued)

2.9 TAXATION (CONTINUED)

2.9.3 DEFERRED TAX (CONTINUED)

The movements in deferred tax assets and liabilities during the year are shown below.

| | Accelerated tax depreciation £m | Revaluation of land and buildings £m | Rollover gains £m | Other £m | Total £m |
|--|---------------------------------------|---|-------------------------|--------------|----------------|
| Deferred tax liabilities | | | | | |
| At 25 January 2020 | (79.6) | (10.7) | (37.1) | (1.0) | (128.4) |
| Credited/(charged) to income statement | 20.4 | 4.1 | (0.3) | - | 24.2 |
| At 30 January 2021 | (59.2) | (6.6) | (37.4) | (1.0) | (104.2) |
| Charged to income statement | (25.8) | (4.1) | (10.8) | - | (40.7) |
| At 29 January 2022 | (85.0) | (10.7) | (48.2) | (1.0) | (144.9) |

| | Tax losses £m | Capital gains tax on land and buildings £m | Pensions and provisions £m | Other £m | Total £m |
|--|------------------|---|-------------------------------------|-------------|---------------|
| Deferred tax assets/(liabilities) | | | | | |
| At 25 January 2020 | - | 10.7 | 82.6 | 14.9 | 108.2 |
| Credited/(charged) to income statement | 23.7 | 18.3 | (2.4) | 0.7 | 40.3 |
| Credited to other comprehensive income/(expense) | - | - | 53.6 | 0.3 | 53.9 |
| At 30 January 2021 | 23.7 | 29.0 | 133.8 | 15.9 | 202.4 |
| Credited/(charged) to income statement | (7.5) | 10.2 | 2.9 | 4.6 | 10.2 |
| Charged to other comprehensive income/(expense) | - | - | (241.2) | (3.5) | (244.7) |
| At 29 January 2022 | 16.2 | 39.2 | (104.5) | 17.0 | (32.1) |

The deferred tax liability in relation to the defined benefit pension scheme is £142.1m (2021: £104.9m asset).

Deferred tax assets and liabilities are only offset where there is a legally enforceable right of offset and there is an intention to settle the balances net. Certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances (after offset):

| | 2022 £m | 2021 £m |
|--------------------------|----------------|-------------|
| Deferred tax | | |
| Deferred tax assets | 0.5 | 103.4 |
| Deferred tax liabilities | (177.5) | (5.2) |
| Deferred tax net | (177.0) | 98.2 |

Notes to the consolidated financial statements (continued)

2.9 TAXATION (CONTINUED)

2.9.3 DEFERRED TAX (CONTINUED)

The recoverability of deferred tax assets is supported by the expected level of future profits in the countries concerned.

Deferred tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future profits is probable. There are unrecognised deferred tax assets in respect of losses for the year ended 29 January 2022 relating to losses in John Lewis Hong Kong Limited of £0.6m (2021: £0.9m).

The deferred tax balance associated with the pension surplus has been adjusted to reflect the current tax benefit obtained in the financial year ended 30 January 2010, following the contribution of the limited partnership interest in JLP Scottish Limited Partnership to the pension scheme (see note 6.1). The deferred tax assets and liabilities are recoverable after more than one year.

As a result of exemptions on dividends from subsidiaries and capital gains on disposal there are no significant taxable temporary differences associated with investments in subsidiaries and interests in joint arrangements.

2.9.4 FACTORS AFFECTING TAX CHARGES IN CURRENT AND FUTURE YEARS

PURPOSE

Here we explain any changes to the current or future tax rates that have been announced or substantively enacted.

The Government announced in March 2021 that the rate of Corporation Tax will increase from April 2023 to 25% for companies with profits over £250,000. This has increased the tax rate applied on deferred tax balances since last year and will increase the tax rate applied on taxable profits and losses from the 2023/24 financial year.

Notes to the consolidated financial statements (continued)

3 OPERATING ASSETS AND LIABILITIES

3.1 INTANGIBLE ASSETS

PURPOSE

Our balance sheet contains non-physical assets in relation to computer software which are used to support our business and the generation of our profits. This note shows the cost of the assets, which is the amount we initially paid for them, and details any additions and disposals during the year. Additionally, the note shows amortisation, which is an expense in the income statement to reflect the usage of these assets. Amortisation is calculated by estimating how many years we expect to use the assets, which is also known as the useful economic life (UEL). The amortisation charge reduces the initial value of the assets over time spread evenly over their useful economic lives. The value after deducting accumulated amortisation is known as the net book value.

Each year we review the value of our assets to ensure that their expected future value in use (VIU) in the business has not fallen below their net book value. This might occur where there has been a system replacement in the year. If an asset's expected value in use falls below its net book value, this is reflected through an additional impairment expense, which reduces profit.

ACCOUNTING POLICIES

Intangible assets: *Intangible assets, comprising both purchased and internally developed computer software, are carried at cost less accumulated amortisation and impairments. The cost of internally developed software, including all directly attributable costs necessary to create, produce and prepare the software for use, is capitalised where the development meets the criteria for capitalisation required by IAS 38: Intangible Assets. This may include capitalised borrowing costs. Internally developed software assets that are not yet in use are reviewed at each reporting date to ensure that the development still meets the criteria for capitalisation, and is not expected to become impaired or abortive.*

Amortisation: *Once available for use, the purchased or internally developed software is amortised on a straight-line basis over its useful economic life, which is deemed to be between three and ten years. The assets' useful economic lives are reviewed and adjusted if appropriate at each balance sheet date.*

Impairment: *Assets are reviewed for impairment at least annually or whenever events or circumstances indicate that the net book value may not be recoverable. An impairment loss is recognised for the amount by which the asset's amortised cost exceeds its recoverable amount, the latter being the higher of the asset's fair value less costs to dispose and value in use. The reversal of an impairment loss is recognised immediately as a credit to the income statement.*

Notes to the consolidated financial statements (continued)
3 OPERATING ASSETS AND LIABILITIES (CONTINUED)
3.1 INTANGIBLE ASSETS (CONTINUED)

| | Computer software | | | Total £m |
|--|-------------------|-------------------------------|------------------------|----------------|
| | Purchased £m | Internally developed £m | Work in progress £m | |
| Intangible assets | | | | |
| Cost | | | | |
| At 25 January 2020 | 245.4 | 773.4 | 121.0 | 1,139.8 |
| Additions ¹ | - | - | 108.8 | 108.8 |
| Transfers to assets held for sale | - | (0.1) | - | (0.1) |
| Transfers | 20.3 | 96.1 | (116.4) | - |
| Disposals and write-offs | (43.0) | (54.1) | (5.9) | (103.0) |
| At 30 January 2021 | 222.7 | 815.3 | 107.5 | 1,145.5 |
| Additions ¹ | - | - | 109.9 | 109.9 |
| Transfers to assets held for sale | - | - | - | - |
| Transfers | 42.9 | 102.5 | (145.4) | - |
| Disposals and write-offs | (30.3) | (74.4) | (2.3) | (107.0) |
| At 29 January 2022 | 235.3 | 843.4 | 69.7 | 1,148.4 |
| Accumulated amortisation | | | | |
| At 25 January 2020 | (194.3) | (450.0) | - | (644.3) |
| Charge for the year | (32.6) | (97.1) | - | (129.7) |
| Transfers to assets held for sale | - | 0.1 | - | 0.1 |
| Disposals and write-offs | 44.4 | 51.9 | - | 96.3 |
| At 30 January 2021 | (182.5) | (495.1) | - | (677.6) |
| Charge for the year | (26.2) | (103.2) | - | (129.4) |
| Transfers to assets held for sale | - | - | - | - |
| Disposals and write-offs | 30.3 | 74.3 | - | 104.6 |
| At 29 January 2022 | (178.4) | (524.0) | - | (702.4) |
| Net book value at 25 January 2020 | 51.1 | 323.4 | 121.0 | 495.5 |
| Net book value at 30 January 2021 | 40.2 | 320.2 | 107.5 | 467.9 |
| Net book value at 29 January 2022 | 56.9 | 319.4 | 69.7 | 446.0 |

¹ For the year ended 29 January 2022, additions for the year include the non-cash capital expenditure accrual on intangible assets of £2.6m (2021: £1.1m).

Intangible assets principally relate to customer and distribution projects with useful economic lives of up to ten years.

There are five individually significant assets (2021: four) within the total carrying amount of intangible assets as at 29 January 2022: three are customer projects (£150.2m, 2021: two projects, £141.3m) and two relate to distribution projects (£118.0m, 2021: £130.2m). These assets have remaining useful economic lives ranging from three to ten years.

During the year to 29 January 2022, computer systems valued at £145.4m (2021: £116.4m) were brought into use. This covered a range of selling, support, administration and information technology infrastructure applications, with useful economic lives ranging from five to ten years.

Amortisation of intangible assets is charged within operating expenses.

Notes to the consolidated financial statements (continued)

3.2 PROPERTY, PLANT AND EQUIPMENT, AND RIGHT-OF-USE ASSETS

PURPOSE

Our balance sheet contains significant property, plant and equipment, and right-of-use assets, primarily comprising assets relating to stores, distribution centres, offices and vehicles.

This note shows the cost of the assets, which is the amount we initially paid for them, or deemed cost if the assets were purchased before 31 January 2004 when the Partnership transitioned to report under UK-adopted IFRS. For right-of-use assets, the cost is equivalent to the present value of the future lease payments relating to the leased assets. This note also details any additions and disposals during the year, and shows depreciation, which is an expense in the income statement to reflect the usage of these assets. Depreciation is calculated by estimating how many years we expect to use the asset; this is also known as the useful economic life (UEL). The depreciation charge reduces the initial value of the assets over time and spread evenly over their useful economic lives (UELS). The value after deducting accumulated depreciation is known as the net book value.

Each year we review the recoverable amounts of our assets to ensure that the value in use or fair value less cost to dispose has not fallen below their net book value. This might occur where there is a decline in forecast performance. If an asset value falls below its net book value, this is reflected through an impairment expense, which reduces profit.

ACCOUNTING POLICIES

Property, plant and equipment: The cost of property, plant and equipment includes the purchase price and directly attributable costs of bringing the asset into working condition ready for its intended use. This may include capitalised borrowing costs.

The Partnership's freehold and long leasehold properties were last revalued to fair value by the Directors, after consultation with CB Richard Ellis, Chartered Surveyors, as at 31 January 2004. These values have been incorporated as deemed cost, subject to the requirement to test for impairment in accordance with IAS 36: Impairment of Assets. The Partnership has decided not to adopt a policy of revaluation since 31 January 2004.

Right-of-use assets: Right-of-use assets are initially measured at cost, which is an amount equal to the corresponding lease liabilities (present value of future lease payments) adjusted for any lease payments made at or before the commencement date, less any lease incentives received. See note 5.6 for the lease liabilities accounting policy.

Depreciation: No depreciation is charged on freehold land or assets in the course of construction. Depreciation is calculated for all other assets to write off the cost or valuation, less residual value, on a straight-line basis over the following expected UELs:

Freehold and long leasehold buildings – 25-50 years

Other leaseholds – over the shorter of the UEL or the remaining period of the lease

Building fixtures – 10-40 years

Fixtures, fittings and equipment (including vehicles and information technology equipment) – 3-10 years

Property residual values are assessed as the price in current terms that a property would be expected to realise, if the buildings were at the end of their UEL. The assets' residual values and UELs are reviewed and adjusted if appropriate at each balance sheet date.

For right-of-use assets depreciation is calculated on a straight-line basis over the expected UEL of the lease. Judgement is applied to estimate the lease UEL. This is done on an individual lease basis and considers the lease terms and the enforceable period of the lease.

Impairment: Assets are reviewed for impairment at least annually or whenever events or circumstances indicate that the net book value may not be recoverable. Impairment testing is performed on cash generating units (CGUs) which are individual stores (including an allocation of online), this being the lowest level of separately identifiable cash flows. An impairment loss is recognised for the amount by which the asset's net book value exceeds its recoverable amount, the latter being the higher of the asset's fair value less costs to dispose and value in use. Value in use calculations are performed using cash flow projections, discounted at a pre-tax rate, which reflects the asset specific risks and the time value of money.

When an impairment loss subsequently reverses, the carrying amount of the CGU is increased to the revised estimate of the recoverable amount, but ensuring the increased carrying amount does not exceed the carrying amount that would have been

determined if no impairment loss had been recognised for the CGU in prior years. A reversal of an impairment loss is recognised as a credit to the income statement when recovery of performance is considered reasonably certain.

KEY JUDGEMENTS

Application of residual values: *The application of residual values to shell assets on freehold and long leasehold properties is a key accounting judgement that impacts the depreciation charge recognised in respect of these assets. Management has assessed that it is appropriate to apply residual values to these assets as the buildings will retain significant value both during and at the end of their UELs. This residual value could be realised through a sale of the property or a subletting arrangement. Management has therefore concluded that the application of residual values is consistent with the definition set out in IAS 16.*

CRITICAL ACCOUNTING ESTIMATES

Depreciation: *Depreciation is recorded to write down property, plant and equipment and right-of-use assets to their residual values over their UELs. Management must therefore estimate the appropriate UELs to apply to each class of asset as set out in the accounting policy above. Changes in the estimated UELs would alter the amount of depreciation charged each year, which could materially impact the carrying value of the assets in question over the long term. UELs are therefore reviewed on an annual basis to ensure that they are in line with policy and that those policies remain appropriate.*

Impairment: *In line with the Partnership's accounting policy, management must assess the value in use of each CGU when testing for impairment. This requires estimation of the present value of future cash flows expected to arise from the continuing operation of the CGU. These estimates require assumptions over future sales performance, future costs and long-term growth rates, as well as the application of an appropriate discount rate. As an omnichannel retailer, the presence of a physical store plays an important role in generating and facilitating online sales. Judgement is required in relation to the proportion of online sales and costs allocated to the future cash flows of John Lewis stores to reflect the role that the stores play. The allocation of online sales and costs to the respective stores is based on customer sales data (which identifies omnichannel customers) and physical touchpoints with a store, including Click & Collect. Were there to be significant changes in these estimations, the amount charged as impairment during the year could be materially impacted, or impairment charges recognised in previous years may be reversed.*

Notes to the consolidated financial statements (continued)

3.2 PROPERTY, PLANT AND EQUIPMENT, AND RIGHT-OF-USE ASSETS (CONTINUED)

| | Land and buildings | Fixtures, fittings and equipment | Assets in course of construction | Total |
|--|-----------------------|--|--|------------------|
| | £m | £m | £m | £m |
| Property, plant and equipment | | | | |
| Cost | | | | |
| At 25 January 2020 | 4,566.9 | 1,958.5 | 81.6 | 6,607.0 |
| Additions ¹ | 16.3 | - | 119.7 | 136.0 |
| Transfers | 49.2 | 57.8 | (107.0) | - |
| Disposals and write-offs | (188.6) | (119.5) | (0.2) | (308.3) |
| Transfers to assets held for sale | (20.2) | (6.1) | - | (26.3) |
| At 30 January 2021 | 4,423.6 | 1,890.7 | 94.1 | 6,408.4 |
| Additions ¹ | - | - | 215.9 | 215.9 |
| Transfers | 89.2 | 112.2 | (201.4) | - |
| Disposals and write-offs | (112.6) | (163.2) | - | (275.8) |
| At 29 January 2022 | 4,400.2 | 1,839.7 | 108.6 | 6,348.5 |
| Accumulated depreciation | | | | |
| At 25 January 2020 | (1,565.6) | (1,506.0) | - | (3,071.6) |
| Charge for the year ² | (405.2) | (154.1) | - | (559.3) |
| Disposals and write-offs | 74.8 | 117.9 | - | 192.7 |
| Transfers to assets held for sale | 7.6 | 5.7 | - | 13.3 |
| At 30 January 2021 | (1,888.4) | (1,536.5) | - | (3,424.9) |
| Charge for the year ² | (132.3) | (99.9) | - | (232.2) |
| Disposals and write-offs | 76.0 | 160.0 | - | 236.0 |
| At 29 January 2022 | (1,944.7) | (1,476.4) | - | (3,421.1) |
| Net book value at 25 January 2020 | 3,001.3 | 452.5 | 81.6 | 3,535.4 |
| Net book value at 30 January 2021 | 2,535.2 | 354.2 | 94.1 | 2,983.5 |
| Net book value at 29 January 2022 | 2,455.5 | 363.3 | 108.6 | 2,927.4 |

¹ For the year ended 29 January 2022, additions for the year include the non-cash capital expenditure accrual on property, plant and equipment of £34.1m (2021: £24.4m).

² For the year ended 29 January 2022 this includes an impairment charge of £21.5m to land and buildings (2021: £274.0m) and a credit of £1.8m in fixtures and fittings (2021: £41.8m charge).

Notes to the consolidated financial statements (continued)

3.2 PROPERTY, PLANT AND EQUIPMENT, AND RIGHT-OF-USE ASSETS (CONTINUED)

| | Land and buildings £m | Fixtures, fittings and equipment £m | Total £m |
|--|-----------------------------|--|----------------|
| Right-of-use assets | | | |
| Cost | | | |
| At 25 January 2020 | 2,001.4 | 4.9 | 2,006.3 |
| Additions | 91.1 | 43.5 | 134.6 |
| Disposals and write-offs | (118.5) | (0.2) | (118.7) |
| At 30 January 2021 | 1,974.0 | 48.2 | 2,022.2 |
| Additions | 133.0 | 6.3 | 139.3 |
| Disposals and write-offs | (89.5) | - | (89.5) |
| At 29 January 2022 | 2,017.5 | 54.5 | 2,072.0 |
| Accumulated depreciation | | | |
| At 25 January 2020 | (150.4) | (1.0) | (151.4) |
| Charge for the year ¹ | (343.8) | (3.0) | (346.8) |
| Disposals and write-offs | 16.1 | 0.1 | 16.2 |
| At 30 January 2021 | (478.1) | (3.9) | (482.0) |
| Charge for the year ¹ | (147.5) | (8.2) | (155.7) |
| Disposals and write-offs | 39.0 | - | 39.0 |
| At 29 January 2022 | (586.6) | (12.1) | (598.7) |
| Net book value at 25 January 2020 | 1,851.0 | 3.9 | 1,854.9 |
| Net book value at 30 January 2021 | 1,495.9 | 44.3 | 1,540.2 |
| Net book value at 29 January 2022 | 1,430.9 | 42.4 | 1,473.3 |

¹ For the year ended 29 January 2022 this includes an impairment charge of £15.9m (2021: £209.9m).

Notes to the consolidated financial statements (continued)

3.2 PROPERTY, PLANT AND EQUIPMENT, AND RIGHT-OF-USE ASSETS (CONTINUED)

In accordance with IAS 36, the Partnership reviews its property, plant and equipment for impairment at least annually or whenever events or circumstances indicate that the value on the balance sheet may not be recoverable.

The impairment review compares the recoverable amount for each CGU to the carrying value on the balance sheet; this includes right-of-use assets. It considers the value in use (VIU) of a CGU compared to the carrying value in the first instance, and subsequently the fair value less cost to dispose if the VIU is lower than the carrying value. The VIU calculation is based on five year cash flow projections using the latest forecast data. For John Lewis, different growth expectations are applied to online and store sales. The forecasts are then extrapolated beyond the five year period using a long-term growth rate of 2% for both Waitrose and John Lewis. The recoverable amounts of all impaired Waitrose CGUs are based on the VIU. For John Lewis, there are two CGUs for which the recoverable amounts are the fair value less cost to dispose. The recoverable amounts of all other impaired John Lewis CGUs are based on the VIU.

The key assumptions used in the impairment review are the expected sales and margin performance, cost inflation, the allocation of online sales and associated costs to stores in the determination of the John Lewis store CGU, the market valuations considered in fair value less costs of disposal calculations and the discount rate.

Following the impairment review, the Partnership recognised a net impairment charge of £23.1m for John Lewis as an exceptional item. Additionally, £10.6m was recognised in relation to our Physical Estate programme and represents the impairment of assets in our JL store closure programme. A further £1.9m impairment charge relating to Waitrose was recognised in operating expenses. The total impairment charge for the year is £35.6m.

John Lewis store impairment

The impact of the JL impairment review is a net charge of £23.1m to exceptional items. During the first half of the year, the Partnership Board has approved an updated property strategy which amended the store trading assumptions and allocation of online sales and associated costs to the CGUs. The cash flow forecasts across the John Lewis store estate have been updated for the latest view of future trading which is based on John Lewis starting to find a "new normal" after the disruption of the lockdowns and social restrictions as a result of the Covid-19 pandemic. The updated cash flow forecasts have led to a reversal of impairment charges of £63.1m and new impairment charges of £86.2m.

Cash forecasts

The calculations use a post-tax cash flow based on a five year plan approved by the Partnership Board. The plan has been prepared following the lifting of lockdown restrictions associated with the pandemic and including the impact of the updated property strategy. The key assumptions in this plan are the recovery of JL store sales from the impact of Covid-19 restrictions, year-on-year sales, margin rates and cost inflation. The plan differentiates between online and store sales, which is relevant to our store CGUs that continue to include an allocation of online sales and associated costs.

For the JL business, there is significant ongoing market uncertainty and changing customer behaviours. The JL impairment estimation is most sensitive to changes in sales and margin forecasts, as well as the allocation of online sales and costs, and therefore sensitivity analysis has focused on these aspects of the impairment evaluation. Management's review of historical forecasts shows an average variance for the sales growth of 2.7%. Reducing just sales growth by this percentage would increase the net JL impairment by £15.0m.

Online allocation

Judgement is required as to whether online sales and associated costs should be attributed to JL stores for the purposes of impairment evaluation. Our allocation of a proportion of online sales, made by customers who shop both online and in store (omnichannel), is supported by the omnichannel approach embedded in our strategy, management and operation of our stores. It reflects the role our stores play in providing customers with an opportunity to browse, touch and feel our product range before purchasing online. The merchandising of the product offer in our physical estate provides inspiration for our customers who may then choose to purchase online (in particular for larger items and more considered purchases in our Home offer). For these reasons, online sales are allocated to stores based on Click & Collect online sales, and also a further proportion of online sales to reflect the role the store plays in facilitating online purchases. This further allocation is based on evidence of a physical touchpoint with the store through previous purchasing behaviour. The allocations of the sales and

Notes to the consolidated financial statements (continued)

3.2 PROPERTY, PLANT AND EQUIPMENT, AND RIGHT-OF-USE ASSETS (CONTINUED)

weighting of the drivers (ie Click & Collect versus further allocation to reflect the role the store plays in facilitating online sales) varies by store.

Given the pace of change in customer behaviour and the transition to online purchasing, as well as the sensitivity of the JL impairment to the online allocation, management continue to consider how further changes could impact impairment. If the online allocation assumptions were reduced such that only online sales serviced through instore Click & Collect were allocated to CGUs, this would further increase the impairment provision by £123.1m. If no online sales were attributed to the CGUs, the impairment provision would increase by £173.2m.

Market valuations

External market valuations are regularly obtained by the Partnership and used within the consideration of fair value less cost to dispose. This is an annual exercise completed ahead of each year end that considers the available market for department store properties. It factors in the impact of the Covid-19 pandemic.

Discount rate

The pre-tax discount rate of 12% (2021: 10%) used in the calculation of cash flows is derived from the JL Weighted Average Cost of Capital (WACC). This has increased since last year end, reflecting both the higher cost of equity in an inflationary environment and the lower market leverage, as the retail market has recovered somewhat from Covid-19. An increase in the discount rate of 100 bps would increase the JL impairment charge by £7.1m.

Waitrose store impairment

The impact of the Waitrose impairment review is a net charge of £1.9m within operating expenses. It includes the release of previous impairment charges of £9.5m due to improved store performance which has been judged to be sustainable. These reversals have been partly offset by new impairment charges of £11.4m relating to performance deterioration on a small number of stores.

The impairment calculations for Waitrose stores use a post-tax cash flow based on a five year plan approved by the Board. The key assumptions in this plan are the stabilisation of sales following the pandemic disruption, year-on-year sales growth, margin rates and cost inflation. Waitrose online sales are allocated directly to the store that the online order is picked and fulfilled from. Online sales are therefore included in the Waitrose CGUs as the sales are directly attributable to store activity; this is not considered a key judgement.

The Waitrose Customer Fulfilment Centres (CFCs) have been included in the impairment review alongside the store CGUs in a way that reflects the commercial reality that the CFCs are designed to serve specific regional postcodes of the UK alongside the stores.

The Waitrose impairment estimation is most sensitive to changes in the sales and margin forecasts. Based on realistic and reasonable variations to the forecast currently used by the business, reducing the sales growth by 0.7% and the margin assumption by 114 bps would together increase the impairment by £15.3m. Management's review of historical forecasts shows an average variance for the sales growth of 0.6%. Reducing the sales growth by this percentage would increase the Waitrose impairment by £0.9m.

The pre-tax discount rate of 10% (2021: 7%) used in the calculation of cash flows is derived from the Waitrose Weighted Average Cost of Capital (WACC) which has increased from last year end, reflecting both the higher cost of equity in an inflationary environment and the lower market leverage, as the retail market has recovered somewhat from Covid-19. An increase in the discount rate of 100 bps would increase the Waitrose impairment charge by £2.5m.

Notes to the consolidated financial statements (continued)

3.3 INVESTMENT IN AND LOANS TO JOINT VENTURE

PURPOSE

Our balance sheet includes an investment in a joint venture, Clicklink Logistics Limited, which is used to support our business and the generation of our profits.

This note shows the cost of the investment in, and loans made to, the joint venture. It also includes details of the share of profit/loss and any dividends received from the joint venture during the year.

ACCOUNTING POLICIES

Joint arrangements: The Partnership applies IFRS 11 Joint Arrangements to all joint arrangements. Under IFRS 11, investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Partnership has assessed the nature of its joint arrangements and determined them to be joint ventures.

Interests in joint ventures are accounted for using the equity method after initially being recognised at cost in the consolidated balance sheet.

The consolidated financial statements include the Partnership's share of the profit or loss and other comprehensive income of the equity accounted investees, from the date that joint control commences until the date that joint control ceases.

John Lewis PLC and Clipper Logistics PLC are both investors in Clicklink Logistics Limited. Each party owns 50.0% of the equity of Clicklink Logistics Limited and decisions regarding Clicklink Logistics Limited require the unanimous consent of both parties.

| Joint venture | Investment £m | Loan £m | Total £m |
|-------------------------------|------------------|------------|--------------|
| Cost | | | |
| At 25 January 2020 | 2.1 | 2.0 | 4.1 |
| At 30 January 2021 | 2.1 | 2.0 | 4.1 |
| At 29 January 2022 | 2.1 | 2.0 | 4.1 |
| Share of profit/(loss) | | | |
| At 25 January 2020 | (1.6) | - | (1.6) |
| Share of profit | 0.9 | - | 0.9 |
| At 30 January 2021 | (0.7) | - | (0.7) |
| Share of profit | 1.0 | - | 1.0 |
| At 29 January 2022 | 0.3 | - | 0.3 |
| At 25 January 2020 | 0.5 | 2.0 | 2.5 |
| At 30 January 2021 | 1.4 | 2.0 | 3.4 |
| At 29 January 2022 | 2.4 | 2.0 | 4.4 |

Notes to the consolidated financial statements (continued)

3.4 ASSETS HELD FOR SALE

PURPOSE

Assets held for sale are assets previously classified as non-current which are expected to be sold rather than held for continuing use in the Partnership. These have principally arisen as part of the Partnership's review of its physical estate. Assets held for sale have not been sold at the balance sheet date but are being actively marketed for sale, with a high probability of completion within 12 months and are therefore classified as current assets.

At 29 January 2022, there are no assets held for sale. At 30 January 2021, one property asset in Waitrose was recorded as held for sale with a total carrying value of £10.6m, and was sold after the year end.

3.5 COMMITMENTS AND CONTINGENCIES

PURPOSE

A commitment represents a contractual obligation to make a payment in the future. We have commitments for capital expenditure. Contingent liabilities are potential future cash outflows where the likelihood of payment is more than remote but is not considered probable or cannot be measured reliably.

In line with accounting standards, commitments and contingencies are not included within the balance sheet, but are detailed in the note below. The amounts below represent the maximum amounts that we are obliged to pay.

At 29 January 2022, contracts had been entered into for future capital expenditure of £23.3m (2021: £35.5m) of which £20.8m (2021: £30.5m) relates to property, plant and equipment and £2.5m (2021: £5.0m) relates to intangible assets.

Notes to the consolidated financial statements (continued)

4 WORKING CAPITAL AND PROVISIONS

4.1 INVENTORIES

PURPOSE

Our inventory is the stock available for sale or for manufacturing our products. This note sets out the make-up of our inventories between raw materials, work in progress and finished goods and goods for resale. Our raw materials and work in progress are primarily related to Herbert Parkinson and Leckford Farm. Slow-moving and obsolete inventory is assessed each reporting period and an appropriate provision is made against the inventory balance. The value of inventory is shown net of provisions. Once the inventory is sold, it is charged to cost of sales in the consolidated income statement.

ACCOUNTING POLICIES

Inventory valuation: Inventory is stated at the lower of cost, which is computed on the basis of average unit cost, and net realisable value. Inventory excludes merchandise purchased by the Partnership on a sale or return basis, where the Partnership does not have the risks and rewards of ownership. Slow-moving and obsolete inventory is assessed for impairment at each reporting period based on past experience and an appropriate provision is made. Inventory also includes a 'right to return goods' asset, which represents the value of inventory expected to be returned as a result of customers exercising their rights under the Partnership's returns policy. The expected level of returns is based on past experience.

| | 2022 | 2021 |
|-------------------------------------|-------|-------|
| Inventory | £m | £m |
| Raw materials | 3.9 | 3.2 |
| Work in progress | 0.1 | 0.2 |
| Finished goods and goods for resale | 651.7 | 640.5 |
| | 655.7 | 643.9 |

Provisions against inventories of £30.6m were charged (2021: £34.2m charged) to cost of sales.

Finished goods and goods for resale include a 'right to return goods' asset of £12.5m (2021: £19.0m). This relates to the Partnership's expected returns inventory based on previous rates of return.

Notes to the consolidated financial statements (continued)

4.2 TRADE AND OTHER RECEIVABLES

PURPOSE

Our receivables are amounts owed to the Partnership. This note provides a split of receivables into trade receivables, other receivables and prepayments and accrued income.

Trade receivables are amounts owed to us from customers and from suppliers if we are owed rebates. Other receivables include interest receivable from third parties and amounts due from our Partners in respect of the Partnership's car finance scheme. Prepayments are payments made in advance of the delivery of goods or rendering of services. Accrued income is income earned by the Partnership for providing a product or service which has not yet been invoiced.

Other receivables and prepayments are split into current and non-current to show those amounts due within one year and those which will be recovered over a longer period. Trade receivables are shown net of an allowance for debts which we do not consider to be recoverable.

ACCOUNTING POLICIES

Trade receivables: *Trade receivables are initially recognised at fair value and subsequently measured at amortised cost less allowances for expected credit losses, using the simplified approach under IFRS 9: Financial Instruments. Such allowances are based on an individual assessment of each receivable, which is informed by past experience, and are recognised at amounts equal to the losses expected to result from all possible default events over the expected life of the financial asset. The Partnership also performs analysis on a case-by-case basis for particular trade receivables with irregular payment patterns or history.*

Supplier income (shown as part of accrued income): *The price that the Partnership pays suppliers for goods is determined through negotiations with suppliers regarding both the list price and a variety of rebates and discounts. The principal categories of rebate income are in the form of volume and marketing rebates. Supplier income is broadly split evenly between the two categories as follows:*

Volume rebates: *Volume rebates are earned based on sales or purchase triggers set over specific periods, such as the number of units sold to customers or purchased from the supplier. Volume rebates are recognised over the period set out in the supplier agreement.*

Marketing rebates: *Marketing rebates include promotions, mark downs or marketing support provided by suppliers. Marketing rebates are agreed with suppliers for specific periods and products.*

Rebate income (shown as part of trade receivables) is recognised when the Partnership has contractual entitlement to the income, it can be estimated reliably and it is probable that it will be received.

Rebate income is recorded against cost of sales and inventory, which is adjusted to reflect the lower purchase cost for the goods on which a rebate has been earned. Depending on the agreement with suppliers, rebates invoiced are either received in cash from the supplier or netted off against payments made to suppliers.

For promotions which are confirmed after the balance sheet date, the Partnership is sometimes required to estimate the amounts due from suppliers at the year end. Estimates of supplier income are accrued within accrued income, and are based on a review of the supplier agreements in place and of relevant sales and purchase data.

The majority of rebates are confirmed before the year end, therefore the level of estimate and judgement required in determining the year end receivable is limited.

Notes to the consolidated financial statements (continued)

4.2 TRADE AND OTHER RECEIVABLES (CONTINUED)

| | 2022 £m | 2021 £m |
|------------------------------------|--------------|--------------|
| Trade and other receivables | | |
| Current: | | |
| Trade receivables | 86.4 | 48.2 |
| Other receivables | 41.5 | 40.0 |
| Prepayments | 94.3 | 54.3 |
| Accrued income | 28.8 | 37.2 |
| | 251.0 | 179.7 |
| Non-current: | | |
| Other receivables | 11.3 | 15.1 |
| Prepayments | 4.5 | 2.9 |
| | 15.8 | 18.0 |

Trade receivables are non-interest bearing and generally on credit terms of less than 90 days. Concentrations of credit risk are considered to be very limited. The carrying amount of trade and other receivables approximates to fair value and is denominated in Sterling. Within trade receivables is supplier income which has been invoiced where there is no legal right to offset. Included in trade payables are invoices for supplier income where there is a right to offset and the Partnership intends to offset against amounts owed to suppliers (see note 4.3).

Within accrued income, there is £11.9m (2021: £14.7m) in relation to supplier income which has not yet been invoiced. Additionally, accrued income includes £9.8m (2021: £12.1m) in relation to other operating income items (see note 2.3) which has not been billed at the reporting date. The unbilled amounts of other operating income is made up of items that are not individually material for further disclosures and had no significant changes during the period.

The Partnership recognises loss allowances for expected credit losses within operating expenses in the income statement. As at 29 January 2022, trade and other receivables of £1.5m (2021: £2.1m) were partially or fully impaired. As at 29 January 2022, trade and other receivables of £29.2m (2021: £38.9m) were past due but not impaired. The ageing analysis of the past due amounts is as follows:

| | 2022 £m | 2021 £m |
|-------------------------|-------------|-------------|
| Ageing analysis | | |
| Up to 3 months past due | 28.0 | 37.1 |
| 3 to 12 months past due | 0.8 | 1.5 |
| Over 12 months past due | 0.4 | 0.3 |
| | 29.2 | 38.9 |

Notes to the consolidated financial statements (continued)

4.3 TRADE AND OTHER PAYABLES

PURPOSE

Trade and other payables include amounts owed by the Partnership. We owe payments to suppliers for goods or services that have been invoiced or accrued, and to HMRC in the form of taxes and social security. Amounts are payable to our Partners through salaries and our annual profit share, the Partnership Bonus. Deferred income includes amounts owed to customers through goods or services to be delivered, including in respect of free warranties. Non-current trade and other payables and non-current deferred income balances are not expected to be settled within the next financial year.

ACCOUNTING POLICIES

Trade payables: Trade payables are initially recognised at fair value and subsequently measured at amortised cost.

Deferred income: Deferred income is recognised when the Partnership has received cash in advance of providing a good or service. It includes revenue in respect of free warranties for Technology products. The Partnership allocates a portion of the consideration received for the Technology product to the free warranty on a cost plus margin basis. The amount allocated to the free warranty is deferred and recognised as revenue over the period of the guarantee on a straight-line basis.

CRITICAL ACCOUNTING ESTIMATES

Liabilities: Liabilities recognised in this note at the reporting date include amounts for unredeemed gift vouchers and gift cards. In order to estimate these liabilities, management must make assumptions around likely redemption rates. Management must therefore exercise a degree of estimation when predicting redemption patterns based on actual experience.

Deferred income: In relation to free warranties, deferred income is based on the expected future repair or replacement costs for all goods sold with a free warranty, plus a margin. The expected future costs are based on historical evidence of claims and costs to repair or replace. Management exercise a degree of estimation regarding the margin percentage.

| | 2022 £m | 2021 £m |
|------------------------------------|------------------|------------------|
| Trade and other payables | | |
| Current: | | |
| Trade payables | (1,061.9) | (997.3) |
| Other payables | (159.6) | (147.0) |
| Other taxation and social security | (155.4) | (133.7) |
| Accruals | (183.6) | (162.1) |
| Deferred income | (88.1) | (103.1) |
| Partnership Bonus | (46.4) | - |
| | (1,695.0) | (1,543.2) |
| Non-current: | | |
| Other payables | (0.1) | (0.1) |
| Deferred income | (29.9) | (44.9) |
| | (30.0) | (45.0) |

The carrying amount of trade and other payables approximates to fair value.

Included in deferred income are contract liabilities for free warranties of £27.6m (2021: £35.6m) and payments from customers for goods and services sold but not delivered of £67.5m (2021: £71.5m). During the year an amount of £12.4m (2021: £25.9m) was released to the income statement in relation to free warranties matching to the period over which the free warranties are utilised. The deferral for the year was £9.3m (2021: £19.0m). All of the contract liabilities for goods and services sold but not delivered at 30 January 2021 have been recognised as revenue in the year ended 29 January 2022.

Notes to the consolidated financial statements (continued)

4.4 PROVISIONS

PURPOSE

We incur liabilities which have some uncertainty regarding the timing or the future cost required to settle them. These are termed provisions and have been estimated and provided for at the year end. Our provisions primarily relate to the expected cost of long leave, expected customer refunds, insurance claims, reorganisation costs and property-related costs.

ACCOUNTING POLICIES

Provisions: Provisions are recognised when the Partnership has an obligation in respect of a past event, it is more likely than not that payment (or a non-cash settlement) will be required to settle the obligation and where the amount can be reliably estimated. Provisions are discounted when the time value of money is considered material.

Employee benefits: The Partnership has a scheme to provide up to six months' paid leave after 25 years' service (long leave). The cost of providing the benefits under the scheme is determined using the projected unit credit actuarial valuation method. The current service cost is included within operating profit in the consolidated income statement. The financing elements of long leave are included in finance costs in the consolidated income statement. Actuarial gains or losses are taken directly to the consolidated income statement.

CRITICAL ACCOUNTING ESTIMATES

Provisions: As the provision for liabilities under the long leave scheme is assessed on an actuarial basis, estimates are required for the appropriate discount rate, staff turnover, salary increases and inflation. Significant movements in these assumptions could cause a material adjustment to the carrying amount of the provision.

| Provisions | Long leave £m | Customer refunds £m | Insurance claims £m | Reorganisation £m | Other £m | Total £m |
|------------------------------|------------------|------------------------|------------------------|----------------------|---------------|----------------|
| At 30 January 2021 | (150.7) | (37.2) | (26.7) | (90.4) | (51.0) | (356.0) |
| Charged to income statement | (11.9) | (52.4) | (7.0) | (117.2) | (39.9) | (228.4) |
| Released to income statement | 11.6 | - | 1.0 | 39.2 | 23.7 | 75.5 |
| Utilised | 6.6 | 64.8 | 8.4 | 118.8 | 8.3 | 206.9 |
| At 29 January 2022 | (144.4) | (24.8) | (24.3) | (49.6) | (58.9) | (302.0) |
| Of which: | | | | | | |
| Current | (33.6) | (24.8) | (11.4) | (49.5) | (21.5) | (140.8) |
| Non-current | (110.8) | - | (12.9) | (0.1) | (37.4) | (161.2) |

Notes to the consolidated financial statements (continued)

4.4 PROVISIONS (CONTINUED)

The Partnership has a long leave scheme, open to all Partners, which provides up to six months' paid leave after 25 years' service. There is no proportional entitlement for shorter periods of service. The provision for the liabilities under the scheme is assessed on an actuarial basis, reflecting Partners' expected service profiles, salary growth, National Insurance and overtime earnings assumptions. The real discount rate applied differs from the real discount rate used for the Partnership's retirement benefits (note 6.1) as it reflects a rate appropriate to the shorter duration of the long leave liability, so as to accrue the cost over Partners' service periods. Illustrated below is the sensitivity of the long leave provision to changes in key assumptions. The sensitivities have been derived using approximate methods which are consistent with the rest of the disclosure:

| | £m | % change |
|---|--------------|----------|
| Long leave provision as at 29 January 2022 | 144.4 | |
| Sensitivity of 0.1% increase to: | | |
| - Discount rate | (1.3) | (0.9%) |
| - Salary growth | 1.4 | 1.0% |

Provisions for customer refunds reflect the Partnership's expected liability for returns of goods sold based on experience of rates of return.

Provisions for insurance claims are in respect of the Partnership's employer's, public and vehicle third-party liability insurances. The provisions are based on reserves held in the Partnership's captive insurance company, JLP Insurance Limited. These reserves are established using independent actuarial assessments wherever possible, or a reasonable assessment based on past claims experience.

Provisions for reorganisation reflect restructuring and redundancy costs, principally in relation to head office reviews, shop closures and the review of shop management structures (note 2.5).

Other provisions primarily include property-related costs.

Notes to the consolidated financial statements (continued)

5 FINANCING

5.1 NET FINANCE COSTS

PURPOSE

Net finance costs include our costs in respect of interest payable on borrowings, our defined benefit pension and other employee benefit schemes. Finance income includes interest received from short-term deposits, short-term investments and fair value movements.

| | 2022 £m | 2021 £m |
|--|----------------|----------------|
| Finance costs | | |
| Net interest payable on: | | |
| Commitment fees and bank overdrafts | (2.2) | (2.1) |
| Other loans repayable within five years ¹ | (28.9) | (28.1) |
| Other loans repayable in more than five years | (12.8) | (12.9) |
| Interest payable in relation to lease liabilities | (97.3) | (104.2) |
| Amortisation of issue costs of bonds and credit facilities | (2.5) | (2.6) |
| Share Incentive Plan dividends | (0.1) | (0.2) |
| Finance costs in respect of borrowings | (143.8) | (150.1) |
| Fair value measurements and other | (2.8) | (2.5) |
| Net finance costs arising on defined benefit retirement and employee benefit schemes | (8.7) | (16.3) |
| Total finance costs | (155.3) | (168.9) |
| Finance income | | |
| Finance income in respect of cash and short-term investments ² | 7.4 | 8.8 |
| Fair value measurements and other | 2.9 | 2.5 |
| Total finance income | 10.3 | 11.3 |
| Net finance costs | (145.0) | (157.6) |

¹ Other loans repayable within five years includes interest payable on interest rate swaps of £5.0m (2021: £5.3m).

² Finance income in respect of cash and short-term investments includes interest receivable on interest rate swaps of £6.1m (2021: £6.1m).

Capitalised borrowing costs totalled £0.6m (2021: £2.2m) of which £nil (2021: £2.1m) were capitalised within intangible assets and £0.6m (2021: £0.1m) were capitalised within property, plant and equipment.

Notes to the consolidated financial statements (continued)

5.2 ANALYSIS OF NET DEBT

PURPOSE

Net debt summarises our debt position as at the year end, excluding any pension deficit. Net debt incorporates the Partnership's borrowings, bank overdrafts, fair value of derivative financial instruments and obligations under leases. These liabilities are offset by cash and cash equivalents, short-term investments and a portion of bond transaction costs that relate to the remaining duration of the bond. This note shows how our net debt position has moved from the prior year end, split out between cash movements and non-cash movements.

| | 2021 | Cash movements | Other non-cash movements | 2022 |
|---|------------------|-------------------|--------------------------------|------------------|
| | £m | £m | £m | £m |
| Non-current assets | | | | |
| Derivative financial instruments | 0.1 | - | 1.6 | 1.7 |
| | 0.1 | - | 1.6 | 1.7 |
| Current assets | | | | |
| Cash and cash equivalents | 1,518.2 | (102.8) | - | 1,415.4 |
| Short-term investments | 0.3 | 95.0 | - | 95.3 |
| Derivative financial instruments | 7.2 | 1.9 | (3.1) | 6.0 |
| | 1,525.7 | (5.9) | (3.1) | 1,516.7 |
| Current liabilities | | | | |
| Borrowings and overdrafts | (107.8) | 84.6 | (150.0) | (173.2) |
| Lease liabilities | (127.3) | 252.4 | (281.7) | (156.6) |
| Derivative financial instruments | (20.9) | 19.8 | (7.3) | (8.4) |
| | (256.0) | 356.8 | (439.0) | (338.2) |
| Non-current liabilities | | | | |
| Borrowings | (800.3) | 0.1 | 150.0 | (650.2) |
| Unamortised bond transaction costs | 8.8 | - | (1.4) | 7.4 |
| Fair value adjustment for hedged element on bonds | (4.2) | - | 5.2 | 1.0 |
| Lease liabilities | (1,910.0) | - | 78.3 | (1,831.7) |
| Derivative financial instruments | (2.7) | - | 1.9 | (0.8) |
| | (2,708.4) | 0.1 | 234.0 | (2,474.3) |
| Total net debt | (1,438.6) | 351.0 | (206.5) | (1,294.1) |

Notes to the consolidated financial statements (continued)

5.2 ANALYSIS OF NET DEBT (CONTINUED)

| | 2022 £m | 2021 £m |
|--|------------|------------|
| Reconciliation of net cash flow to net debt | | |
| (Decrease)/increase in net cash and cash equivalents in the year | (102.8) | 919.9 |
| Cash outflow from borrowings | 75.0 | - |
| Cash outflow/(inflow) from movement in short-term investments | 95.0 | (316.1) |
| Cash outflow from SIP shares | 9.7 | 11.0 |
| Cash outflow from movement in other net debt items | 274.1 | 49.8 |
| Cash movement in net debt for the year | 351.0 | 664.6 |
| Opening net debt | (1,438.6) | (1,959.7) |
| Non-cash movement in net debt for the year | (206.5) | (143.5) |
| Closing net debt | (1,294.1) | (1,438.6) |

Our total borrowings and lease liabilities are summarised below.

| | Borrowings £m | Lease liabilities £m | Total £m |
|---|------------------|-------------------------|------------------|
| At 25 January 2020 | (769.2) | (2,094.9) | (2,864.1) |
| Movements arising from financing cash flows | (138.9) | 194.3 | 55.4 |
| Other non-cash movements | - | (136.7) | (136.7) |
| At 30 January 2021 | (908.1) | (2,037.3) | (2,945.4) |
| Movements arising from financing cash flows | 84.7 | 252.4 | 337.1 |
| Other non-cash movements | - | (203.4) | (203.4) |
| At 29 January 2022 | (823.4) | (1,988.3) | (2,811.7) |

Borrowings exclude unamortised bond transaction costs of £7.4m (2021: £8.8m) and the fair value adjustment for hedged element on bonds of £1.0m gain (2021: £(4.2)m loss).

5.3 SHORT-TERM INVESTMENTS

PURPOSE

Our short-term investments represent amounts on short-term deposits. They are deposited for a period of greater than 90 days but less than one year with financial institutions.

ACCOUNTING POLICIES

Short-term investments: Short-term investments comprise tradable securities and deposits with original maturities of greater than 90 days but less than one year. Maturity periods are not the sole factor. Investments in Variable Net Asset Values (VNAV) with a weighted average maturity of less than 90 days, are included within short-term investments due to the fact they do not bear an insignificant risk of changes in value.

| | 2022 £m | 2021 £m |
|-------------------------------|------------|------------|
| Short-term investments | | |
| Short-term investments | 95.3 | 0.3 |

For the year ended 29 January 2022, the effective interest rate on short-term investments was 0.3% (2021: 0.7%) and these investments had an average maturity of 102 days (2021: 75 days).

Notes to the consolidated financial statements (continued)

5.4 CASH AND CASH EQUIVALENTS

PURPOSE

Our cash and cash equivalents include cash in hand and cash placed on short-term deposits of less than 90 days with financial institutions and money market funds.

ACCOUNTING POLICIES

Cash and cash equivalents: Cash and cash equivalents on the balance sheet comprise cash at bank and in hand and short-term deposits with original maturities of less than 90 days which are subject to an insignificant risk of changes in value. In the consolidated statement of cash flows, net cash and cash equivalents comprise cash and cash equivalents, as defined above, net of bank overdrafts.

| | 2022 | 2021 |
|---------------------------|---------|---------|
| | £m | £m |
| Cash and cash equivalents | | |
| Cash at bank and in hand | 162.5 | 178.2 |
| Short-term deposits | 1,252.9 | 1,340.0 |
| | 1,415.4 | 1,518.2 |

For the year ended 29 January 2022, the effective interest rate on short-term deposits was 0.0% (2021: 0.2%) and these deposits had an average maturity of two days (2021: two days).

At 29 January 2022, £13.4m (2021: £11.8m) of the Partnership's cash balance and £nil (2021: £nil) of the Partnership's accrued interest balance was pledged as collateral. This is part of the Partnership's insurance arrangements and the release of these funds is subject to approval from third parties.

5.5 BORROWINGS AND OVERDRAFTS

PURPOSE

Our borrowings comprise bonds, bank loans, bank overdrafts and Share Incentive Plan shares, which are held in trust for the benefit of Partners.

ACCOUNTING POLICIES

Borrowings: *Borrowings are initially recognised at fair value net of transaction costs and subsequently measured at amortised cost. Where there is an effective related fair value hedge, the movement in the fair value attributable to the hedged risk is separately disclosed.*

Arrangement costs for bonds and loan facilities in respect of debt are capitalised and amortised over the life of the debt at a constant rate. Finance costs are charged to the income statement, based on the effective interest rate of the associated borrowings.

Borrowing costs attributable to the acquisition or construction of a qualifying asset are capitalised. Qualifying assets are those that take a substantial period of time to get ready for their intended use. Capitalisation commences when both expenditure on the asset and borrowing costs are being incurred. Capitalisation ceases when the asset is ready for its intended use. The capitalisation rate used to determine the borrowing costs eligible for capitalisation is 4.2% (2021: 3.1%).

Share Incentive Plan: *The Share Incentive Plan (SIP or BonusSave) is initially measured at fair value and the liability is subsequently measured at amortised cost. It is de-recognised once the liability has been settled.*

Notes to the consolidated financial statements (continued)

5.5 BORROWINGS AND OVERDRAFTS (CONTINUED)

| | 2022 £m | 2021 £m |
|---|----------------|----------------|
| Borrowings and overdrafts | | |
| Current: | | |
| Share Incentive Plan shares (SIP) | (23.2) | (32.8) |
| Bank loans ¹ | (150.0) | (75.0) |
| | (173.2) | (107.8) |
| Non-current: | | |
| Bank loans | (50.0) | (200.0) |
| 6¼% Bonds, 2025 | (300.0) | (300.0) |
| 4¼% Bonds, 2034 | (300.0) | (300.0) |
| Unamortised bond and loan transaction costs | 7.4 | 8.8 |
| Fair value adjustment for hedged element on bonds | 1.0 | (4.2) |
| Share Incentive Plan shares (SIP) | (0.2) | (0.3) |
| | (641.8) | (795.7) |

¹ £75m of term loans were repaid during 2021/22. See note 7.1.2.

All borrowings are unsecured, denominated in Sterling and are repayable on the dates shown, at par.

The Partnership operates the BonusSave scheme, a Share Incentive Plan (SIP) which allows Partners to elect to invest part of their Partnership Bonus back into the Partnership. For the year ended 29 January 2022 the BonusSave scheme was not open to investment of the Partnership bonus due to a change in scheme provider. SIP shares are issued as part of the BonusSave scheme. Partners who wish to invest part of their Partnership Bonus in SIP shares are entitled to a dividend, the amount of which is determined from year to year by the Partnership Board. The amounts receivable in a winding up would be limited to the amounts that have been paid on the SIP shares. The amounts in respect of SIP shares are classified as debt as the Partnership has a clear obligation to repay the amounts.

The BonusSave scheme is operated by John Lewis Partnership Trust Limited which purchases SIP shares on behalf of Partners who have chosen to invest a portion of their bonus for this purpose. The scheme is operated by a third party provider. At 29 January 2022, the value of SIP shares purchased by John Lewis Partnership Trust Limited on behalf of Partners was £23.4m (2021: £33.1m), £80.8m lower than the value of SIP shares issued of £104.2m (2021: £104.2m).

The SIP shares shown as current and non-current borrowings above reflect amounts owed directly to Partners in respect of the scheme. The cash flow movement as a result of the net subscriptions and redemptions of shares of £9.7m (2021: £11.0m) is shown as an operating cash flow in the consolidated statement of cash flows alongside the Partnership Bonus paid during the year. Payments made to SIP shareholders, in respect of interest of £0.2m (2021: £0.3m) are shown as cash flows used in financing operations.

Notes to the consolidated financial statements (continued)

5.6 LEASE LIABILITIES

PURPOSE

The Partnership enters into leases for property, plant and equipment. The Partnership's lease portfolio is principally comprises property leases of land and buildings in relation to Vaitrose and John Lewis shops, distribution centres and head offices. The leases typically run for terms between 5 and 100 years and may include break clauses or options to renew beyond the non-cancellable periods. The majority of the Partnership's lease payments are subject to market review, usually every five years, and some lease agreements include rental payments contingent on turnover or economic indices. These contingent lease payments are excluded from the calculation of lease liabilities under IFRS 16: Leases.

ACCOUNTING POLICIES

Lease liabilities: The Partnership assesses whether a contract is or contains a lease based on whether the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

At inception or on reassessment of a contract that contains a lease component, the Partnership allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices.

Under IFRS 16, the Partnership recognises right-of-use assets and lease liabilities at the lease commencement date. The lease liabilities are initially measured at the present value of the lease payments that are not yet paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Partnership's incremental borrowing rate. Generally, the Partnership uses the incremental borrowing rate as the discount rate and this rate is determined on a portfolio basis, in relation to asset type and location.

Lease liabilities are subsequently measured at amortised cost and are increased by the interest charge and decreased by the lease payments made. Lease liabilities are remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a renewal or purchase option is reasonably certain to be exercised or a break clause is reasonably certain not to be exercised.

The Partnership has elected to apply the exemption for recognising right-of-use assets and lease liabilities on the balance sheet where the underlying asset is of low value. Lease expenses relating to low value assets will be recognised in the income statement on a straight-line basis.

In relation specifically to vehicle leases, the Partnership has also elected to apply the exemption for short-term leases and therefore will not recognise right-of-use assets and lease liabilities on the balance sheet for vehicle leases of less than 12 months in duration.

Contingent rentals are recognised as an expense in the income statement when incurred.

Sub-lease income is recognised as other operating income on a straight-line basis over the sub-lease term, less allowances for situations where recovery is doubtful.

Sale and leaseback: A sale and leaseback transaction is where the Partnership sells an asset and immediately leases back the same asset from the buyer. On sale, the property, plant and equipment asset is derecognised from the balance sheet and the Partnership measures a right-of-use asset arising from the leaseback at the proportion of the previous carrying amount of the asset that relates to the rights of use retained by the Partnership. The Partnership also recognises a lease liability at the date of the transaction. Any gain or loss that relates to the rights of the buyer is recognised in the income statement.

Notes to the consolidated financial statements (continued)

5.6 LEASE LIABILITIES (CONTINUED)

The following amounts are included in the Partnership's consolidated financial statements in respect of its leases:

| | 2022 £m | 2021 £m |
|--|------------|------------|
| Depreciation charge for right of use assets (excluding impairment) (see note 3.2) | (139.8) | (136.9) |
| Interest expense on lease liabilities | (97.2) | (104.2) |
| Expense relating to short-term leases | (1.7) | (0.8) |
| Expense relating to leases of low-value assets that are not shown above as short-term leases | (1.8) | (1.8) |
| Expense relating to variable lease payments not included in lease liabilities | (3.3) | (3.2) |
| Total cash outflow for leases comprising interest and capital payments (see note 5.2) | (252.4) | (194.3) |
| Additions to right-of-use assets (see note 3.2) | 139.3 | 134.6 |
| Carrying amount of right-of-use assets (see note 3.2) | 1,473.3 | 1,540.2 |
| Gains arising from sale and leaseback transactions ¹ | - | 12.7 |
| Income from sub-leasing right-of-use assets | 6.0 | 5.2 |

¹ The Partnership did not complete any sale and leaseback transactions during the year (2021: 11 shops and cash proceeds of £136.2m).

We currently do not disclose potential future undiscounted lease payments not included in lease liabilities as these are subject to a high level of judgement regarding expected lease extension terms and future end dates. Additionally, the value of rental payments are subject to future market rates applicable as at the date of extension which are parameters not yet publicly known. As a result, we do not consider the potential future undiscounted lease payments to be able to be reliably estimated. There were no leases not yet commenced to which the Partnership is committed that are not included in lease liabilities as at the year end.

Notes to the consolidated financial statements (continued)

6 PENSIONS

6.1 RETIREMENT BENEFITS

PURPOSE

The Partnership's pension scheme is made up of two parts: the defined benefit section and the defined contribution section. The defined benefit section provides a non-contributory pension in retirement based on Partners' pensionable pay and pensionable service. The defined contribution section is where contributions made by Partners and the Partnership are invested in a choice of funds and then the contributions and investment returns are used to buy benefits on retirement.

The consolidated balance sheet includes a retirement benefit asset or liability, which is the expected future cash flows to be paid out by the defined benefit section of the pension scheme, offset by assets held by the scheme to meet these liabilities. The expected liabilities are calculated by an actuary using a number of financial and demographic assumptions whilst the assets are held at fair value. The defined benefit section of the scheme closed to future accrual on 1 April 2020.

The defined contribution section of the scheme is available to all Partners and pays fixed contributions into individual investment funds on Partners' behalf. There is therefore no liability on the Partnership balance sheet relating to the defined contribution section of the pension scheme, other than any accrual for the previous period's monthly defined contribution payments.

This note details the financial and demographic assumptions made in estimating the defined benefit obligation, together with an analysis of the components of the pension liability. It also explains where these amounts have been recorded in the consolidated balance sheet and the consolidated income statement.

ACCOUNTING POLICIES

Employee benefits: *The defined benefit scheme assets are held separately from the Partnership. The cost of providing benefits under the defined benefit section of the scheme is determined using the projected unit credit actuarial valuation method, which measures the liability based on service completed and allows for projected future increases.*

The current service cost is the increase in the present value of the retirement benefit obligation resulting from employees' service. Following the closure of the defined benefit section of the pension scheme, no future current service costs have been recognised beyond 1 April 2020. The current service cost is included within operating profit in the consolidated income statement.

Remeasurements of defined benefit pension schemes due to experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income during the period in which they arise.

There are a number of unfunded pension liabilities, where the actuarially assessed costs of providing the benefit are charged to the consolidated income statement. There are no assets supporting these arrangements.

Contributions to the Partnership's defined contribution section are charged to the income statement as they are incurred. The Partnership has no further obligation once the contributions have been made.

The Partnership also has a scheme to provide up to six months' paid leave after 25 years' service (long leave). The liability relating to long leave is included within provisions in note 4.4.

CRITICAL ACCOUNTING ESTIMATES

Retirement benefits: *This section details the assumptions used to calculate the total defined benefit pension obligation. This is the estimate of the current cost of meeting future benefits to be paid out by the pension scheme. The calculation requires the application of a discount rate to estimate the present day fair value of the pension payments, as well as assumptions on mortality rates, salary increases and inflation. Given the size of the Partnership's defined benefit obligation, relatively small movements in these assumptions could cause a material adjustment to the carrying amount of the obligation. Sensitivity analysis on the discount rate and other key assumptions is provided in note 6.1.5.*

Retirement benefits

The pension scheme operated by the Partnership is the John Lewis Partnership Trust for Pensions. The scheme is governed by a corporate Trustee which is independent of the Partnership. The Trustee is responsible for the operation and governance of the scheme, including making decisions regarding the scheme's investment strategy.

Notes to the consolidated financial statements (continued)

6.1 RETIREMENT BENEFITS (CONTINUED)

The scheme includes a funded final salary defined benefit section, providing pensions and death benefits to members. This scheme closed to new members and future accrual on 1 April 2020 and all active members of the scheme moved to become deferred members.

All contributions to the defined benefit section of the pension scheme to meet the obligations are funded by the Partnership.

The scheme also includes a defined contribution section. Contributions to the defined contribution section of the scheme are made by both Partners and the Partnership.

There are a number of unfunded pension liabilities, where the actuarially assessed costs of providing the benefit are charged to the consolidated income statement. There are no assets supporting these arrangements.

Funding valuation

The pension scheme is subject to a full actuarial valuation every three years using assumptions agreed between the Trustee and the Partnership. The purpose of this valuation is to design a funding plan to ensure that the pension scheme has sufficient funds available to meet future benefit payments.

The most recent valuation has been carried out by an independent professionally qualified actuary as at 31 March 2019. As part of the triennial actuarial valuation of the scheme, underlying membership data was updated as at 31 March 2019. Pension commitments recognised in these financial statements have been calculated based on that updated membership data rolled forward for known movements.

The valuation at 31 March 2019 resulted in a funding deficit of £58.0m (31 March 2016: £479.0m). The market value of the assets of the scheme as at 31 March 2019 was £6,012.0m (31 March 2016: £4,377.0m). The actuarial valuation showed that these assets were sufficient to cover 99% (31 March 2016: 90%) of the benefits which had accrued to members.

The valuation calculated under the funding valuation basis of £58.0m is different from the accounting valuation which is presented on the balance sheet in the Partnership's financial statements. Differences arise between the funding valuation and accounting valuation; mainly due to the use of different assumptions to value the liabilities and changes in market conditions between the two valuation dates, of 31 March 2019 and 29 January 2022.

For funding valuation purposes the liabilities are determined based on assumptions set by the Trustee following consultation with the Partnership and Scheme Actuary. The discount rate used for the funding valuation as at 31 March 2019 is based on index linked gilt yields plus 2.2% and 0.8% for pre and post retirement respectively.

In the financial statements the liabilities are determined in accordance with IAS 19: Employee Benefits. The discount rate used for the accounting valuation is based on high quality (AA) corporate bond yields of an appropriate term.

As a result of the funding valuation, the Partnership and the Trustee agreed to put in place a plan to eliminate the deficit of £58.0m over a six-year period. As part of this plan, it was agreed that deficit reducing contributions would be paid in equal monthly instalments from 1 April 2020 to 31 March 2026 totalling £10m per annum.

During 2020/21 the Partnership and the Trustee, implemented a long term derisking framework, see section 6.1.4 for more details. The next triennial actuarial valuation of the scheme will take place as at 31 March 2022.

Notes to the consolidated financial statements (continued)

6.1 RETIREMENT BENEFITS (CONTINUED)

Recognition of a retirement benefit surplus

The Partnership has recognised a retirement benefit surplus position at the balance sheet date. The recognition of a surplus is determined by IAS 19 and applying IFRIC 14 which is an interpretation providing further guidance about when a surplus can be recognised. The Partnership considers that under the Pension scheme rules, the Partnership has an unconditional right to a refund of surplus after all pension payments have been made. As such the surplus has been recognised as the amount that the Partnership has a right to receive as a refund.

Pension commitments recognised in these accounts have been calculated based on the most recent actuarial valuation, as at 31 March 2019, which has been updated by actuaries to reflect the assets and liabilities of the scheme as at 29 January 2022, calculated on assumptions that are appropriate for accounting under IAS 19.

Risk management

The cost of the scheme to the Partnership depends upon a number of assumptions about future events. Future contributions may be higher or lower than those currently agreed if these assumptions are not borne out in practice or if different assumptions are agreed in the future.

Specific risks include:

- Changes in future expectations of price inflation: The majority of the scheme's benefit obligations are linked to inflation and higher inflation will lead to higher liabilities. Changes in the liabilities due to changes in inflation expectations are broadly offset by the Trustees' liability matching scheme as detailed in 6.1.4;
- Changes in the discount rate used to value pension liabilities: A lower discount rate will lead to higher liabilities. However, as with inflation expectations, changes in the liabilities due to changes in the discount rate are broadly offset by the Trustees' liability matching scheme as detailed in 6.1.4;
- The return on assets being lower than assumed: If the rate of growth in assets falls below the discount rate used to value the liabilities then the pension surplus will reduce. This is offset in part by the Trustee's investment strategy of holding a highly diversified portfolio of return seeking assets as detailed in 6.1.4;
- Falls in asset values not being matched by similar falls in the value of liabilities: As the majority of assets held by the scheme are not matched to the liabilities of the scheme, a fall in plan assets will lead to a reduction in the surplus. This is offset in part by the Trustee's investment strategy of holding a highly diversified portfolio of return seeking assets as detailed in 6.1.4; and
- Unanticipated increase in life expectancy leading to an increase in the scheme's liabilities: An increase in life expectancy would mean pensions are expected to be paid for a longer period, increasing the obligations and decreasing the scheme's surplus. This is offset in part by the scheme applying a Life Expectancy Adjustment Factor, whereby future pensions coming into payment are adjusted to allow for increases in life expectancy.

Notes to the consolidated financial statements (continued)

6.1 RETIREMENT BENEFITS (CONTINUED)

6.1.1 ASSUMPTIONS

PURPOSE

This section details the assumptions used to calculate the total defined benefit pension obligation. This is the estimate of the current cost of meeting future benefits to be paid out by the pension scheme. The calculation includes applying a discount rate to estimate the present day fair value of the pension payments, allowing for future expected increases in earnings and pension payments and the life expectancy of the members of the pension scheme.

Financial assumptions

Scheme assets are stated at market values at 29 January 2022. The following financial assumptions have been used to value the obligation:

| | 2022 | 2021 |
|-----------------------------------|-------|-------|
| Discount rate | 2.30% | 1.55% |
| Future RPI inflation | 3.30% | 2.75% |
| Future CPI inflation | 2.85% | 2.30% |
| Increase in pensions – in payment | | |
| Pre-April 1997 | 1.95% | 1.75% |
| April 1997-April 2016 | 3.05% | 2.65% |
| Post-April 2016 | 1.95% | 1.75% |
| Increase in pensions – deferred | 2.85% | 2.30% |

Nominal discount rate: IAS 19 requires that the nominal discount rate is set by reference to market yields on high quality corporate bonds of a suitable term consistent with the scheme cash flows. The Partnership's pension scheme has cash flows spanning out over 50 years and an average duration of 22 years. The model adopted by the Partnership is a yield curve approach, based on corporate bonds within the iBoxx AA corporate bond index. Where there are no high quality corporate bonds of appropriate duration to reference, an extrapolation from other bond yields is required. Following actuarial advice, the criteria used to determine which bonds are included in the model has been updated during the year, to ensure the discount rate remains robust to changes in bond yields. This has increased the discount rate by 0.1% at 29 January 2022.

Notes to the consolidated financial statements (continued)

6.1 RETIREMENT BENEFITS (CONTINUED)

6.1.1 ASSUMPTIONS (CONTINUED)

Future RPI and CPI inflation: The inflation assumptions used to calculate the Partnership's defined benefit pension obligations are based on a cash flow weighted Bank of England RPI, which is then adjusted for inflation risk. The Partnership has reflected the impact of RPI reform to align RPI with CPIH (a variant of the Consumer Price Index that includes an estimate of housing costs) expected from 2030 onwards. An inflation risk premium of 0.2% has been applied until 2030, increasing to 0.5% beyond this date (an average margin of 0.35%). A long-term gap of 1.0% between RPI and CPI has been applied until 2030, reducing to 0.1% beyond this date (an average long-term gap of 0.45%).

Demographic assumptions

The post-retirement mortality assumptions used in valuing the pension liabilities were based on the S2 Light (2021: S2 Light) series standard tables. Based on scheme experience, the probability of death at each age was multiplied by 127% for males and 106% for females who were non pensioners and 130% for males and 109% for females who were pensioners (2021: 127% for males and 106% for females). This reflects evidence of lower life expectancy due to delayed medical intervention as a result of the Covid-19 pandemic. Future improvements in life expectancy have been allowed for in line with the CMI 2020 improvements model with a smoothing parameter of 7.0 (2021: CMI 2018, smoothing parameter of 7.0) subject to a long-term trend of 1.25%.

The average life expectancies assumed were as follows:

| | 2022 | | 2021 | |
|---|------|--------|------|--------|
| | Male | Female | Male | Female |
| Average life expectancy for a 65 year old (in years) | 21.0 | 23.4 | 21.1 | 23.4 |
| Average life expectancy at age 65, for a 50 year old (in years) | 22.0 | 24.7 | 22.0 | 24.5 |

Notes to the consolidated financial statements (continued)

6.1 RETIREMENT BENEFITS (CONTINUED)

6.1.2 AMOUNTS RECOGNISED IN THE FINANCIAL STATEMENTS

PURPOSE

This section details the amounts recognised in our consolidated financial statements in relation to the defined benefit section of our pension scheme. This consists of the net pension asset and liability, recognised on our balance sheet, the cost of providing the pension benefit over the year, recognised in the income statement, and actuarial gains and losses (being changes in assumptions, or assumptions not being borne out in practice) which are recognised in the statement of comprehensive income/(expense). The movements are broken down into the key components that impact the defined benefit section of the pension scheme.

| | 2022 £m | 2021 £m |
|---|--------------|----------------|
| Amounts recognised in the balance sheet | | |
| Defined benefit obligation for funded arrangements | (6,732.7) | (7,422.8) |
| Total value of scheme assets | 7,225.5 | 6,796.6 |
| Total funded defined benefit asset/(liability) at end of year | 492.8 | (626.2) |
| Defined benefit obligation for unfunded arrangements | (19.3) | (20.7) |
| Defined benefit asset/(liability) at end of year (net) | 473.5 | (646.9) |

PURPOSE

The cost of providing the pension scheme over the year, recognised in the consolidated income statement, is broken down as follows:

Service cost is the cost to the Partnership of future benefits earned by members which is attributable to members' service in the current period. Following the closure of the defined benefit section of the pension scheme on 1 April 2020, no further service costs will be recognised.

Contribution expense is in respect of the Partnership's contributions to the defined contribution section of the pension scheme and cash supplements in respect of certain Partners in lieu of future pension accrual.

Administrative expenses are in relation to the pension scheme. Net interest on the net defined benefit liability is made up of the interest cost on pension liabilities and interest income on pension assets.

| | 2022 £m | 2021 £m |
|--|----------------|----------------|
| Amounts recognised in the income statement | | |
| Current service cost | - | (18.9) |
| Contribution expense ¹ | (115.3) | (107.9) |
| Administrative expenses – funded by the pension scheme | (7.6) | (7.7) |
| Administrative expenses – funded by the employer | (11.1) | (8.8) |
| Total operating expense | (134.0) | (143.3) |
| Net interest on net defined benefit liability | (9.9) | (7.8) |
| Total pension charge | (143.9) | (151.1) |

¹ Includes Partnership contributions to the defined contribution section of the pension scheme of £113.9m (2021: £105.7m), together with cash supplements in respect of certain Partners in lieu of future pension accrual of £1.4m (2021: £2.2m). Of the total contribution expense, £nil (2021: £0.3m) was recognised as an exceptional expense, see note 2.5 for details.

Notes to the consolidated financial statements (continued)

6.1 RETIREMENT BENEFITS (CONTINUED)

6.1.3 RECONCILIATION OF RETIREMENT BENEFITS

| | 2022 £m | 2021 £m |
|---|----------------|----------------|
| Amounts recognised in equity | | |
| Return on plan assets greater than interest income | 505.6 | 412.6 |
| Remeasurements: | | |
| – gain/(loss) from changes in financial assumptions | 500.9 | (618.1) |
| – gain/(loss) from changes in demographic assumptions | 5.3 | (64.4) |
| – experience gains | 105.1 | 32.5 |
| Total gain/(loss) recognised in equity | 1,116.9 | (237.4) |

PURPOSE

The net defined benefit pension asset/(liability) is the difference between the total pension liability (being the expected cost of making future defined benefit pension payments) and scheme assets. The table below details movements in the net defined benefit pension asset/(liability) during the year. Movements in scheme assets are explained further in 6.1.4.

Movements in the net defined benefit asset/(liability) are as follows:

Pension expense, which is the cost associated with providing defined benefit pension benefits over the year. This is equal to the pension operating expense set out above in 6.1.2, but excluding contribution expense and administrative expenses met directly by the employer.

Contributions paid into the scheme will increase the value of the net pension asset.

Gains or losses recognised in equity relating to returns on plan assets being different to the interest income and remeasurements (explained further below).

| | 2022 £m | 2021 £m |
|--|--------------|----------------|
| Reconciliation of net defined benefit asset/(liability) | | |
| Net defined benefit liability at beginning of year | (646.9) | (417.4) |
| Pension charge | (17.5) | (34.4) |
| Contributions | 21.0 | 42.3 |
| Total gains/(losses) recognised in equity | 1,116.9 | (237.4) |
| Net defined benefit asset/(liability) at end of year | 473.5 | (646.9) |

PURPOSE

The total pension liability (or defined benefit obligation) represents the current cost of meeting the future benefits to be paid out by the scheme. The movements in the defined benefit obligation are broken down into key areas that impact the obligation as follows:

Service cost is the cost to the Partnership of future benefits earned by members which are attributable to members' service in the current period. The service cost is charged to the income statement, along with any gains or losses on settlement. Following the closure of the defined benefit section of the pension scheme, there have been no further current service costs recognised from 1 April 2020.

Future pension obligations are stated at present value. A discount rate is used to calculate the current value of the future liability.

The interest on pensions liabilities is the unwinding of this discount rate and is charged to the income statement within net finance costs.

Remeasurements arise from the uncertainty in making assumptions about future events when calculating the liability. These may arise from changes in assumptions, for example movements in the discount rate, or experience adjustments which result

from differences between the assumptions made and what actually occurred over the period. Remeasurements are recognised in equity and shown in the statement of comprehensive income/(expense).

Any cash benefits paid out by the scheme will reduce the defined benefit obligation.

| | 2022 £m | 2021 £m |
|---|------------------|------------------|
| Reconciliation of defined benefit obligation | | |
| Defined benefit obligation at beginning of year | (7,443.5) | (6,821.0) |
| Current service cost | - | (18.9) |
| Interest on pension liabilities | (114.0) | (128.1) |
| Remeasurements: | | |
| – gain/(loss) from changes in financial assumptions | 500.9 | (618.1) |
| – gain/(loss) from changes in demographic assumptions | 5.3 | (64.4) |
| – experience gains | 105.1 | 32.5 |
| Benefits paid | 194.2 | 174.5 |
| Defined benefit obligation at end of year | (6,752.0) | (7,443.5) |

The scheme liabilities are 71.9% (2021: 71.2%) in respect of deferred scheme participants and 28.1% (2021: 28.8%) in respect of retirees.

The weighted average duration of the scheme liabilities at the end of the year is 22 years (2021: 23 years).

PURPOSE

The pension scheme holds a number of investments to meet future pension payments, referred to as the assets of the scheme. This note details movements in the value of pension assets during the year. The movements are broken down into key areas that impact the pension assets as follows:

Interest income on assets represents the expected return on investments if it is in line with the discount rate. It is calculated as the discount rate at the beginning of the year multiplied by the value of the assets at the beginning of the year. This is recognised within net finance costs in the income statement.

Return on plan assets greater/(less) than interest income represents how much greater or less the actual return is than the interest income. This is recognised in equity and shown in the statement of comprehensive income/(expense).

Any cash benefits paid out or expenses paid by the scheme will reduce the value of the scheme's assets.

Contributions paid into the scheme will increase the value of the scheme's assets.

| | 2022 £m | 2021 £m |
|--|----------------|----------------|
| Reconciliation of value of assets | | |
| Value of assets at the beginning of year | 6,796.6 | 6,403.6 |
| Interest income on assets | 104.1 | 120.3 |
| Return on plan assets greater than interest income | 505.6 | 412.6 |
| Benefits paid | (194.2) | (174.5) |
| Administrative expenses paid | (7.6) | (7.7) |
| Contributions | 21.0 | 42.3 |
| Value of assets at the end of year | 7,225.5 | 6,796.6 |

Notes to the consolidated financial statements (continued)

6.1 RETIREMENT BENEFITS (CONTINUED)

6.1.4 ANALYSIS OF ASSETS

| | 2022 | | | | 2021 | | | |
|-------------------------------------|----------------|----------------|----------------|---------------|----------------|----------------|----------------|---------------|
| | Quoted £m | Unquoted £m | Total £m | Total | Quoted £m | Unquoted £m | Total £m | Total |
| Equities | | | | | | | | |
| UK | 10.5 | 10.8 | 21.3 | 0.3% | 37.4 | 24.6 | 62.0 | 0.9% |
| Rest of the world | 368.1 | 520.7 | 888.8 | 12.3% | 769.9 | 1,163.7 | 1,933.6 | 28.4% |
| Bonds | | | | | | | | |
| Government – Rest of the world | 197.0 | 10.6 | 207.6 | 2.9% | 203.5 | 2.1 | 205.6 | 3.0% |
| Corporates – UK | 23.8 | 0.5 | 24.3 | 0.3% | 11.9 | 0.9 | 12.8 | 0.2% |
| Corporates – Rest of the world | 380.8 | 247.9 | 628.7 | 8.7% | 221.6 | 217.2 | 438.8 | 6.5% |
| Property | | | | | | | | |
| UK | - | 554.1 | 554.1 | 7.7% | - | 496.9 | 496.9 | 7.3% |
| Rest of the world | - | - | - | 0.0% | - | 0.1 | 0.1 | <0.1% |
| Alternative assets | | | | | | | | |
| Liability driven investments | - | 3,020.6 | 3,020.6 | 41.8% | - | 1,709.2 | 1,709.2 | 25.1% |
| Hedge funds | - | 374.4 | 374.4 | 5.2% | - | 588.1 | 588.1 | 8.7% |
| Private equity | - | 519.3 | 519.3 | 7.2% | - | 418.4 | 418.4 | 6.2% |
| Other alternative assets | - | 810.7 | 810.7 | 11.2% | - | 687.4 | 687.4 | 10.1% |
| Cash and other | 175.7 | - | 175.7 | 2.4% | 243.7 | - | 243.7 | 3.6% |
| Total market value of assets | 1,155.9 | 6,069.6 | 7,225.5 | 100.0% | 1,488.0 | 5,308.6 | 6,796.6 | 100.0% |

The Trustee's investment strategy is consulted upon with the Partnership and contained in their Statement of Investment Principles dated 25 September 2020. That investment strategy is to target full funding on a low dependency basis by 2044. The Trustee will pursue an investment strategy that generates investment returns in excess of government bonds but with a risk level that is commensurate with the strength of the covenant. In 2020 the Trustee and the Partnership agreed a derisking framework to help determine the appropriate allocation to the Return-Seeking portfolio based on improvements in the Trust's funding level at a given point in time, with the overall aim of reducing risk and reducing the Scheme's future reliance on the Partnership. As part of this framework, during the year £1,184.9m of the Scheme's investment in equities and £77.6m of the Scheme's investment in hedge funds have been moved into assets which match the Scheme's liabilities.

The interest rate hedging at the year end was 100% of assets and the inflation coverage was 100% of assets.

Equities, bonds and certain alternative assets which are traded on active markets are included at the quoted price, which is normally the bid price. Properties are valued by independent valuers who are RICS registered Chartered Surveyors and have recent experience of the locations and type of properties held. The valuers' opinion of fair value was primarily derived using comparable recent market transactions on arm's length terms, and reflects the rental income from current tenants, the remaining term of current leases, and market rents for the locations in which the properties were based. Equities and alternative assets that are neither quoted nor traded on an active market are stated at fair value estimates provided by the manager of the investment or fund. Financial instruments including derivatives are valued in accordance with note 1.1.5.

Liability driven investments include UK Government bond and cash equivalent assets valued at £4,272.6m (2021: £3,693.8m) and associated repurchase agreements and swaps valued at £(1,252.0)m (2021: £(1,984.6)m). This is part of the Trustee's interest rate and inflation hedging strategy.

Notes to the consolidated financial statements (continued)

6.1 RETIREMENT BENEFITS (CONTINUED)

6.1.4 ANALYSIS OF ASSETS (CONTINUED)

Other alternative assets include investments in infrastructure funds of £345.3m (2021: £308.4m), insurance linked funds £76.8m (2021: £79.7m) and private debt £388.6m (2021: £299.3m).

Cash and other includes cash deposits of £187.4m (2021: £235.8m), forward foreign exchange contracts valued at £(9.7)m (2021: £8.7m) and other items valued at £(2.0)m (2021: £(0.8)m).

| | 2022 £m | 2021 £m |
|--|--------------|--------------|
| Actual return on assets | | |
| Interest income on assets | 104.1 | 120.3 |
| Return on plan assets greater than interest income | 505.6 | 412.6 |
| Actual return on assets | 609.7 | 532.9 |

Notes to the consolidated financial statements (continued)

6.1 RETIREMENT BENEFITS (CONTINUED)

6.1.5 SENSITIVITY ANALYSIS

PURPOSE

The defined benefit obligation is volatile given that it is based on a number of long-term assumptions, which are likely to change over time. Illustrated below is the sensitivity of the defined benefit obligation to changes in key assumptions.

The sensitivities have been derived using approximate methods which are consistent with the rest of the disclosure and calculated by changing the relevant assumption while holding all other assumptions constant, except where this directly impacts other assumptions such as pension increase assumptions which are dependent on inflation assumptions:

| | £m | % change |
|---|---------|----------|
| Defined benefit obligation as at 29 January 2022 | 6,752.0 | |
| Sensitivity of 0.1% increase to: | | |
| – Discount rate ¹ | (138.7) | (2.1%) |
| – Retail price inflation | 37.2 | 0.6% |
| – Consumer price inflation | 62.2 | 0.9% |
| Sensitivity of one-year increase in life expectancy | 239.5 | 3.5% |

¹The discount rate and inflation sensitivities do not allow for the impact of the Trustee's investment strategy. As set out in note 6.1.4 this is designed to offset movements in the discount rate and their impact on the liabilities.

Notes to the consolidated financial statements (continued)

6.1 RETIREMENT BENEFITS (CONTINUED)

6.1.6 OTHER ARRANGEMENTS

JLP Scottish Limited Partnership

On 30 January 2010, the Partnership entered into an arrangement with the Pension Scheme Trustee to address an element of the scheme deficit that existed at that time.

The Partnership established two partnerships, JLP Scottish Limited Partnership and JLP Scottish Partnership, which are both consolidated within these Partnership financial statements.

Together with another Partnership company, JLP Scottish Limited Partnership provided sufficient capital to JLP Scottish Partnership to enable it to procure property assets with a market value of £150.9m from other Partnership companies. The Partnership retains control over these properties, including the flexibility to substitute alternative properties. The properties held in JLP Scottish Partnership have been leased back to John Lewis PLC and Waitrose Limited.

As a partner in JLP Scottish Limited Partnership, the pension scheme is entitled to an annual share of the profits of the JLP Scottish Limited Partnership each year over 21 years. At the end of this period, the partnership capital allocated to the pension scheme will be reassessed, depending on the funding position of the pension scheme at that time, with a potential value in the range of £0.5m to £99.5m. At that point, the Partnership may be required to transfer this amount in cash to the scheme.

Under IAS 19, the investment held by the pension scheme in JLP Scottish Limited Partnership, a consolidated entity, does not represent a plan asset for the purpose of the Partnership's consolidated financial statements. Accordingly, the pension surplus position presented in these consolidated accounts does not reflect the £65.3m (2021: £76.6m) investment in JLP Scottish Limited Partnership held by the pension scheme. The distribution of JLP Scottish Limited Partnership profits to the pension scheme is reflected as pension contributions in these consolidated financial statements on a cash basis.

John Lewis Properties PLC guarantee

As part of agreeing the funding valuation in 2017, John Lewis Properties PLC provided a corporate guarantee to the pension scheme. This guarantee means that if John Lewis PLC fails to make any payments due to the scheme, then the pension scheme can claim against John Lewis Properties PLC for those payments. As part of the guarantee, John Lewis Properties PLC is required to maintain at least £760.0m of net assets.

Waitrose Limited guarantee

As part of agreeing the funding valuation in 2020, Waitrose Limited provided a corporate guarantee to the pension scheme. This guarantee means that if John Lewis PLC fails to make any payments due to the scheme, then the pension scheme can claim against Waitrose Limited for those payments. There is no requirement for Waitrose Limited to maintain a minimum net asset position.

The guarantees have improved the recovery to the pension scheme in the event of insolvency of the Partnership.

Notes to the consolidated financial statements (continued)

7 FINANCIAL RISK MANAGEMENT

7.1 MANAGEMENT OF FINANCIAL RISKS

PURPOSE

The principal financial risks that we are exposed to relate to the capital structure and long-term funding of the Partnership and also to the markets and counterparties we are exposed to in our operations. These risks can be summarised as: capital and long-term funding risk, liquidity risk, interest rate risk, foreign currency risk, credit risk and energy risk. This note details how each of these risks is managed.

7.1.1 CAPITAL AND LONG-TERM FUNDING RISK

The Partnership's objectives when managing capital are to safeguard its ability to continue as a going concern, provide returns for its Partners and to maintain a prudent level of funding. The Partnership is a long-term business, held in trust for the benefit of its Partners. The co-ownership model means that it is not able to raise equity externally.

The Partnership's capital management strategy is to maintain a prudent capital structure, with the aim of maintaining a financial risk profile consistent with an investment grade credit rating to ensure the long-term financial sustainability of the Partnership. Although the Partnership does not have an external credit rating, it routinely monitors its capital and liquidity requirements, whilst maintaining an appropriate level of liquidity (cash plus undrawn committed credit facilities) and a managed debt maturity profile to reduce refinancing risk and ensure continuity of funding. Forms of borrowing include bond issues, bank debt, assets acquired via leases, any pension deficit and Share Incentive Plan shares as part of the BonusSave scheme.

7.1.2 LIQUIDITY RISK

In line with the Partnership Board approved Treasury Standard, the Partnership is required to hold a minimum amount of liquidity, made up of a mixture of cash and undrawn committed credit facilities. Liquidity requirements are managed in line with short and long-term cash flow forecasts and reviewed against the Partnership's debt portfolio and maturity profile. Surplus cash is invested in accounts, short-term deposits and other short-term investments with sufficient, prudent liquidity determined by the above mentioned cash flow forecasts. The Partnership actively reviews and manages its cash holdings, sources of debt and committed credit facilities. Greater emphasis has been placed on cash balances providing a material portion of the Partnership's overall liquidity, with undrawn committed credit facilities complementing these balances.

At the year end, the Partnership had undrawn committed credit facilities of £420m (2021: £500.0m). This facility was renewed during the year and now matures in October 2026. In addition to these facilities, the Partnership had listed bonds at the year end totalling £600.0m (2021: £600.0m), with £300.0m due to mature in 2025 and the remaining £300.0m due to mature in 2034. The bonds have fixed coupons. The Partnership has bank loans totalling £200m, with £150.0m due to mature in Q4 2022 and £50.0m in Q4 2023. A bank loan of £75.0m was repaid in July 2021, three months in advance of its maturity. The loans have variable interest payments. The maturity profiles of financial debt are set out below.

The Partnership's listed bonds, bank loans and committed credit facilities contain financial covenants. Throughout the year the Partnership maintained comfortable headroom against its covenants.

Notes to the consolidated financial statements (continued)
7.1 MANAGEMENT OF FINANCIAL RISKS (CONTINUED)
7.1.2 LIQUIDITY RISK (CONTINUED)

The following analysis shows the contractual undiscounted cash flows payable under financial liabilities and derivative financial liabilities at the balance sheet date:

| | Carrying amount £m | Total contractual cash flows £m | Due within 1 year £m | Due between 1 and 2 years £m | Due 2 years and beyond £m |
|---|--------------------------|--|-------------------------------|------------------------------------|------------------------------------|
| Non-derivative financial liabilities | | | | | |
| Borrowings and overdrafts | (815.0) | (823.4) | (173.2) | (50.0) | (600.2) |
| Interest payments on borrowings | - | (225.2) | (35.1) | (31.7) | (158.4) |
| Lease liabilities ¹ | (1,988.3) | (3,089.4) | (221.3) | (220.6) | (2,647.5) |
| Trade and other payables | (1,451.6) | (1,451.6) | (1,451.5) | (0.1) | - |
| Derivative financial liabilities | | | | | |
| Derivative contracts – receipts | - | 513.8 | 391.3 | 116.4 | 6.1 |
| Derivative contracts – payments | - | (513.1) | (392.7) | (115.3) | (5.1) |
| At 29 January 2022 | (4,254.9) | (5,588.9) | (1,882.5) | (301.3) | (3,405.1) |

¹ The lease liabilities due 2 years and beyond can be further broken down as £(602.2)m 2-5 years, £(668.7)m 5-10 years, £(684.4)m 10-15 years and £(692.2)m 15 years and beyond.

| | Carrying amount £m | Total contractual cash flows £m | Due within 1 year £m | Due between 1 and 2 years £m | Due 2 years and beyond £m |
|---|--------------------------|--|-------------------------------|------------------------------------|------------------------------------|
| Non-derivative financial liabilities | | | | | |
| Borrowings and overdrafts | (903.5) | (908.1) | (107.8) | (150.0) | (650.3) |
| Interest payments on borrowings | - | (262.0) | (37.0) | (35.0) | (190.0) |
| Lease liabilities | (2,037.3) | (3,254.8) | (211.3) | (211.7) | (2,831.8) |
| Trade and other payables | (1,306.5) | (1,306.5) | (1,306.4) | (0.1) | - |
| Derivative financial liabilities | | | | | |
| Derivative contracts – receipts | - | 448.4 | 356.0 | 80.2 | 12.2 |
| Derivative contracts – payments | - | (464.1) | (372.4) | (81.7) | (10.0) |
| At 30 January 2021 | (4,247.3) | (5,747.1) | (1,678.9) | (398.3) | (3,669.9) |

For the purposes of this note, the foreign currency element of forward foreign currency contracts is translated at spot rates prevailing at the year end.

Notes to the consolidated financial statements (continued)

7.1 MANAGEMENT OF FINANCIAL RISKS (CONTINUED)

7.1.3 INTEREST RATE RISK

In order to manage the risk of interest rate fluctuations on the Partnership's financial debt and cash, the Partnership maintains a mix of fixed and floating rate debt in line with the Partnership Board approved Treasury Standard. An analysis of the Partnership's financial liabilities is detailed below. Exposures to interest rate fluctuations are managed, when required, using interest rate derivatives. The Partnership has converted £100.0m of fixed rate debt to floating rate debt using interest rate swap contracts. The interest rate swap contracts are designated as fair value hedges and fair value movements are recognised within the income statement. Derivative financial instruments recognised as fair value hedges during the year were effective.

IBOR reform

A fundamental reform of major interest rate benchmarks was undertaken globally, including the replacement of GBP LIBOR with alternative risk free rates, and the Financial Conduct Authority (FCA) confirmed all GBP LIBOR settings will cease after 31 December 2021. The Partnership had some exposure to GBP LIBOR.

During the year, the Partnership transitioned its exposures from GBP LIBOR to risk-free rate indices. These included interest rate swaps, term loans and floating intercompany loans which were transitioned to Sterling Overnight Index Average (SONIA) based indices. To transition existing contracts and agreements, adjustments for term difference and credit differences were negotiated.

The Partnership has applied the following reliefs that were introduced by the amendments made to IFRS 9 in September 2019:

- When considering the 'highly probable' requirement, the Partnership has assumed that the adjustments for term differences will mean that the interest rate used after the reform will be the same as if still referenced to GBP LIBOR;
- In assessing whether the hedge is expected to be highly effective on a forward-looking basis the Partnership has assumed that adjustments for term differences will mean that the interest rate on which the cash flows of the hedged debt and the interest rate swap that hedges it are based, is not altered;
- The Partnership has not recycled the cash flow hedge reserve relating to the period after the reforms are expected to take effect.

7.1.4 FOREIGN CURRENCY RISK

The Partnership uses derivative financial instruments to manage exposures to movements in exchange rates arising from transactions with overseas-based suppliers and other organisations. Foreign exchange management committees exist for each of Waitrose and John Lewis, and they meet regularly to oversee the foreign exchange purchasing activities for each brand. Foreign currency exposures are hedged primarily using forward foreign exchange contracts covering up to 100% of forecast direct exposures on a rolling basis. Forward foreign exchange contracts used to hedge forecast currency requirements are designated as cash flow hedges with fair value movements recognised in equity. Derivative financial instruments that were designated as cash flow hedges during the year were effective. At the balance sheet date, the notional value of open forward foreign currency contracts of £497.6m (2021: £425.2m) had been entered into, to hedge purchases in foreign currencies which will mature over the next 24 months.

Notes to the consolidated financial statements (continued)

7.1 MANAGEMENT OF FINANCIAL RISKS (CONTINUED)

7.1.5 CREDIT RISK

The Partnership has no significant exposure to an individual customer's credit risk due to transactions being principally of a high volume, low value and short maturity. Cash deposits and other financial instruments give rise to credit risk on the amounts due from counterparties. These risks are managed by restricting such transactions to an approved list of counterparties, who have an investment grade credit rating by at least two of the three primary rating agencies. Appropriate credit limits are designated to each counterparty.

The Partnership considers its maximum exposure to credit risk is as follows:

| | 2022 £m | 2021 £m |
|----------------------------------|------------|------------|
| Trade and other receivables | 139.2 | 103.3 |
| Short-term investments | 95.3 | 0.3 |
| Cash and cash equivalents | 1,415.4 | 1,518.2 |
| Derivative financial instruments | 7.7 | 7.3 |
| | 1,657.6 | 1,629.1 |

7.1.6 ENERGY RISK

The Partnership actively manages the energy cost risk associated with the Partnership's activities. The Partnership regularly reviews its pricing exposure to diesel, electricity and gas consumption and determines strategies for forward purchasing and hedging of energy costs using flexible purchase contracts and by entering into over-the-counter diesel swap contracts.

Diesel cost exposures are hedged primarily using over-the-counter diesel swaps covering up to 100% of forecast direct exposures on a rolling basis. Diesel swaps used to hedge forecast diesel requirements are designated as cash flow hedges with fair value movements recognised in equity. Derivative financial instruments that were designated as cash flow value hedges during the year were effective. At the balance sheet date, the notional value of open diesel swaps of £6.2m (2021: £1.3m) had been entered into, to hedge future purchases of diesel.

Notes to the consolidated financial statements (continued)
7.1 MANAGEMENT OF FINANCIAL RISKS (CONTINUED)
7.1.7 SENSITIVITY ANALYSIS

The following analysis illustrates the sensitivity of the Partnership's financial instruments to changes in market variables, namely UK interest rates and the US Dollar and Euro to Sterling exchange rates. The level of sensitivities chosen, being 1% movement in Sterling interest rates and a 10% movement in Sterling when compared to the US Dollar and Euro, provide a reasonable basis to measure sensitivity whilst not being the Partnership's view of what is likely to happen in the future.

The analysis excludes the impact of movements in market variables on the carrying value of pension and other provisions, which is addressed in notes 4.4 and 6.1.5.

The analysis has been prepared on the basis that the amount of net debt, the ratio of fixed to floating rate borrowings and the proportion of financial instruments in foreign currencies are constant throughout the year, based on positions as at the year end.

The following assumptions have been made in calculating the sensitivity analysis:

- The sensitivity of interest costs to movements in interest rates is calculated using floating rate debt and investment balances prevailing at the year end;
- Changes in the carrying value of derivative financial instruments not in hedging relationships are assumed only to affect the income statement; and
- All derivative financial instruments designated as hedges are assumed to be fully effective.

| | 2022 | | 2021 | |
|---|-------------------------|---------------|-------------------------|---------------|
| | Income statement | Equity | Income statement | Equity |
| | +/- £m | +/- £m | +/- £m | +/- £m |
| UK interest rates +/- 1% (2021: +/- 1%) | 10.7 | - | 9.3 | - |
| US Dollar exchange rate (GBP/USD) +/- 10% (2021: +/- 10%) | - | 26.0 | - | 20.0 |
| Euro exchange rate (GBP/EUR) +/- 10% (2021: +/- 10%) | - | 19.2 | - | 17.1 |

7.2 DERIVATIVE FINANCIAL INSTRUMENTS AND FINANCIAL LIABILITIES

PURPOSE

We use cash flow hedges to manage the risk of adverse currency movements.

This note details the fair value of these financial instruments and financial liabilities, together with the valuation techniques and key assumptions made in determining the fair value, as required by UK-adopted IFRS. The fair value represents the amount that would be received from the sale of an asset or the amount that would be paid to pass on a liability.

Fair value estimation

The different levels per the IFRS 13: Fair Value Measurement fair value hierarchy have been defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

During the year ended 29 January 2022, there have been no transfers between any levels of the IFRS 13 fair value hierarchy and there were no reclassifications of financial assets as a result of a change in the purpose or use of those assets.

Notes to the consolidated financial statements (continued)

7.2 DERIVATIVE FINANCIAL INSTRUMENTS AND FINANCIAL LIABILITIES (CONTINUED)

7.2.2 FAIR VALUE OF DERIVATIVE FINANCIAL INSTRUMENTS

The fair value of derivative financial instruments is as follows:

| | 2022 | | | | 2021 | | | |
|--|--------|-------------|--|--------------------------------|--------|-------------|--|--------------------------------|
| | Assets | Liabilities | Recognised in other comprehensive income | Recognised in income statement | Assets | Liabilities | Recognised in other comprehensive income | Recognised in income statement |
| Fair value of derivative financial instruments | £m | £m | £m | £m | £m | £m | £m | £m |
| Non-current | | | | | | | | |
| Currency and commodity derivatives - cash flow hedge | 1.7 | (0.8) | 0.9 | - | 0.1 | (2.2) | (2.1) | - |
| Other derivatives | - | - | - | - | - | (0.5) | - | (0.5) |
| | 1.7 | (0.8) | 0.9 | - | 0.1 | (2.7) | (2.1) | (0.5) |
| Current | | | | | | | | |
| Currency and commodity derivatives - cash flow hedge | 5.8 | (7.5) | (1.7) | - | 3.0 | (19.7) | (16.7) | - |
| Other derivatives | 0.2 | (0.9) | - | (0.7) | 4.2 | (1.2) | - | 3.0 |
| | 6.0 | (8.4) | (1.7) | (0.7) | 7.2 | (20.9) | (16.7) | 3.0 |

The fair value of a derivative financial instrument represents the difference between the value of the outstanding contracts at their contracted rates and a valuation calculated using the forward rates of exchange and interest rates prevailing at the balance sheet date.

The fair value of the derivative financial instruments held by the Partnership are classified as level 2 under the IFRS 13 fair value hierarchy, as all significant inputs to the valuation model used are based on observable market data and are not traded in an active market.

Specific valuation techniques used to value the financial instruments include quoted market prices. There have been no changes in valuation techniques from the prior year.

7.2.3 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES HELD AT AMORTISED COST

The following table compares the Partnership's liabilities held at amortised cost, where there is a difference between carrying value (CV) and fair value (FV):

| | 2022 | | 2021 | |
|------------------------------|---------|---------|---------|---------|
| | CV | £m FV | CV | £m FV |
| Financial liabilities | | | | |
| Listed bonds | (592.6) | (619.5) | (591.2) | (641.5) |

The fair values of the Partnership's listed bonds have been determined by reference to market price quotations and are classified as level 1 under the IFRS 13 fair value hierarchy.

For other financial assets and liabilities, there are no material differences between carrying value and fair value.

Notes to the consolidated financial statements (continued)

7.3 ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES

PURPOSE

This note sets out the currency exposure of our financial assets and liabilities. The currency analysis details the amount of financial assets, primarily cash and cash equivalents, and financial liabilities, held in Sterling or other currencies, together with the amounts at floating or fixed interest rates. The maturity analysis provides an indication of repayment phasing for the financial liabilities.

7.3.1 ANALYSIS OF FINANCIAL ASSETS

Short-term trade and other receivables and derivative financial assets are excluded from this analysis, on the basis that they are primarily non-interest bearing and denominated in Sterling.

| | Floating rate £m | Non-interest bearing £m | Total £m |
|---------------------------|---------------------|----------------------------|----------------|
| Currency analysis | | | |
| Sterling financial assets | 1,418.1 | 92.4 | 1,510.5 |
| Other financial assets | 0.2 | - | 0.2 |
| At 29 January 2022 | 1,418.3 | 92.4 | 1,510.7 |
| Sterling financial assets | 1,410.0 | 108.2 | 1,518.2 |
| Other financial assets | 0.3 | - | 0.3 |
| At 30 January 2021 | 1,410.3 | 108.2 | 1,518.5 |

Floating rate assets are short-term deposits and investments at market rates or the base rate of the relevant currency. Non-interest bearing balances include cash in shops and cash in transit, primarily made up of credit and debit card transactions not yet settled.

7.3.2 ANALYSIS OF FINANCIAL LIABILITIES

Short-term trade payables are excluded from this analysis on the basis that they are all non-interest bearing.

| | Fixed rate £m | Floating rate £m | Total £m |
|---------------------------|------------------|---------------------|------------------|
| Currency analysis | | | |
| All Sterling | | | |
| At 29 January 2022 | (2,485.1) | (319.2) | (2,804.3) |
| At 30 January 2021 | (2,529.4) | (407.2) | (2,936.6) |

Notes to the consolidated financial statements (continued)

8 OTHER NOTES

8.1 SHARE CAPITAL

PURPOSE

Share capital consists of ordinary shares. It is measured as the number of shares issued and fully paid, multiplied by their nominal value.

| | 2022 | 2021 |
|--------------------------|-----------------------------|-----------------------------|
| | Issued and fully paid £m | Issued and fully paid £m |
| Share capital | | |
| Equity | | |
| Deferred ordinary shares | | |
| 612,000 of £1 each | 0.6 | 0.6 |

The deferred ordinary shares rank in all respects as equity shares except that each share has 1,000 votes in a vote taken on a poll.

The deferred ordinary shares are held by John Lewis Partnership Trust Limited in trust for the benefit of Partners. Ultimate control rests with John Lewis Partnership Trust Limited.

8.2 RELATED PARTY TRANSACTIONS

PURPOSE

Two or more parties are considered to be related if one party has direct or indirect control or significant influence over financial or operating policies of the other party. We have a number of related parties with whom we transact, including the Pension Scheme Trustee, key management personnel and certain related charities. We are required by UK-adopted IFRS to detail the transactions made in the year with related parties to draw attention to the possibility that our financial position and results may have been affected by them. This disclosure allows us to demonstrate that we are transacting fairly with all our related parties.

8.2.1 SUBSIDIARIES AND RELATED UNDERTAKINGS

All transactions between the Partnership and its subsidiaries and related undertakings are eliminated upon consolidation, and therefore do not need to be disclosed separately. A list of subsidiaries and related undertakings within the Partnership is included within note 16. Loans to joint ventures are disclosed in note 3.3.

8.2.2 ARRANGEMENTS WITH PENSION SCHEME TRUSTEE

The Partnership entered into an arrangement with the Pension Scheme Trustee on 30 January 2010 to address an element of the scheme deficit that existed at that time.

8.2.3 OTHER TRANSACTIONS

Key management compensation has been disclosed in note 2.8.3.

During the year the Partnership provided administrative support services to charities related to the Partnership. The estimated value of these support services is £161,000 (2021: £86,000). The Partnership also made donations totalling £0.8m (2021: £0.4m) to the John Lewis & Partners Foundation.

Notes to the consolidated financial statements (continued)

8.3 SUBSEQUENT EVENTS

PURPOSE

Events that take place after the balance sheet date of 29 January 2022 and before the date the financial statements are signed are recorded in this note. In order to be disclosed, these events must be sufficiently material to warrant disclosure.

On 23 March 2022, the Partnership repaid £150m of bank term loans, up to nine months ahead of the original maturity date. These were repaid from free cash flow.

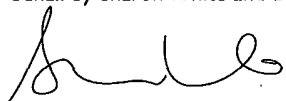
Additionally on 23 March 2022, we confirmed that we have reached an agreement with Welcome Break which will see up to 264 Partner roles transfer to Welcome Break under Transfer of Undertakings Protection of Employment (TUPE).

COMPANY FINANCIAL STATEMENTS
COMPANY BALANCE SHEET as at 29 January 2022

A financial snapshot of the Company, showing our assets and how they are financed

| Notes | 2022 £m | 2021 £m |
|--------------------------------|----------------|----------------|
| Non-current assets | | |
| 11 Investments | 123.4 | 123.1 |
| Total assets | 123.4 | 123.1 |
| Current liabilities | | |
| 13 Trade and other payables | (0.2) | (0.3) |
| Non-current liabilities | | |
| 12 Borrowings | (104.2) | (104.2) |
| Total liabilities | (104.4) | (104.5) |
| Net assets | 19.0 | 18.6 |
| Equity | | |
| 14 Share capital | 0.6 | 0.6 |
| Capital redemption reserve | 5.0 | 5.0 |
| Retained earnings | 13.4 | 13.0 |
| Total equity | 19.0 | 18.6 |

The financial statements on pages 160 to 165 were approved by the Board of Directors on 27 April 2022 and signed on its behalf by Sharon White and Bérangère Michel, Directors, John Lewis Partnership plc.



Sharon White and Bérangère Michel
Directors, John Lewis Partnership plc
Registered number 00238937



The accompanying notes are an integral part of the financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY for the year ended 29 January 2022

| Notes | Share capital £m | Capital redemption reserve £m | Retained earnings £m | Total equity £m |
|---|---------------------|----------------------------------|-------------------------|--------------------|
| Balance at 25 January 2020 | 0.6 | 5.0 | 12.0 | 17.6 |
| 10 Profit for the year and total comprehensive income | - | - | 1.0 | 1.0 |
| Balance at 30 January 2021 | 0.6 | 5.0 | 13.0 | 18.6 |
| 10 Profit for the year and total comprehensive income | - | - | 0.4 | 0.4 |
| Balance at 29 January 2022 | 0.6 | 5.0 | 13.4 | 19.0 |

The accompanying notes are an integral part of the financial statements.

Notes to the company financial statements

9 ACCOUNTING POLICIES

PURPOSE

John Lewis Partnership plc (the Company) prepares its accounts under international accounting standards in conformity with the requirements of the Companies Act 2006, and in compliance with UK-adopted IFRS. Below we set out significant accounting policies applied by the Company in the current reporting period where they are different, or additional, to those used by the Partnership. The accounting policies are set in line with the requirements of UK-adopted IFRS and there have been no changes in accounting policies during the year other than those set out under 'Amendments to accounting standards' in note 1 to the Partnership's consolidated financial statements.

Basis of preparation

The separate financial statements of the Company are drawn up in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, and in accordance with UK-adopted IFRS. The Company's accounting policies are aligned with the Partnership's accounting policies as described in note 1 to the Partnership's consolidated financial statements. Additional accounting policies are noted below.

John Lewis plc settles transactions on behalf of John Lewis Partnership plc for administrative convenience, including amounts in respect of subscription for BonusSave, dividend payments and amounts owed to tax authorities. The settlement of these transactions is reflected in the intercompany loan. As a result, no cash flows through John Lewis Partnership plc and no cash is generated from its operations, so a Company cash flow statement is not required.

Going concern

In determining the appropriate basis of preparation of the financial statements for the year ended 29 January 2022, the Directors are required to consider whether the Company can continue in operational existence for a period of at least 12 months from the approval of the financial statements.

The Directors have concluded that it is appropriate to adopt the going concern basis, having undertaken a rigorous assessment of the financial forecasts with specific consideration to the Company in the context of the trading position of the Company, for the reasons set out in note 1.1.1. Consequently, the Directors have concluded that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Investment in subsidiary undertakings

The Partnership has a number of investments in subsidiary companies. Investments are valued at cost, less allowances for impairment. Impairment reviews are performed annually.

10 PROFIT AND LOSS OF THE COMPANY FOR THE YEAR

PURPOSE

The Company is exempt from disclosing a full income statement as allowed by the Companies Act 2006, therefore the profit for the Company for the year is disclosed within this note.

As permitted by Section 408 of the Companies Act 2006, John Lewis Partnership plc has not presented its own income statement or statement of comprehensive income/(expense). The result dealt with in the accounts of the Company amounted to £0.4m profit (2021: £1.0m profit).

Details of auditor's remuneration are provided in note 2.6 to the Partnership's consolidated financial statements.

Notes to the company financial statements (continued)

11 INVESTMENTS

PURPOSE

This note sets out the value of the shares owned or amounts loaned to subsidiary companies directly invested in by the Company, which, together with their own subsidiaries, consolidate to form the Partnership.

The Company has the following investments at 29 January 2022:

| | Subsidiary | | Other | Total |
|---------------------------|-----------------------------|---------------------------|---|--------------|
| | Shares in John Lewis PLC | Loan to John Lewis PLC | Shares in John Lewis Partnership Trust Limited | |
| Investments | £m | £m | £m | £m |
| At 30 January 2021 | 11.3 | 111.7 | 0.1 | 123.1 |
| Movements | - | 0.3 | - | 0.3 |
| At 29 January 2022 | 11.3 | 112.0 | 0.1 | 123.4 |

The intercompany loan from the Company to John Lewis PLC is non-interest bearing with no specific repayment terms.

12 BORROWINGS

PURPOSE

Borrowings consist of long-term loans from Partnership companies in respect of Share Incentive Plan shares, which are allocated to Partners who are entitled to a dividend.

| | 2022 £m | 2021 £m |
|----------------------------------|----------------|----------------|
| Borrowings | | |
| Non-current: | | |
| Loans from Partnership companies | (104.2) | (104.2) |
| | (104.2) | (104.2) |

13 TRADE AND OTHER PAYABLES

PURPOSE

Trade and other payables include amounts we owe in respect of BonusSave dividends, and to HMRC in the form of taxes.

| | 2022 £m | 2021 £m |
|---------------------------------|------------|------------|
| Trade and other payables | | |
| Other payables | (0.2) | (0.3) |

All of the Company's trade and other payables are current. The carrying amount of trade and other payables approximates to fair value.

Notes to the company financial statements (continued)

14 SHARE CAPITAL

PURPOSE

Share capital consists of ordinary shares and is measured as the number of shares issued and fully paid multiplied by their nominal value.

| | 2022 | 2021 |
|--------------------------|-----------------------------|-----------------------------|
| | Issued and fully paid £m | Issued and fully paid £m |
| Share capital | | |
| Equity | | |
| Deferred ordinary shares | | |
| 612,000 of £1 each | 0.6 | 0.6 |

The deferred ordinary shares rank in all respects as equity shares except that each share has 1,000 votes in a vote taken on a poll.

The deferred ordinary shares are held by John Lewis Partnership Trust Limited in Trust for the benefit of Partners. Ultimate control rests with John Lewis Partnership Trust Limited.

15 RELATED PARTY TRANSACTIONS

PURPOSE

Two or more parties are considered to be related if one party has direct or indirect control or significant influence over financial or operating policies of the other party. We have a number of related parties with whom we transact, including the Pension Scheme Trustee. We are required by UK-adopted IFRS to detail the transactions made in the year with related parties to draw attention to the possibility that our financial position and results may have been affected by them. This disclosure allows us to demonstrate that we are transacting fairly with all our related parties.

15.1 LOAN TO JOHN LEWIS PLC

The loan to John Lewis PLC has been disclosed in note 11.

15.2 OTHER TRANSACTIONS

Arrangements with the Pension Scheme Trustee are disclosed within note 8.2 to the Partnership's consolidated financial statements.

Notes to the company financial statements (continued)

16 SUBSIDIARIES AND RELATED UNDERTAKINGS

The Company has a number of subsidiaries and related undertakings which contribute to the overall profitability of the Partnership. In accordance with section 409 of the Companies Act 2006 and Schedule 4 of The Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008, a full list of related undertakings, registered office addresses and the percentages of share class owned as at 29 January 2022 are disclosed below.

The Company's only direct 100% owned subsidiary as at 29 January 2022 was:

| Name | Principal activity | Country of incorporation | Class of share | Percentage shareholdings |
|----------------|----------------------------------|------------------------------|----------------|--------------------------|
| John Lewis PLC | Retailing and corporate services | England & Wales ¹ | Ordinary | 100% |

¹ The address of the registered office is 171 Victoria Street, London SW1E 5NN.

The whole of the ordinary share capital of the subsidiary undertakings of John Lewis PLC as shown on the next page is held within the Partnership. Except where noted, all of these subsidiary undertakings operate wholly or mainly in the United Kingdom.

The Partnership has taken advantage of the exemption conferred by regulation 7 of the Partnerships (Accounts) Regulations 2008 and has not appended the accounts of JLP Scottish Partnership and JLP Scottish Limited Partnership. Separate accounts for these partnerships are not required to be filed with the Registrar of Companies.

Notes to the company financial statements (continued)
16 SUBSIDIARIES AND RELATED UNDERTAKINGS (CONTINUED)

Subsidiary and related undertakings of John Lewis PLC:

| Name | Principal activity | Country of incorporation | Class of share | Percentage shareholdings |
|---|----------------------------------|------------------------------|------------------------|--------------------------|
| Admiral Park Retail Management Limited | Property holding company | Guernsey ¹ | Ordinary | 54% |
| Buy.Com Limited | Dormant | England & Wales ² | Ordinary | 100% |
| Carlisle Place Ventures Limited | Home services | England & Wales ² | Ordinary | 100% |
| Clicklink Logistics Limited | Joint venture | England & Wales ³ | Ordinary | 50% |
| Herbert Parkinson Limited | Manufacturing and making up | England & Wales ² | Ordinary | 100% |
| JLP Insurance Limited | Insurance | Guernsey ⁴ | Ordinary | 100% |
| JLP Scotland Limited | Non-trading | Scotland ⁵ | Ordinary | 100% |
| JLP Scottish Limited Partnership ⁽⁶⁾ | Investment holding undertaking | Scotland ⁵ | Partnership interest | 100% |
| JLP Scottish Partnership ⁽⁶⁾ | Investment holding undertaking | Scotland ⁵ | Partnership interest | 100% |
| John Lewis Car Finance Limited | Car finance | England & Wales ² | Ordinary | 100% |
| John Lewis Hong Kong Limited | Sourcing company | Hong Kong ⁶ | Ordinary | 100% |
| John Lewis India Private Limited | Sourcing company | India ⁷ | Ordinary | 100% |
| John Lewis International Limited | International retail | England & Wales ² | Ordinary | 100% |
| John Lewis Partnership Pensions Trust | Non-trading | England & Wales ² | Ordinary | 100% |
| John Lewis Properties plc | Property holding company | England & Wales ² | Ordinary | 100% |
| John Lewis PT Holdings Limited | Holding company | England & Wales ² | Ordinary | 100% |
| Jonelle Jewellery Limited | Dormant | England & Wales ² | Ordinary | 100% |
| Jonelle Limited | Dormant | England & Wales ² | Ordinary ¹⁰ | 100% |
| Park One Management Limited | Provision of management services | England & Wales ⁸ | Ordinary | 37% |
| Peter Jones Limited | Dormant | England & Wales ² | Ordinary | 100% |
| The Odney Estate Limited | Dormant | England & Wales ² | Ordinary | 100% |
| Waitrose (Jersey) Limited | Food retailing | Jersey ⁹ | Ordinary | 100% |
| Waitrose (Guernsey) Limited | Food retailing | Guernsey ¹ | Ordinary | 100% |
| Waitrose Limited | Food retailing | England & Wales ² | Ordinary | 100% |

¹ The address of the registered office is PO Box 119, Martello Court, Admiral Park, St Peter Port, Guernsey GY1 3HB.

² The address of the registered office is 171 Victoria Street, London SW1E 5NN.

³ The address of the registered office is Clipper Logistics Group, Gelderd Road, Leeds, West Yorkshire LS12 6LT.

⁴ The address of the registered office is PO Box 155, Mill Court, La Charroterie, St Peter Port, Guernsey GY1 4ET.

⁵ The address of the registered office is John Lewis & Partners, 60 Leith Street, Edinburgh EH1 3SP.

⁶ The address of the registered office is Suite 3201, Jardine House, 1 Connaught Place, Central, Hong Kong.

⁷ The address of the registered office is 3rd Floor, Tower B, Signature Towers, South City, Sector - 30, Gurgaon, Haryana 122001, India.

⁸ The address of the registered office is Number 22 Mount Ephraim, Tunbridge Wells, Kent TN4 8AS.

⁹ The address of the registered office is 44 Esplanade, St Helier, Jersey JE4 9WG.

¹⁰ Jonelle Limited has three classes of shares, each with a nominal value of £1.

⁽⁶⁾ John Lewis Partnership Pensions Trust and JLP Scotland Limited are the Limited Partners. John Lewis plc is the General Partner.

⁽⁶⁾ JLP Scottish Limited Partnership and John Lewis Properties plc are the General Partners.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND ACCOUNTS

The Directors are responsible for preparing the Partnership and parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Partnership and parent Company financial statements for each financial year. Under that law they are required to prepare the Partnership financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and applicable law and have elected to prepare the Parent Company financial statements in accordance with UK Accounting Standards, including FRS 101 Reduced Disclosure Framework.

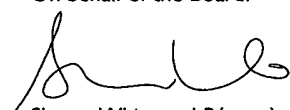
Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Partnership and parent Company and of their profit or loss for that period. In preparing each of the Partnership and parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- for the Partnership financial statements, state whether they have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and in accordance with UK-adopted international accounting standards (UK-adopted IFRS);
- assess the Partnership and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- use the going concern basis of accounting unless they either intend to liquidate the Partnership or the parent Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Partnership and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

On behalf of the Board.



Sharon White and Bérangère Michel
Directors, John Lewis Partnership plc
27 April 2022



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF JOHN LEWIS PARTNERSHIP PLC



1. Our opinion is unmodified

We have audited the financial statements of John Lewis Partnership plc ("the Partnership") for the 52-week period ended 29 January 2022 which comprise the consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in equity, consolidated statement of cash flows, Company balance sheet, Company statement of changes in equity, Company statement of cash flows, and the related notes, including the accounting policies in note 1.

In our opinion:

- The financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 29 January 2022 and of the Group's loss for the 52-week period then ended;
- The Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- The parent Company financial statements have been properly prepared in accordance with UK-adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- The financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the Audit and Risk Committee.

We were first appointed as auditor by the shareholders on 8 June 2016. The period of total uninterrupted engagement is for the six financial years ended 29 January 2022. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to public interest entities. No non-audit services prohibited by that standard were provided.

2. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters, in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF JOHN LEWIS PARTNERSHIP PLC (CONTINUED)

| | The risk | Our response |
|---|--|---|
| <p>Impairment of property, plant and equipment and right-of-use assets</p> <p>Recoverable amount £864 million, out of the total PPE and ROUA of £4,400.7 million (2021: recoverable amount £719 million, out of the total PPE and ROUA of £4,523.7 million)</p> <p><i>Page 118 to 119 (accounting policy) and page 120 to 123 (financial disclosures)</i></p> | <p>Forecast-based assessment</p> <p>The Partnership has significant property, plant and equipment (PPE) and right-of-use assets (ROUAs) held on the consolidated balance sheet. In the period a net impairment charge of £35.6 million was recognised, predominantly in relation to John Lewis PPE and ROUAs.</p> <p>There is a risk that the carrying value of stores and related PPE and ROUAs may be higher than the recoverable amount. Where a review for impairment, or reversal of impairment, is conducted, the recoverable amount is determined based on the higher of 'value-in-use' (VIU) or 'fair value less costs of disposal'.</p> <p>The recoverable amount was assessed for £864 million of the total PPE and ROUA net book value (2021: £719 million) and identified as supported by VIU calculations. The estimated recoverable amount is subjective due to the inherent uncertainty involved in forecasting and discounting future cash flows and could be manipulated to yield a specific outcome. The key assumptions used in the VIU calculations for estimating the recoverable amount are expected sales and costs in the short-term cash-flow forecasts, the long-term growth rate, the discount rate and specifically for John Lewis, the online sales allocation.</p> <p>The effect of these matters is that, as part of our risk assessment for audit planning purposes, we determined that the VIU had a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. The financial statements (note 3.2) disclose the sensitivities estimated by the Partnership.</p> | <p>Our procedures included:</p> <p>We performed the tests below rather than seeking to rely on any of the company's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described.</p> <ul style="list-style-type: none"> • Re-performance: We re-performed the calculations the Directors performed for determining the VIU of each cash generating unit and compared data used in the model against source information, where applicable. • Our sector experience: We evaluated assumptions used, in particular those relating to forecast revenue growth and profit margins for each Waitrose and John Lewis store. We also challenged the Directors as to the achievability of their forecasts and business plans, taking into account the historical accuracy of previous forecasts. • Benchmarking assumptions: We compared the Director's assumptions to externally derived data in relation to key inputs such as projected economic growth, cost inflation and discount rates. • Sensitivity analysis: We performed sensitivity analysis to stress-test the assumptions noted above. • Assessing disclosures: We also assessed whether the Partnership's disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assumptions reflected the risks inherent in the carrying amount of PPE and ROUAs. |

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF JOHN LEWIS PARTNERSHIP PLC (CONTINUED)

| | The risk | Our response |
|---|---|--|
| Impairment of property, plant and equipment and right-of-use assets (continued) | | <p>Our results</p> <p>We found the resulting estimate of recoverable amounts of PPE and ROUAs to be acceptable (2021: acceptable).</p> |
| <p>Defined benefit pension schemes (Gross liability estimation and valuation of level 3 assets)</p> <p>Net £473.5 million pension surplus (2021: £646.9 million pension deficit)</p> <p><i>Refer to page 139 (accounting policy) and pages 139 to 150 (financial disclosures)</i></p> | <p>Subjective valuation</p> <p>A significant level of estimation is required in order to determine the valuation of the gross liability. Small changes in the key assumptions (in particular, discount rates, inflation and mortality rates) can have a material impact on the gross liability.</p> <p>In addition, within the pension asset portfolio are a number of assets whose valuation require significant judgement as a result of quoted prices being unavailable (level 3 assets). These holdings together represented 31.3% (£2,258 million) of the total pension assets held. The asset classes where significant audit effort and judgement was focused were investment properties, special purpose investment vehicles and private equity investments.</p> | <p>Our procedures included:</p> <p>We performed the tests below rather than seeking to rely on any of the company's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described.</p> <ul style="list-style-type: none"> • Benchmarking assumptions: We used our actuarial specialists to challenge the key assumptions (in particular, the discount rate and inflation and mortality rates). This involved comparing the assumption to available market data, our expectation and to other similar UK pension schemes' assumptions; • Assessing base data: We used our actuarial specialists to challenge the methodology used to roll-forward the results of the triennial valuation as at 31 March 2019; |

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF JOHN LEWIS PARTNERSHIP PLC (CONTINUED)

| | The risk | Our response |
|---|---|--|
| Defined benefit pension schemes (Gross liability estimation and valuation of level 3 assets) (continued) | <p>The effect of these matters is that, as part of our risk assessment, we determined that the valuation of the gross defined benefit obligation and level 3 pension assets has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. The financial statements (note 6.1.5) disclose the sensitivity estimated by the Partnership.</p> | <ul style="list-style-type: none"> • Our valuation expertise: For hard-to-value plan assets, we used our own property valuation specialist to assess the key inputs and assumptions used by external valuers by reference to our own market and industry benchmarks. For private equity funds and special purpose vehicles, we obtained direct confirmations and assessed historical accuracy of valuations to help inform whether current valuations were appropriate; • Methodology choice: We have assessed the pricing model methodologies used with reference to the Royal Institute of Chartered Surveyors for property and the International Private Equity and Venture Capital Valuation guidance for private equity funds included in plan assets; • Assessing disclosures: We also considered the adequacy of the Partnership's disclosures in respect of the sensitivity of the net deficit to these assumptions. <p>Our results We found the valuation of the Defined benefit pension schemes (Gross liability estimation and valuation of level 3 assets) to be acceptable (2021: acceptable).</p> |

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF JOHN LEWIS PARTNERSHIP PLC (CONTINUED)

| | The risk | Our response |
|--|---|--|
| <p>Parent company financial statements – Valuation of investments</p> <p><i>Refer to page 162 (financial disclosures)</i></p> | <p>Low risk, high value</p> <p>The carrying amount of the Company's investment in subsidiaries are valued at cost, less allowances for impairment. We do not consider the valuation of these investments to be at a high risk of significant misstatement, or to be subject to a significant level of judgement.</p> <p>However, due to their materiality in the context of the parent company financial statements, this is considered to be the area that had the greatest effort on our overall parent company audit.</p> | <p>Our procedures included:</p> <p>We performed the tests below rather than seeking to rely on any of the company's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described.</p> <ul style="list-style-type: none"> • Test of details: Comparing the investment carrying values to the net assets of the investments to identify whether the net asset values of the subsidiaries, being an approximation of their minimum recoverable amount, were in excess of their carrying amount. • Assessing subsidiary audits: Assessing the work performed over the subsidiaries and considering the results of the work on those subsidiaries' profit and net assets. <p>Our results</p> <p>We found assessment of the carrying value of investments to be acceptable (2021: acceptable).</p> |



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF JOHN LEWIS PARTNERSHIP PLC (CONTINUED)

3. Our application of materiality and an overview of the scope of our audit

Materiality for the Partnership financial statements as a whole was set at £14.5 million, determined with reference to a benchmark of total Partnership revenue (as disclosed in note 2.1), of £10,837.5 million, of which it represents 0.13% (2021: 0.13%).

We consider total revenue to be the most appropriate benchmark considering the sector in which the entity operates, its ownership and financing structure, and the focus of users. Additionally, revenue provides a more stable measure year on year than profit before tax.

Materiality for the parent company financial statements as a whole was set at £3.7 million (2021: £3.7 million), determined with reference to a benchmark of Company total assets of £123.4 million, of which it represents 3.0% (2021: 3.0%).

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole. Performance materiality was set at 75% (2021: 75%) of materiality for the financial statements as a whole, which equates to £10.9 million (2021: £10.3 million) for the Partnership and £2.78 million (2021: £2.78 million) for the parent company. We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

We agreed to report to the Audit and Risk Committee any corrected or uncorrected identified misstatements exceeding £0.725 million (2021: £0.685 million), in addition to other identified misstatements that warranted reporting on qualitative grounds. Of the Partnership's 18 (2021: 18) reporting components, we subjected 6 (2021: 6) to full scope audits for Partnership purposes. In addition, 1 component (2021: 1) was subjected to specified risk-focused audit procedures. The latter was not individually significant enough to require a full scope audit for Partnership purposes but did present specific individual risks that needed to be addressed over Claims paid and Outstanding loss reserve.

The components within the scope of our work accounted for the following percentages; 99% of Partnership revenue (2021: 98%), 86% of Partnership total assets (2021: 86%) and 84% of Partnership profit before tax (2021: 87%). The remaining 1% of Partnership revenue (2021: 2%), 14% of Partnership total assets (2021: 14%) and 16% of Partnership profit before tax (2021: 13%) is represented by 11 reporting components (2021: 11), none of which individually represented more than 5% (2021: 1%) of any Partnership revenue, Partnership total assets or Partnership profit before tax. For these residual components, we performed analysis at an aggregated Partnership level to re-examine our assessment that there were no significant risks of material misstatement within these.

The Group team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The Group team approved the component materialities, which ranged from £0.7 million to £12.3 million, having regard to the mix of size and risk profile of the Partnership across the components. The work on 1 of the 7 components (2021: 1 of the 7 components) was performed by component auditors and the rest, including the audit of the parent company, was performed by the Group team.

We were able to rely upon the Group's internal control over financial reporting in several areas of our audit, where our controls testing supported this approach, which enabled us to reduce the scope of our substantive audit work; in the other areas the scope of the audit work performed was fully substantive.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF JOHN LEWIS PARTNERSHIP PLC (CONTINUED)

4. We have nothing to report on going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Company or to cease their operations, and as they have concluded that the Group's and the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We used our knowledge of the Group, its industry, and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Group's financial resources or ability to continue operations over the going concern period. The risk that we considered most likely to adversely affect the Group's available financial resources over this period was lower than expected trading volumes.

We considered whether this risk could plausibly affect the liquidity or covenant compliance in the going concern period by assessing the degree of downside assumption that could result in a liquidity issue, taking into account the Group's current and projected cash and facilities (a reverse stress test). We also assessed the completeness of the going concern disclosure.

Our conclusions based on this work:

- We consider that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- We have not identified, and concur with the Directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group's or Company's ability to continue as a going concern for the going concern period; and
- We found the going concern disclosure in note 1.1.1 to be acceptable.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the Company will continue in operation.

5 Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of Directors, the audit and risk committee, internal audit, legal counsel and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud;
- Reading Board, Audit and Risk Committee and Remuneration Committee meeting minutes;
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we performed procedures to address the risk of management override of controls, in particular the risk that Group management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements such as impairment, long leave provision assumptions and pension assumptions. On this audit we do not believe there is a fraud risk related to revenue recognition because there is limited perceived pressure on management to achieve an expected revenue target and limited opportunity to commit fraud.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF JOHN LEWIS PARTNERSHIP PLC (CONTINUED)

We also identified a fraud risk related to the calculation of impairment in response to increased forecast risk as a result of current economic pressures leading to opportunity to manipulate assumptions. Further detail in respect of this is set out in the key audit matter disclosures in section 2 of this report.

We performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by senior management, journals posted irregularly by users and unusual opposing entries including cash or borrowings;
- Assessing significant accounting estimates for bias.

Identifying and responding to risks of material misstatement related to compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through our discussion with the Directors, and other management (as required by auditing standards, and discussed with the Directors and other management the policies and procedures regarding compliance with laws and regulations).

As the Company is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, pensions legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect; health and safety, General Data Protection Regulation (GDPR), fraud bribery and corruption, environmental protection legislation, export control, Consumer Rights Act, Competition Law, Food Standards Act and employment law recognising the nature of the Partnership's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

We discussed with the Audit and Risk Committee matters related to actual or suspected breaches of laws and regulations, for which disclosure is not necessary, and considered any implications for our audit.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF JOHN LEWIS PARTNERSHIP PLC
(CONTINUED)**

6. We have nothing to report on the other information in the Annual report

The Directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and Directors' report

Based solely on our work on the other information:

- We have not identified material misstatements in the strategic report and the Directors' report;
- In our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- In our opinion those reports have been prepared in accordance with the Companies Act 2006.

7. We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- Adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- The parent Company financial statements are not in agreement with the accounting records and returns; or
- Certain disclosures of Directors' remuneration specified by law are not made; or
- We have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF JOHN LEWIS PARTNERSHIP PLC (CONTINUED)

8. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 166, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

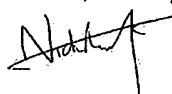
Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at: www.frc.org.uk/auditorsresponsibilities.

9. The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and the terms of our engagement by the company. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and the further matters we are required to state to them in accordance with the terms agreed with the Company, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



Nicholas Frost

(Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

15 Canada Square, London, E14 5GL

27 April 2022

FIVEYEAR FINANCIAL RECORD

for the year ended 29 January 2022

| | 2022 | 2021 | 2020 ¹ | 2019 | 2018 ² |
|---|-----------------|-----------------|-------------------|-----------------|-------------------|
| Income statement | £m | £m | £m | £m | £m |
| Revenue | | | | | |
| Waitrose | 6,983.6 | 7,043.9 | 6,373.3 | 6,429.5 | 6,354.7 |
| John Lewis | 3,853.9 | 3,727.9 | 3,778.0 | 3,887.2 | 3,861.1 |
| | 10,837.5 | 10,771.8 | 10,151.3 | 10,316.7 | 10,215.8 |
| Trading operating profit³ | | | | | |
| Waitrose | 1,019.6 | 1,144.6 | 1,063.2 | | |
| John Lewis | 757.7 | 554.4 | 733.6 | | |
| | 1,777.3 | 1,699.0 | 1,796.8 | | |
| Operating profit/(loss) | 118.3 | (359.6) | 308.0 | 184.4 | 179.1 |
| Net finance costs | (145.0) | (157.6) | (161.6) | (67.0) | (71.6) |
| Profit before Partnership Bonus, tax and exceptional items | 180.5 | 130.8 | 69.9 | 160.0 | 292.8 |
| Exceptional items | (160.8) | (648.0) | 107.4 | 2.1 | (111.3) |
| Partnership Bonus | (46.4) | - | (30.9) | (44.7) | (74.0) |
| As a percentage of eligible pay | 3% | 0% | 2% | 3% | 5% |
| (Loss)/profit before tax | (26.7) | (517.2) | 146.4 | 117.4 | 107.5 |
| Taxation | (41.1) | 65.2 | (38.0) | (40.1) | (30.5) |
| (Loss)/profit for the year | (67.8) | (452.0) | 108.4 | 77.3 | 77.0 |
| Number of Partners at year end | 78,600 | 80,900 | 80,800 | 83,900 | 85,500 |
| Average number of full-time equivalent employees | 56,000 | 56,800 | 59,700 | 60,800 | 60,600 |

¹ The Partnership has initially applied IFRS 16 at 27 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of applying IFRS 16 is recognised in retained earnings at the date of initial application which was 27 January 2019.

² IFRS 15 was adopted in 2019 on a fully retrospective basis. Figures for 2018 were therefore restated.

³ The Partnership adopted a new organisational structure on 3 February 2020, creating a new non-GAAP measure known as trading operating profit, only 2020 has been restated.

FIVE YEAR FINANCIAL RECORD (CONTINUED)

| | 2022 £m | 2021 £m | 2020 ¹ £m | 2019 £m | 2018 ² £m |
|--------------------------|------------------|------------------|-------------------------|------------------|-------------------------|
| Balance sheet | | | | | |
| Non-current assets | 5,361.9 | 5,116.5 | 5,905.1 | 4,383.1 | 4,563.1 |
| Current assets | 2,423.4 | 2,368.9 | 1,795.6 | 1,929.0 | 1,690.6 |
| Total assets | 7,785.3 | 7,485.4 | 7,700.7 | 6,312.1 | 6,253.7 |
| Current liabilities | (2,174.5) | (1,992.8) | (1,789.5) | (2,055.9) | (1,945.1) |
| Non-current liabilities | (2,862.3) | (3,567.9) | (3,352.4) | (1,636.2) | (2,006.9) |
| Total liabilities | (5,036.8) | (5,560.7) | (5,141.9) | (3,692.1) | (3,952.0) |
| Net assets | 2,748.5 | 1,924.7 | 2,558.8 | 2,620.0 | 2,301.7 |
| Borrowings | (815.0) | (903.5) | (762.6) | (1,047.2) | (936.8) |
| Net debt | (1,294.1) | (1,438.6) | (1,959.7) | (88.6) | (216.5) |

¹ The Partnership has initially applied IFRS 16 at 27 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of applying IFRS 16 is recognised in retained earnings at the date of initial application which was 27 January 2019.

² IFRS 15 was adopted in 2019 on a fully retrospective basis. Figures for 2018 were therefore restated.

GLOSSARY

Throughout the Annual Report and Accounts, alternative performance measures (APMs) have been reported. These are non-GAAP measures and are presented to provide stakeholders with additional financial information on the performance of the Partnership. These APMs should not be viewed in isolation or as an alternative to the equivalent GAAP measure.

The measures detailed below are not defined by UK-adopted IFRS and therefore may not be directly comparable with other companies' APMs - this includes those in the retail industry.

Reconciliation of Total trading sales to Revenue

| 2021/22 | Waitrose £m | John Lewis £m | Partnership £m |
|---|----------------|------------------|-------------------|
| Total trading sales | 7,535.9 | 4,925.6 | 12,461.5 |
| <i>Deduct:</i> | | | |
| Value added tax | (439.6) | (797.5) | (1,237.1) |
| Sale or return and other accounting adjustments | (112.7) | (274.2) | (386.9) |
| Revenue | 6,983.6 | 3,853.9 | 10,837.5 |

| 2020/21 | Waitrose £m | John Lewis £m | Partnership £m |
|---|----------------|------------------|-------------------|
| Total trading sales | 7,595.2 | 4,721.9 | 12,317.1 |
| <i>Deduct:</i> | | | |
| Value added tax | (438.9) | (766.9) | (1,205.8) |
| Sale or return and other accounting adjustments | (112.4) | (227.1) | (339.5) |
| Revenue | 7,043.9 | 3,727.9 | 10,771.8 |

Reconciliation of Operating profit/(loss) to PBTBE

| | 2022 £m | 2021 £m |
|---|------------|------------|
| Operating profit/(loss) | 118.3 | (359.6) |
| <i>Add back:</i> | | |
| Exceptional items | 160.8 | 648.0 |
| Partnership Bonus | 46.4 | - |
| <i>Deduct:</i> | | |
| Net finance costs | (145.0) | (157.6) |
| Profit before Partnership Bonus, tax and exceptional items | 180.5 | 130.8 |

Reconciliation of Loss before tax to PBTBE

| | 2022 £m | 2021 £m |
|---|------------|------------|
| Loss before tax | (26.7) | (517.2) |
| <i>Add back:</i> | | |
| Exceptional items | 160.8 | 648.0 |
| Partnership Bonus | 46.4 | - |
| Profit before Partnership Bonus, tax and exceptional items | 180.5 | 130.8 |

| APM | DEFINITION, PURPOSE AND RECONCILIATION | | | |
|--------------------|---|---|--------------|---------|
| Adjusted cash flow | Operating profit/(loss) before PB, exceptional items, depreciation and amortisation, but after lease adjusted interest and tax. This measure is important to assess our Debt ratio. | | | |
| | | 2021/22 | 2020/21 | |
| | | £m | £m | |
| | Operating profit/(loss) | 118.3 | (359.6) | |
| | <i>add back</i> | | | |
| | Exceptional items | 160.8 | 648.0 | |
| | Partnership Bonus | 46.4 | - | |
| | Depreciation, amortisation and write-offs | 482.9 | 523.8 | |
| | <i>less</i> | | | |
| | Lease adjusted interest | (143.8) | (148.5) | |
| Debt ratio | Tax | (52.3) | (39.6) | |
| | Adjusted cash flow | 612.3 | 624.1 | |
| | Comparison of our Total net debts to Adjusted cash flow. This measure is important as it provides an indication of our ability to repay our debts. | | | |
| | | 2021/22 | 2020/21 | |
| | | £m | £m | |
| | Total net debts | 1,413.4 | 2,097.0 | |
| | Adjusted cash flow | 612.3 | 624.1 | |
| | Debt ratio | 2.3x | 3.4x | |
| | Profit before Partnership Bonus, tax and exceptional items (PBTBE) | Profit before Partnership Bonus, tax and exceptional items. This measure is important as it allows for a comparison of underlying profit performance. | | |
| | | | 2021/22 | 2020/21 |
| | | £m | £m | |
| PBTBE | | 180.5 | 130.8 | |
| Exceptional items | | (160.8) | (648.0) | |
| Partnership Bonus | | (46.4) | - | |
| | (26.7) | (517.2) | | |
| Loss before tax | | | | |

| APM | DEFINITION, PURPOSE AND RECONCILIATION | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|--|--|------------|------------------|--|---------|----------|------------|-------------|--|----|----|----|---------------------------|---------|-------|---------|----------------------------------|-------|--|---------|---------------------------------------|---|--|---------|-------------------|-----------|--|-----------|--|---------|--|--------------|------------------------|------------------|--|------------------|-------------------|--|--|--------|-----------------|--|--|---------------|---------|----------|------------|-------------|--|----|----|----|--------------------------|---------|-------|---------|-------------------------|--|--|---------|-------------------------------|--|--|---------|-------------------|--|--|---------|-------|--|--|--------------|-------------------|--|--|---------|-----------------|--|--|----------------|
| Total net debts | <p>The Partnership's borrowings and overdrafts, lease liabilities, derivative financial instruments and any IAS 19 pension deficit (net of deferred tax), less any liquid cash, short-term deposits and investments.</p> <table><thead><tr><th></th><th>2021/22</th><th></th><th>2020/21</th></tr><tr><th></th><th>£m</th><th></th><th>£m</th></tr></thead><tbody><tr><td>Borrowings and overdrafts</td><td>(815.0)</td><td></td><td>(903.5)</td></tr><tr><td>Derivative financial instruments</td><td>(1.5)</td><td></td><td>(16.3)</td></tr><tr><td>Pension deficit* (after deferred tax)</td><td>-</td><td></td><td>(542.0)</td></tr><tr><td>Lease liabilities</td><td>(1,988.3)</td><td></td><td>(2,037.3)</td></tr><tr><td>Liquid cash, short-term deposits and investments</td><td>1,391.4</td><td></td><td>1,402.1</td></tr><tr><td>Total net debts</td><td>(1,413.4)</td><td></td><td>(2,097.0)</td></tr></tbody></table> <p>*For 2021/22, we are reporting a net pension accounting surplus. For the calculation of Total net debts, we report £nil where there is a post tax surplus.</p> | | | | | 2021/22 | | 2020/21 | | £m | | £m | Borrowings and overdrafts | (815.0) | | (903.5) | Derivative financial instruments | (1.5) | | (16.3) | Pension deficit* (after deferred tax) | - | | (542.0) | Lease liabilities | (1,988.3) | | (2,037.3) | Liquid cash, short-term deposits and investments | 1,391.4 | | 1,402.1 | Total net debts | (1,413.4) | | (2,097.0) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | 2021/22 | | 2020/21 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | £m | | £m | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Borrowings and overdrafts | (815.0) | | (903.5) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Derivative financial instruments | (1.5) | | (16.3) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Pension deficit* (after deferred tax) | - | | (542.0) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Lease liabilities | (1,988.3) | | (2,037.3) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Liquid cash, short-term deposits and investments | 1,391.4 | | 1,402.1 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total net debts | (1,413.4) | | (2,097.0) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total trading sales | <p>Total trading sales represents the full customer sales value, including VAT, that is used to assess ongoing sales performance. It is before adjustments for sale or return sales and other accounting adjustments.</p> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Trading operating profit | <p>Trading operating profit represents operating profits used to assess the performance of the John Lewis and Waitrose brands and determine the allocation of resources to them. It excludes centrally managed costs, including fixed property costs and depreciation.</p> <table><thead><tr><th>2021/22</th><th>Waitrose</th><th>John Lewis</th><th>Partnership</th></tr><tr><th></th><th>£m</th><th>£m</th><th>£m</th></tr></thead><tbody><tr><td>Trading operating profit</td><td>1,019.6</td><td>757.7</td><td>1,777.3</td></tr><tr><td>Centrally managed costs</td><td></td><td></td><td>(970.1)</td></tr><tr><td>Depreciation and amortisation</td><td></td><td></td><td>(481.7)</td></tr><tr><td>Net finance costs</td><td></td><td></td><td>(145.0)</td></tr><tr><td>PBTBE</td><td></td><td></td><td>180.5</td></tr><tr><td>Exceptional items</td><td></td><td></td><td>(160.8)</td></tr><tr><td>Partnership Bonus</td><td></td><td></td><td>(46.4)</td></tr><tr><td>Loss before tax</td><td></td><td></td><td>(26.7)</td></tr></tbody></table> <table><thead><tr><th>2020/21</th><th>Waitrose</th><th>John Lewis</th><th>Partnership</th></tr><tr><th></th><th>£m</th><th>£m</th><th>£m</th></tr></thead><tbody><tr><td>Trading operating profit</td><td>1,144.6</td><td>554.4</td><td>1,699.0</td></tr><tr><td>Centrally managed costs</td><td></td><td></td><td>(900.6)</td></tr><tr><td>Depreciation and amortisation</td><td></td><td></td><td>(510.0)</td></tr><tr><td>Net finance costs</td><td></td><td></td><td>(157.6)</td></tr><tr><td>PBTBE</td><td></td><td></td><td>130.8</td></tr><tr><td>Exceptional items</td><td></td><td></td><td>(648.0)</td></tr><tr><td>Loss before tax</td><td></td><td></td><td>(517.2)</td></tr></tbody></table> | | | | 2021/22 | Waitrose | John Lewis | Partnership | | £m | £m | £m | Trading operating profit | 1,019.6 | 757.7 | 1,777.3 | Centrally managed costs | | | (970.1) | Depreciation and amortisation | | | (481.7) | Net finance costs | | | (145.0) | PBTBE | | | 180.5 | Exceptional items | | | (160.8) | Partnership Bonus | | | (46.4) | Loss before tax | | | (26.7) | 2020/21 | Waitrose | John Lewis | Partnership | | £m | £m | £m | Trading operating profit | 1,144.6 | 554.4 | 1,699.0 | Centrally managed costs | | | (900.6) | Depreciation and amortisation | | | (510.0) | Net finance costs | | | (157.6) | PBTBE | | | 130.8 | Exceptional items | | | (648.0) | Loss before tax | | | (517.2) |
| 2021/22 | Waitrose | John Lewis | Partnership | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | £m | £m | £m | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Trading operating profit | 1,019.6 | 757.7 | 1,777.3 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Centrally managed costs | | | (970.1) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Depreciation and amortisation | | | (481.7) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Net finance costs | | | (145.0) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| PBTBE | | | 180.5 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Exceptional items | | | (160.8) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Partnership Bonus | | | (46.4) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Loss before tax | | | (26.7) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2020/21 | Waitrose | John Lewis | Partnership | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | £m | £m | £m | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Trading operating profit | 1,144.6 | 554.4 | 1,699.0 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Centrally managed costs | | | (900.6) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Depreciation and amortisation | | | (510.0) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Net finance costs | | | (157.6) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| PBTBE | | | 130.8 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Exceptional items | | | (648.0) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Loss before tax | | | (517.2) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

| TERM | DEFINITION |
|---------------------------------|--|
| Amortisation | An expense recorded to write down intangible assets to their residual values over their useful economic lives (UEs). |
| Amortised cost | The value of an intangible asset after accounting for amortisation and impairment. Sometimes referred to as carrying value or net book value. |
| Assets | Something of value that the Partnership owns, benefits from, or has use of, in generating income or cash. |
| Audit | A detailed review and inspection of accounts, disclosures and procedures, checking for consistency, accuracy and adherence to accounting and reporting standards. The objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement. |
| Auditor | An individual or body who undertakes the work required for an audit. The Partnership's auditor is KPMG LLP. |
| Average hourly rate | The pay received per hour, calculated from pay received divided by hours worked. |
| Balance sheet | A financial statement that shows assets, liabilities and capital/equity at a particular point in time, giving a summary of what the Partnership/Company owns and what it owes. |
| Biomethane | An alternative to fossil fuels, similar to natural gas, which is produced from organic waste, and is suitable for use as vehicle fuel. |
| Capital investment/ expenditure | Cash outflows in relation to additions to tangible fixed assets (property, plant, and equipment), and intangible assets (IT software) recognised on the balance sheet. |
| Cash equivalents | Short-term deposits which the Partnership can quickly and easily convert into cash. |
| Cash flow (statement of) | A financial statement that shows how changes in balance sheet accounts, income and expenses affect cash and cash equivalents. It breaks the analysis down to operating, investing and financing activities. It is a measure of cash generation, working capital efficiency and capital discipline of the business. |
| Click & Collect | A service offered through JohnLewis.com to enable customers to buy or order goods and collect from a local Waitrose or John Lewis. |
| Committed credit facilities | Similar to a personal overdraft, this is an agreement with banks to provide the Partnership with additional funds as and when we might require. |
| Cost of sales | The cost to the business of producing and purchasing goods sold over a specific period of time. |
| Debt | Money the Partnership has borrowed which it is required to repay. |
| Depreciation | An expense recorded to write down non-current assets to their residual values over their useful economic lives (UEs). |
| Exceptional items | Items of income and/or expense which are significant by virtue of their size and nature are presented as exceptional items. The separate reporting of exceptional items helps to provide an indication of the Partnership's underlying business performance. |
| Executive Team | Responsible for developing and recommending Partnership strategy to the Partnership Board and setting the direction for the Partnership in the execution of that strategy; and responsible for prioritising the allocation of capital and resources. |

| TERM | DEFINITION |
|---|---|
| Financial year | The period of 364 days, or 52 weeks, running from 31 January 2021 to 29 January 2022. |
| Foreign exchange (FX) exposure | The risk that the Partnership faces when a financial transaction is denominated in a currency other than GBP (Sterling). This will primarily be for products the Partnership sells which we buy from suppliers in another currency. |
| Freehold | Outright ownership of land and buildings and the right to control usage for an unlimited period without any future obligation to transfer ownership to another party. |
| Full-time equivalent (FTE) | The hours worked by one Partner on a full-time basis. The concept converts the hours worked by several part-time Partners into the hours worked by full-time Partners to enable like-for-like comparisons of resources. |
| GAAP | Generally Accepted Accounting Practice. Non-GAAP measures are those which are not required under UK-adopted IFRS, but are included to enhance the relevance and usefulness of the financial statements. |
| General Data Protection Regulation (GDPR) | An EU directive, approved on 14 April 2016 and enforced from 25 May 2018, which governs the way personal data is handled by organisations. |
| Hedging | A risk management strategy that helps to reduce the effects of future financial market movements on the Partnership's assets. |
| Her Majesty's Revenue and Customs (HMRC) | The UK Government department that administers and collects taxes, including corporation tax and value added tax (VAT). |
| IAS | International Accounting Standards |
| UK-adopted IFRS | UK-adopted international accounting standards |
| Impairment | A reduction in the value of an asset due to a fall in the expected future economic benefits generated by the asset. |
| Investment | Total investment spend includes capital investment, revenue investment, restructuring and redundancy costs, and lease disposal costs. |
| KPI | Key Performance Indicator - a type of performance measurement used by businesses to check progress towards their goals. |
| Lease | A contract in which one party lends land, property or services to another for a specified period of time, usually in return for payment. |
| Like-for-like (LFL) sales | Comparison of sales between two periods in time (e.g. this year to last year), removing the impact of shop openings and closures and the impact of a 53rd week for 2020/21. Waitrose like-for-like sales excludes fuel. |
| Liquid cash | Immediately available cash in bank. |
| Liquidity | The cash, short-term investments and undrawn committed credit facilities we have available to us, which we can use to settle liabilities as they fall due. |
| Long leave | The long leave scheme provides Partners up to six months' paid leave after 25 years' Partnership service. |
| Margin (gross) | The difference between a product or service's selling price and its cost of purchase/production. |

| TERM | DEFINITION |
|---|--|
| Material items | Items in the financial statements are material if their omission or misstatement could influence the economic decisions of users. Items may be material by size or by nature. |
| Materiality concept | The universally accepted accounting principle that all material matters should be disclosed in the accounts. |
| Net book value | The value of an asset after accounting for amortisation/depreciation and impairment. Sometimes referred to as carrying value. |
| Net finance costs | Interest payable on our borrowings, our defined benefit pension scheme and long leave scheme, offset by interest received from investments. |
| Net Promoter Score (NPS) | An external benchmark which calculates a measure between -100 and +100, that shows the willingness of customers to recommend products and services to others. A larger positive figure represents a higher level of customer satisfaction and loyalty to a brand. |
| Non-management Partners (NMP) | Level 9 and Level 10 Partners, excluding Assistant Team Managers in Waitrose. |
| Operating profit/(loss) | Profit/(loss) earned by the Partnership over a specific period of time, before accounting for net finance costs and tax. |
| Partners (members) | The name given to all employees of the John Lewis Partnership. |
| Partnership Board | The Partnership Board is one of the three governing authorities of the Partnership. As stated by Rule 38 of the Constitution, the Board has ultimate responsibility for issues of major policy and for allocating the financial and other resources of the business to keep the Partnership true to its Principles - both in terms of the vitality of its commercial progress and its distinctive employee-ownership objectives. |
| PB | Partnership Bonus |
| Pension surplus/deficit (accounting) | The accounting pension surplus or deficit presented in the balance sheet represents the difference between the fair value of the plan assets and the present value of the defined benefit obligation at the balance sheet date. It is presented in accordance with the requirements of IAS 19, which requires all companies to assume their pension fund grows at a standard rate reflecting a relatively low level of risk. |
| Pension funding deficit (actuarial/funding) | The actuarial or funding deficit is a measure that is used to judge the money that the Partnership needs to contribute to the pension scheme based on predicted growth rates and risks specific to the Partnership's scheme. |
| Profit/(loss) before tax (PBT or LBT) | Profit/(loss) generated by the Partnership over a specific period of time, before accounting for tax. |
| Qualifying services | A person's services as a Director of the company and his or her services at any time while he or she is a Director of the company. |
| Residual value | Property residual values are assessed as the price in current terms that a property would be expected to realise if the buildings were at the end of their useful economic life. |
| Restructuring | A change to internal organisational structures, designed to streamline processes and create more efficient and cost-effective ways of working. |
| Revenue investment | Investment spend recognised directly in the income statement. |

| TERM | DEFINITION |
|---------------------------------|---|
| Short-term investments | Cash placed with financial institutions (such as banks) for a period of between three months and a year. The Partnership receives more interest on these short-term investments compared to immediately accessible cash kept in bank accounts. |
| Solvency | Ability of the Partnership to meet its long-term financial obligations (e.g. repayment of its debts). |
| Trading operating profit % | Trading operating profit divided by total trading sales. |
| Value added tax (VAT) | A tax on the sales value of a product or service which is collected by HMRC. |
| Variable Net Asset Value (VNAV) | Fund prices change on a daily basis in relation to the net asset value of the underlying holdings included within the fund. |
| Working capital | The cash the Partnership utilises as part of its day-to-day trading operations. This includes aspects such as the money tied up in stock, the money we owe to suppliers for goods we haven't yet paid for, and any money we may be owed from customers and suppliers. |

GENERAL INFORMATION

INDEPENDENT AUDITOR

KPMG LLP

REGISTERED OFFICE

John Lewis Partnership plc, 171 Victoria Street, London, SW1E 5NN.

Incorporated and registered in England & Wales, under Company no. 00238937.

PREFERENCE SHARES

Any remaining queries relating to the Preference Shares previously in issue (which were cancelled in November 2016) should be directed to the Company Secretary, John Lewis Partnership plc, 171 Victoria Street, London, SW1E 5NN.

MORE INFORMATION

For more information about the John Lewis Partnership please visit:

www.johnlewispartnership.co.uk

twitter.com/JLPPartnership

linkedin.com/company/john-lewis-partnership

For more information about Waitrose or John Lewis please visit:

www.waitrose.com

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twitter.com/waitrose

youtube.com/waitroseandpartners

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CONTACT INFORMATION

You are invited to contact us with your enquiry or comments. To enable us to respond to your enquiry as quickly as possible, please use the 'Contact us' section on the John Lewis Partnership website.