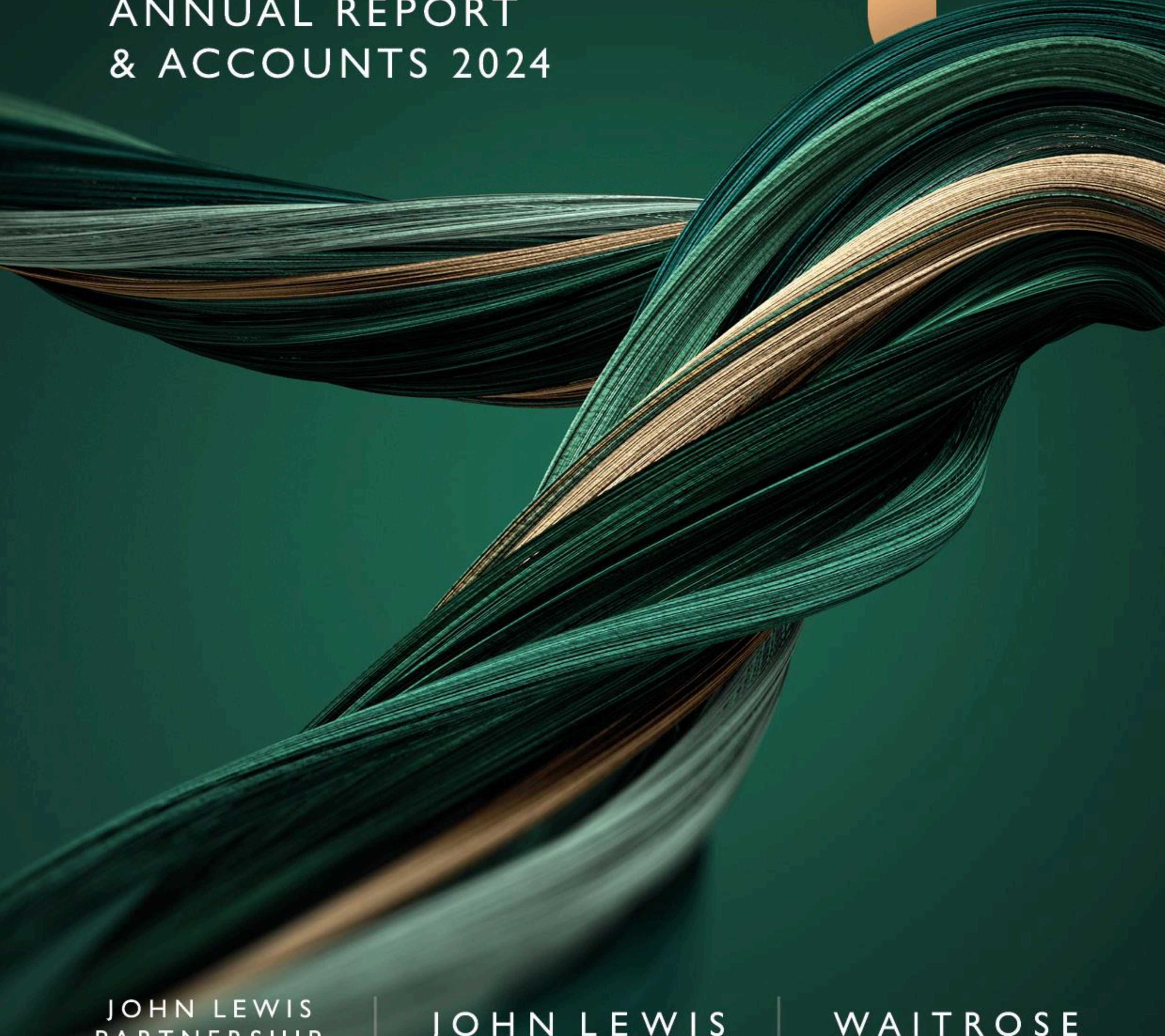
ANNUAL REPORT & ACCOUNTS 2024



JOHN LEWIS PARTNERSHIP | JOHN LEWIS | WAITROSE

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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

Welcome to the Annual Report and Accounts of John Lewis Partnership plc for the 52 weeks ended 27 January 2024.

The Partnership has improved performance and returned to profit this past year - reducing debt and strengthening the balance sheet, while remaining true to our Values. We've done this without compromising on the things that matter most to our customers: service, quality, value for money and enhancing the communities we work with.

Nish Kankiwala's move from Non-Executive Director to Chief Executive Officer, at a critical moment for the Partnership, has successfully accelerated this phase of our transformation. We've turned a positive corner and our refreshed Plan - sharply focused on retail - is working as a result. While there's still more to do, we're encouraged by last year's performance and expect profits to grow further this coming year.

The hard work of 2023/24 has generated the cash that allows us to invest for growth. Which is why this coming year we'll be investing £542m - an increase of 70% compared to last year. We're also investing a record amount to increase pay for our Partners.

I'd like to take this opportunity to thank our customers, suppliers and stakeholders for their continued support and trust in the Partnership and our brands. And extend my gratitude to our Partners for their hard work, dedication, and commitment this past year.

The Partnership is a unique business - the largest employee-owned in the UK, and in the world. It's the model that will power our continued recovery and enable us to make decisions for the long term.

Pages 3 to 44 comprise the Group Strategic Report, which was approved by the Partnership Board on 7 May 2024.

Sharon White
Partner and Chairman

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

I'm grateful for the hard work and dedication of our Partners in delivering our return to profit while growing our customer numbers, accelerating the pace of transformation and driving significant improvements in productivity. It's great to see an increasing number of customers embrace our Partner-led service for quality and value, while we deliver exciting new innovations in both Waitrose and John Lewis.

Our refreshed Plan, focused on delivering a brilliant retail experience for our customers, will provide a long-term, sustainable platform for achieving our Purpose: by unleashing the potential of our established brands John Lewis and Waitrose, and in the long term, by expanding financial services and building rental homes.

Returning to profitability and improving our cash generation in 2023/24 demonstrate that our refreshed Plan is working as we enter the next phase of our transformation. Building foundations for growth focuses on energising our unique customer offer, supported by delivering inspired service by our Partners, while we accelerate the modernisation of our retail infrastructure, fuelled by significant investment driven by growth and productivity.

I'm excited by our plans - recognising there is much work to do - and look forward to continuing to work alongside our amazing Partners, our suppliers and key stakeholders in delighting our customers.

Nish Kankiwala
Partner and Chief Executive Officer

OUR PURPOSE

Working in Partnership for a happier world

The John Lewis Partnership, the UK's largest employee-owned business with over 70,000 Partners, was established by John Spedan Lewis as a better way of doing business and to drive positive change in society. In good times and tough, that ethos remains the same.

Our Constitution preserves the values that underpin our business within a single document that can only be changed with the consent of both the Partnership Council and the Chairman. Within our Constitution, we have set out Principles and Rules which define the Partnership's role in society, as well as our responsibilities to Partners, customers, suppliers and the communities in which we operate. Crucially, it also states that we are required to make 'sufficient' not 'maximum' profit, the reason why we have always been focused on reinvesting our profits back into our Partners and the pursuit of our Purpose.

Our Purpose - Working in Partnership for a happier world - was updated in 2022 to define more clearly our ultimate aim as a business, and why we exist.

Happier people	Happier business	Happier world
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 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.	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 BUSINESS MODEL

The John Lewis Partnership functions unlike any other business. Our employees are Partners and custodians of our experiment in industrial democracy. The three governing authorities of the Partnership are Partnership Council, the Partnership Board and the Chairman, who jointly aim to safeguard the Partnership's future, to enhance its prosperity and to ensure its integrity.

Partnership Council reflects the views of all our Partners, for whom the business is owned in Trust. The Partnership's democratic network of an elected Council 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 have around 60 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 form our Partnership Council. In addition, on behalf of Partners, Partnership Council has elected three Partners to the Partnership Board as Elected Directors, and three Partners as Trustees of the Constitution.

THE PARTNERSHIP PLAN

We have refreshed our Plan to reflect the changes in the economy since we first announced our strategy in 2020. We're laser-focused on providing a brilliant retail experience for our customers, inspired by our Partners. At the same time, we're simplifying our business and improving productivity to generate stronger performance, from which we will invest to modernise and energise our unique customer offer.

We continue to make good progress against our Plan. In 2023/24, we returned to profitability and customer numbers across the Partnership grew by 1 million, to reach 22.6 million. Our focus on productivity since the start of the Partnership Plan in January 2021 saw savings of £420m last year, and we are on track against the target of £900m by 2027/28.

In support of our refreshed Plan, we are entering a year of significant investment - £542m planned (over 70% up on the year) - much of which will focus on modernising our technology, refreshing our shops and simplifying how we work.

This year, we will open new Waitrose shops in areas where the brand is underserved, and 80 refurbishments of existing stores are planned over the next three years. In John Lewis, we will improve our offer to customers with around 80 new brands and strengthen our own brand, while revitalising our Home category. We are investing significantly in training and development, supporting Partners in delivering a differentiated experience for customers, with enhanced service training for every Waitrose and John Lewis store Partner.

While our relentless focus is on investing to improve our retail brands, we continue to create a family of businesses over the long term by growing financial services and building rental homes.

Our strategy for delivering a brilliant retail experience for our customers is summarised in the diagram below. Looking forward we shall build the foundations for growth through four key drivers:

OUR PERFORMANCE

John Lewis Partnership returns to profit and progresses transformation

- Profit before tax and exceptional items[1] of £42m, an improvement of £120m compared to a £78m loss in 2022/23;
- Profit before tax of £56m, a £290m improvement year-on-year;
- Operating profit margins[2] increased 1.2 percentage points in the year;
- Partnership sales[3] were £12.4bn, up 1% on last year. Revenue[4] was £10.8bn, up 2%;
- One million more customers shopped with us in the year taking the total to 22.6 million;
- Net cash generated from operating activities before Partnership Bonus, bond finance costs and BonusSave plan[5] increased by £201m to £433m and total liquidity increased to £1.7bn giving us the financial flexibility to self-fund our transformation;
- Improved Debt ratio from 4.4x to 3.3x;
- Improved performance will allow us to accelerate investment for our customers (£542m planned this year, up from £312m in 2023/24) and in pay for our Partners - our highest ever pay investment amounting to £116m;
- After careful consideration, we believe that investing in Partner pay and improving our business must continue to take priority over paying a bonus. Consequently, no Partnership Bonus has been paid in relation to the year.

The John Lewis Partnership, home to Waitrose and John Lewis, reports a return to profit for the full year 2023/24.

Following a challenging set of results in 2022/23, profit before tax and exceptional items[1] was £42m, a £120m improvement on the prior year loss of £78m. Improvement was achieved through a combination of sales growth, gross margin rate improvement and sustainable productivity improvements. Profit before tax (PBT) was £56m, up from a loss of £234m in 2022/23.

Partnership sales reached £12.4bn, up by £176m (1%) from a year earlier, while total revenue was up 2% to £10.8bn. Gross margin rate increased by 0.6 percentage points this year. Customer numbers across the Partnership grew by 1 million, to reach 22.6 million.

Profit growth was supported by a further £111m of productivity improvements in the year. This brings recurring productivity savings since the start of the Partnership Plan in January 2021 to £420m, on track against the target of £900m by 2027/28.

Net cash generated from operating activities before Partnership Bonus, bond finance costs and share incentive plan of £433m improved by £201m, due principally to improved profit. This allows us to step up our investment in transforming our business, increasing investment levels from £312m this year to £542m in 2024/25.

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[1] Profit/loss before tax, Partnership Bonus and exceptional items (PBTBE/LBTBE). Additional detail is included in the Glossary. Partnership Bonus is £nil for 2023/24 and 2022/23 and exceptional items are described on page 10.

[2] Operating profit margin is operating profit before exceptional items and property profit/(loss) as a percentage of revenue. Additional detail is included in the Glossary.

[3] All references to Partnership sales or sales are Total trading sales which includes VAT, sale or return and other non-cash accounting adjustments.

[4] Revenue is Total trading sales, less VAT, sale or return and other non-cash accounting adjustments.

[5] Until 2020, the Company also offered BonusSave, a Share Incentive Plan. BonusSave allowed 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 Company. It is explained further on page 82.

We raised additional funding last December of £260m through a combination of sale and leaseback of 11 Waitrose shops and a new term loan[6]. We have sufficient liquidity[7] of £1.7bn in place (up from £1.4bn) to fund our investment growth for the period of the Partnership Plan and repay our £300m bond, maturing in January 2025, reducing further our external borrowings in the year ahead. Our Debt ratio improved to 3.3x as a result of improved cash generation, only partially offset by an increase in accounting pensions deficit.[8]

As employee-owners, we have a shared responsibility to ensure the Partnership is sustainable into the long-term. We've consistently said that at this point in our transformation, this is best served by investing in our retail businesses and in Partners' base pay. After careful consideration, the Partnership Board did not believe it would be right to award a Partnership Bonus in relation to this year. We are increasing overall pay by £116m in 2024 - a record investment.

Waitrose

Sales were up 5% to £7.7bn and a record number of customers chose to shop with Waitrose. Trading operating profit[9] of £1,064m improved by £170m. Sales growth, combined with strong delivery of productivity programmes across stores, cost of goods and supply chain underpinned this improvement. For the full year, volume was down 1.5% and average item price up by 6.6%.

Market dynamics of inflation and low consumer confidence, especially in the first half of the year, shaped the pattern of trade. Slower volumes in the first half and only passing on half of the market rate of inflation to our customers meant our market share (Kantar) declined.

Customer and trade dynamics recovered strongly through the second half as our customers responded to our New Lower Prices campaign. Volume growth returned in four months of the second half when we grew volume market share. Over the full year store transactions grew 6.8%.

Waitrose has now delivered eight consecutive quarters of growth in customer numbers and this year a record number chose to shop with us - customer numbers were up 8.1% to 15.0m. We invested £100m in lower prices and launched innovative products like the Japan Menyū range. The major replatforming of our supply systems is substantially complete and product availability is at record levels.

Nearly 2.5 million customers shopped at our fresh food counters, up 4%. Personal service from our Partners, embodied in our counter offer, remains a core differentiator for us. Our service credentials were recognised through a record 21 The Grocer 33 awards and we won The Grocer Gold customer service award for the third year running.

John Lewis

In a challenging year for the sector, we delivered improved profitability in John Lewis helped by improved gross margin rate and productivity. John Lewis sales were £4.8bn, down 4%. Sales in Fashion, including Beauty, were up on the year while we saw weaker sales in Home and Technology. John Lewis attracted a record 13.4 million customers, underlining the reach of the brand.

Trading operating profit of £689m[10] was £13m better year-on-year as we converted sales into greater profit. Gross margin improvement of 1.0 percentage point and efficiency savings across supply chain and stores underpinned this improvement.

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[6] £131m from new term loan and £129m from sale and leaseback, of which £66m relates to proceeds from sale of land and £63m is presented as other liabilities held at amortised cost.

[7] Including undrawn credit facility of £420m.

[8] The accounting pensions deficit is measured at each year end date in accordance with IFRS. Our actuarial valuation as at 31 March 2022 showed a surplus.

[9] See Glossary for definition and reconciliation of Trading operating profit.

[10] Trading operating profit from our financial services business is included in John Lewis.

We introduced over 170 new brands. Customers continued to turn to John Lewis for independent, unbiased advice; over 200 of our Partners are now dedicated to fashion personal styling (appointments up 27%), nursery (appointments up 25%) and home (appointments up 5%).

Our customers told us they wanted more ways to spread the cost of their purchases. In response, we launched new payment options for customers wanting to pay in stages. John Lewis remained committed to pricing competitively during the year - ensuring that customers can be confident they are getting great value and service when buying from us.

We continue to enhance customers' experience across the John Lewis app and website, making it quicker and easier to shop online for delivery or collection at over 13,000 locations. Fifty-three percent of our customers use digital channels for their shopping, which demonstrates the importance of our omni-channel offer, with app use a growing component of sales.

Looking forward

In 2023/24, our focus has been on returning to profitability through improved trading and productivity, while boosting our customer offer. This has been achieved. In 2024/25, we expect continued improvement in key financial performance measures: Profit before tax, Partnership Bonus and exceptional items (PBTBE), Debt ratio and Operating profit as a percentage of sales.

Given the significant changes in the economy since we announced our strategy in 2020, we have refreshed our Plan. We're laser focused on providing a brilliant retail experience for our customers, inspired by our Partners. We're simplifying our business and improving productivity to generate stronger performance, from which we will invest to modernise and energise our unique customer offer.

In support of our refreshed Plan, we are entering a year of significant investment - £542m planned (over 70% up on the year) - much of which will focus on modernising our technology, refreshing our shops and simplifying how we work.

This year, we will open new Waitrose shops in areas where the brand is underserved, and 80 refurbishments of existing stores are planned over the next three years.

In John Lewis, we will improve our offer to customers with around 80 new brands and strengthened own brand, while revitalising our Home category. We're improving visual merchandising in stores, investing in technology to improve customer service and continuing to invest in value. We will invest in improving our online experience through easier navigation and personalised product recommendations.

We are investing significantly in training and development, supporting Partners in delivering a differentiated experience for customers, with enhanced service training for every Waitrose and John Lewis store Partner.

While our relentless focus is on investing to improve our retail brands, we continue to create a family of businesses over the long term by growing financial services and building rental homes. With the economic environment (particularly around interest rates and inflation) having changed so dramatically since 2020, the refreshed Plan does not set a specific target for the scale of our broader business. In 2023/24, commission income across our portfolio of financial services products was up 15% and we attracted over 97,000 new Partnership Card customers, taking the total to just under a million. Alongside this, turning retail property into residential homes will improve the strength of our balance sheet.

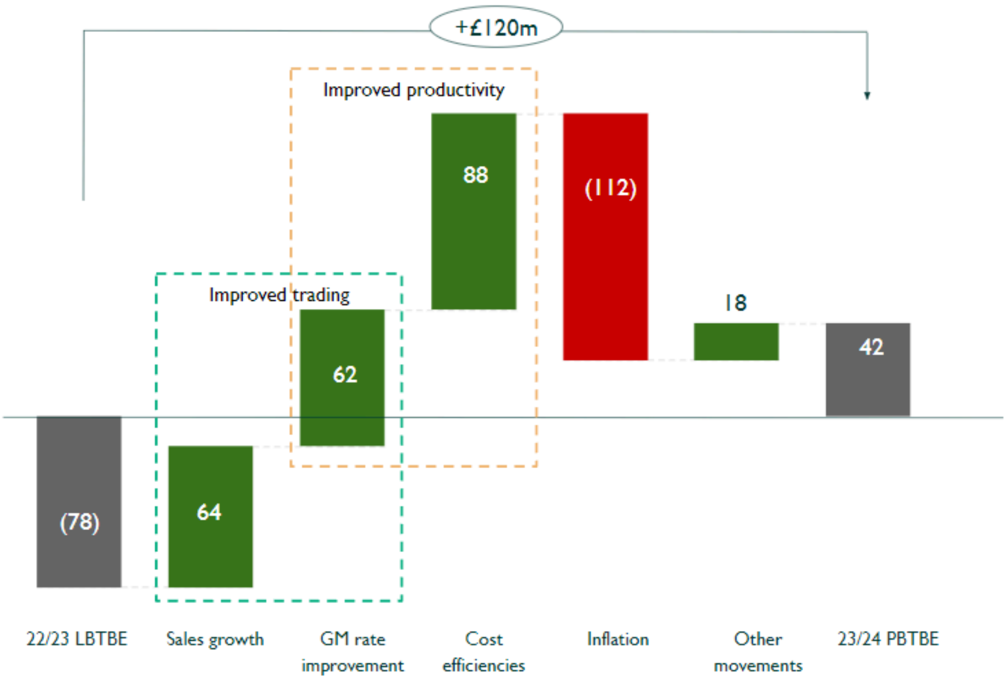
Understanding our profit performance

Within the Partnership we measure John Lewis and Waitrose performance as Trading operating profit. The composition and movement in Trading operating profit is outlined in the table below. A reconciliation of Trading operating profit to PBTBE and PBT is included in the Glossary on page 163.

	Waitrose			John Lewis		
	2023/24	2022/24	% vs 22/23	2023/24	2022/24	% vs 22/23
Total trading sales (£m)	**7,661**	**7,312**	**5%**	**4,765**	**4,938**	**(4)%**
Total trading sales LFL^	7,661	7,296	5%	4,765	4,938	(4)%
Revenue (£m)	7,139	6,750	6%	3,644	3,784	(4)%
Trading operating profit (£m)	**1,064**	**894**	**19%**	**689**	**676**	**2%**
Trading operating profit (%)	**14%**	**12%**		**14%**	**14%**	

^ We report sales using two measures: in total and like-for-like. 'In total' is the comparison between the balances for two periods of time (e.g. this year to last year). 'Like-for-like' sales are the 'in total' sales after adjustments to remove the impact of shop openings and closures. Waitrose like-for-like sales excludes fuel. Like-for-like sales gives a better comparison of our underlying performance.

The chart below outlines the key movements in PBTBE since last year.



The £120m improvement in PBTBE identified in the chart is a result of:

- ***Growth in Partnership sales*** of 1% - the impact of which at the 2022/23 gross margin rate is an improvement in profit of £64m;
- ***Improvement in margin rate*** of 0.6 percentage points - the impact of which is £62m incremental profits from stronger gross margin rate, measured on 2023/24 sales;
- ***Cost efficiencies*** - we delivered £88m of efficiencies within the cost base - principally through better matching Partner hours to customer and business need in Waitrose shops, through a reduction in energy usage, through automation of the supply chain in John Lewis, through a continued review of our spend on goods not for resale such as technology and carriers and through simplified ways of working across shops and central teams;
- In total across gross margin and operating costs, we delivered £111m of efficiencies in 2023/24. This brings recurring productivity savings since the start of the Partnership Plan in January 2021 to £420m, on track against the target of £900m;
- ***Inflation*** - we saw continued inflation across operating costs, amounting to £112m, principally in Partner pay and utilities costs.

Exceptional items

For 2023/24, our exceptional items are a net £14m of income, principally a net release of shop impairment provisions and a gain on exit of the lease from a previously closed store. In 2022/23, the net charge of £156m related principally to shop impairments and a one-off cost of living payment to Partners.

BECOMING A MORE INCLUSIVE BUSINESS

During the year, we made progress towards our ambition to become the UK's most inclusive business.

Diversity and inclusion are critical components of the Partnership's values. We believe that everyone should have equal opportunities and be treated with respect and fairness, regardless of their background, gender, race, ethnicity, sexual orientation, or any other characteristic.

This belief drives us to continuously strive for inclusivity in every aspect of our business. Our commitment has been reflected in hiring practices, with a focus on creating a diverse and inclusive workforce. We have implemented training programmes to support Partners on the importance of diversity and how it contributes to success. Additionally, we have taken active steps to attract a diverse pool of talent, resulting in a workforce that is more reflective of the customers and communities we serve.

We are also proud of our efforts to create an inclusive work environment. We have established employee resource groups to provide support and networking opportunities for our employees from diverse backgrounds. We have also implemented policies to create opportunities for career advancement and training, regardless of background.

This commitment to diversity and inclusion also extends to customers and suppliers. We have collaborated with diverse suppliers, including Black Pound Day in John Lewis Stratford, and have created an inclusive shopping experience for our customers, launching an exclusive adaptive range from Tommy Hilfiger at John Lewis. We have also launched campaigns to promote diversity and celebrate different cultures, further strengthening our relationship with our customers and the wider community, including a vibrant celebration of Vaisakhi in John Lewis Leicester.

While recognising there is much more to do, we are proud of the progress we have made over the last year:

- We received the Leadership and Culture Award at the Working Dads Employer Awards, recognising our support for working fathers;
- The Partnership has secured the top position in the FTSE Women Leaders Review among the largest privately held companies in the UK, achieving 63% representation of women in Executive Teams and their direct reports;
- Additionally, we were honoured as the Fostering Friendly Employer of the Year at the Fostering Excellence Awards in October 2023, having received Fostering Friendly Employer accreditation earlier in the year from The Fostering Network;
- Our gender pay gap, the average difference in hourly earnings between male and female Partners, has continued to narrow. It fell from 5.8% to 4.4% on a median basis and from 7.9% to 7.0% on a mean basis. We are doing better in comparison to the average for UK and retail companies.

	Gender pay gap								
	John Lewis Partnership							**UK average**	**Retail average**
Year	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**	**2023**[11]	**2023**[11]
Median	**4.4%**	5.8%	6.4%	8.6%	8.0%	8.2%	7.8%	14.3%	7.3%
Mean	**7.0%**	7.9%	9.0%	10.4%	13.0%	12.7%	13.9%	13.2%	13.5%

Our Gender pay gap reporting is prepared in line with statutory guidance which uses a 'snapshot date'. The 2023 data was prepared using a 'snapshot date' of 5 April 2023.

[11] Source: Office for National Statistics (2023)

We remain committed to promoting diversity and fostering an inclusive work culture. Our strategy this year includes the launch of a new Carer's Network which will provide support for Partners with caring responsibilities; a collaboration with the charity, Working Families, to enhance Partners' experience; and implementation of an Inclusive Language tool in recruitment adverts to address any biases.

The Partnership's Pay Gap Report 2024, published in March 2024, and Belonging at JLP report 2024, published in April 2024, have more information on our strategy and progress in diversity and inclusion. See www.johnlewispartnership.co.uk/work/Reports-and-statements.html.

ETHICS AND SUSTAINABILITY STRATEGY

Our Ethics and Sustainability strategy sets the direction for us to become a more sustainable and ethical business. In service of our Partnership Purpose, 'Working in Partnership for a happier world', we are aiming to create a kinder, fairer future for Partners, customers, suppliers and the communities in which we operate, building strong and trusted relationships with them while ensuring we listen to and understand their concerns. Each area of our strategy is critical if we are to protect the planet and nature and respect and support the interests of all those touched by our business.

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 the worker voice	**CIRCULARITY AND WASTE** Designing with circularity in mind and eradicating waste	**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	**CLIMATE ACTION AND BIODIVERSITY** Reducing greenhouse gas emissions in our operations and supply chains, and protecting and enhancing nature through biodiversity	**HEALTH, NUTRITION AND WELLBEING** Enabling customers, Partners and communities to lead healthy and happy lives

Our Plan for Nature, launched in October 2022, is a key part of our strategy and sets out five commitments reflecting our ambition to be bolder in protecting and restoring nature. Climate change is one of the leading causes of nature loss, and this year we became the first retailer in the world to have science-based climate targets for forest, land and agriculture emissions validated by the Science Based Targets initiative (SBTi). We are developing our approach to climate transition planning to demonstrate how we intend to meet our science-based targets.

For more information on the Partnership's Ethics and Sustainability strategy and governance, including climate action, see our Ethics and Sustainability Report 2023/24, the Ethics and Sustainability Committee report on pages 65 to 67 or www.johnlewispartnership.co.uk/csr.

CLIMATE DISCLOSURES

Introduction

The Partnership is committed to assessing the impacts of climate-related risks and opportunities across our operations, physical estate and supply chains. As part of our climate disclosures in this report we have outlined climate-related financial disclosures with reference to the Task Force on Climate-Related Financial Disclosures (TCFD) framework. This year, we have worked to develop our approach to climate transition planning, outlining the priority areas for action that the Partnership expects to take in the coming years. These actions will help us reach our SBTi validated science-based targets of net zero in our operations (scope 1 and 2) by 2035 and across our entire value chain (scope 3) by 2050. We will continue to build and develop our approach, which will further enhance our resilience to the changing climate and allow us to respond to the risks and opportunities that arise from the transition to a net zero, climate-resilient economy.

The full detail of our SBTi validated net zero science-based targets is available at: www.johnlewispartnership.co.uk/csr/our-strategy/climate-action.html.

Climate governance

Ethics and Sustainability Committee

In 2021, the Partnership Board established the Ethics and Sustainability Committee (ESC) as a Board-level committee. As defined by its Terms of Reference, the purpose of the ESC 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.

The ESC is ultimately responsible for overseeing delivery of the Partnership's climate-related commitments, assessing performance and progress against plans at quarterly meetings. The Executive Director, New Businesses is accountable to the ESC for the Partnership's E&S strategy overall, and the Executive Director, Finance sponsors the Partnership's TCFD programme. The ESC are supported in their duties by the Director, Ethics & Sustainability who updates the ESC at each quarterly meeting on the Partnership's progress in reducing our emissions, as well as our risk from climate change.

The ESC also monitors and reviews risks related to E&S, ensuring planned actions are aligned with risk appetite. Specifically, the ESC maintains on behalf of the Partnership Board (which retains overall responsibility for risk management) direct oversight of the Partnership's principal risks related to E&S as determined by the Partnership's Executive Team. In addition, the ESC provides input to the Audit and Risk Committee (ARC) on issues relevant to the duties of the ESC, particularly as they relate to matters of risk management and internal control, to inform the ARC's role to oversee the integrity of the Partnership's risk management and internal controls.

The ESC's membership includes two independent external members: Sarah Mukherjee, Chief Executive of the Institute of Environmental Management and Assessment; and John Morrison, Chief Executive of the Institute for Human Rights and Business. These members help to bring to the ESC best practice thinking and ongoing awareness of global developments in sustainability, which included an overview of expectations for COP28 at the ESC's November 2023 meeting.

For more detail on the work and role of the ESC, see pages 65 to 67. Full Terms of Reference can be found at www.johnlewispartnership.co.uk.

TCFD working group

In 2021, we established a TCFD working group made up of Partners drawn from across the business, including specialists in climate change, data, finance and risk management to assess our climate-related risks. The working group led the assessment, drawing on the expertise of additional subject matter experts across the Partnership as required.

For further information on Governance in the Partnership see the Governance Report on pages 45 to 84.

Climate risk management - approach

Climate change risks are managed within the Partnership's established risk management framework, as detailed on pages 31 to 39. The ESC directly oversees, monitors and challenges all E&S risks on behalf of the Board, including all climate-related risks. The Partnership Board has overall responsibility for risk management, and the ARC is responsible on its behalf for reviewing and monitoring the effectiveness of the Partnership's risk management systems. Climate change impact, including risks and opportunities, is considered under the Partnership's principal risk 'Ethics and sustainability'. Significant actions identified as part of our climate scenario analysis are captured here, and are monitored in line with the Partnership's risk management processes.

For more detail on the Partnership's risk management approach see pages 31 to 39.

Climate risk management - strategy

Time horizons

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

Material risk and opportunity areas

During the 2022/23 financial year, we conducted a qualitative risk assessment to identify climate-related risks and opportunities that could have a material financial impact on the Partnership. We reviewed key climate-related risk categories with experts from our E&S, Finance, Insurance, Property, Operations, and Business Resilience teams. The identified highest-risk areas remain unchanged from last year's report:

Type of risk/ opportunity	Description	Potential impact to the Partnership	Relevant time horizons
Physical: acute and chronic climate change	Supply chain disruption	Increased severity of extreme weather events and variability of weather patterns will impact agricultural production, processing facilities and transportation in our supply chain.	Short, medium and long term, increasing in severity over time
Transition: policy and legal	Increased pricing of greenhouse gas (GHG) emissions	Implementation of a carbon price or tax on all emissions has the potential to increase the cost of products.	Short to medium term
Transition: market	Changing customer behaviour	Consumers making different product choices due to concerns about climate change represents both a risk to sales of some products, as well as an opportunity to meet consumer needs with increased focus on our existing lower impact products as well as new product types.	Medium to long term
Transition: market	Increased cost of raw materials	Increased prices of inputs such as energy and water would increase raw material prices and have a knock-on effect on the prices we pay for our products.	Short, medium and long term

Following this qualitative assessment, we identified those products and parts of our operations that would be particularly impacted by these risks, and identified three material issues for in-depth scenario analysis based on financial materiality:

1. Animal protein (physical risks to production, policy and legal risk, market risk and opportunity);
2. Distribution (physical risk, policy and legal risk);
3. Property (physical risk, policy and legal risk).

For the selected issues, we undertook scenario analysis to determine the potential financial impact of these risks on our business, if no mitigating actions were taken.

Climate scenarios analysed

We have used two climate scenarios for our analysis of climate-related financial impacts to the Partnership. The scenarios we have used are a high emission scenario and a low carbon transition scenario, and are intended to represent the outer limits of possible outcomes; climate scientists expect the most likely outcome is somewhere between the two. By looking at these two extremes, we are able to stress test our strategy against the range of possible outcomes.

Climate scenario	Assumed level of warming	Context	Climate risks
High emissions scenario	4°C of warming by 2100	Failure to limit emissions, limited policy changes, increases in emissions in some sectors, feedback loops may intensify warming. Consistent with the GHG concentration trajectory RCP[12] 8.5.	Primarily physical risks: Chronic climate change (changes in temperature and precipitation) and extreme weather events (floods, droughts, heatwaves and cold waves).
Low carbon transition scenario	1.5°C of warming by 2100	A rapid transformation of the global economy to drastically cut emissions. Consistent with the GHG concentration trajectory RCP 1.9.	Primarily transition risks: High taxes on carbon emissions and rapid changes in technology, policy and people's behaviour.

We have used long-term time horizons to assess physical risks: 2050 for all risk areas, and for property we have additionally used 2080. These dates broadly reflect the planning horizons of these departments, for example, when building a new property we consider up to a 60 year lifespan. We continued to use a 2030 time horizon for analysing transition risks, as we project the potential for significant impacts over this period if the goals of the Paris Agreement were to be met.

Results

The scenario analysis results indicated that the most material risk to the Partnership, before mitigating actions, relates to transition risks associated with animal protein. The most significant medium-term financial impact would be a carbon tax on the supply chain emissions of animal protein. A 1.5°C aligned carbon tax on animal products by 2030 could result in a potential £100-150m reduction in operating profit to the Partnership annually, before mitigation. To mitigate this risk, we have set a science-based target to reduce our supply chain (scope 3) emissions. We are working with farmers and suppliers to reduce the climate footprint of our animal protein supply chain, while continuing to maintain and build our market-leading animal welfare standards and supporting consumers to access more plant-based protein. More information on our animal welfare standards can be found at www.johnlewispartnership.co.uk/csr/animal-welfare.html.

[12] RCP stands for Representative Concentration Pathway. There are five RCPs used by the Intergovernmental Panel on Climate Change (IPCC) to show plausible scenarios for future GHG emissions.

The most material results of our scenario analysis (those with financial impacts >£10m) are shown below. The modelling of physical risks and the impacts they will have on our costs has greater uncertainty, and so these risks are shown with wider ranges of possible financial impacts than the transition risks.

Transition risks[13]

Business area	**Risk**	**Relevance**	**Estimated potential annual financial impact**	**Mitigation**
Animal protein	Climate tax in 2030	A tax on the supply chain emissions of the animal protein that we sell would add significant cost to our business.	£100-150m reduction in operating profit (before mitigation)	• Working with farmers and suppliers to reduce the climate footprint of our animal protein supply chain in line with our Waitrose commitment that GHG emissions from our UK farms supply base will be net zero by 2035. • Supporting consumers to consume more plant-based protein.
Animal protein	Dietary changes in 2030	If customers shift their consumption of animal protein to the levels recommended to limit global warming, our animal protein sales could decline.	Decline in animal protein sales: £50-75m reduction in operating profit (before mitigation) Increase in plant-based protein sales: Potential profit opportunity	• Meeting customer needs for plant-based protein. • Supporting our animal protein sales by being the best in the market for sustainable and ethical animal products.
Property	Climate tax in 2030	A tax covering our scope 1 and 2 (operational) emissions would add direct cost to our business.	£10-15m reduction in operating profit (before mitigation)	• Reducing our operational emissions significantly by 2030 in line with our science-based target, en route to meeting our commitment to net zero operations by 2035.

Physical risks

Business area	**Risk**	**Relevance**	**Estimated potential annual financial impact**	**Mitigation**
Property	Physical risks in 2050 and 2080	Of the possible physical climate impacts, increased flooding across all our sites was found to pose the greatest potential financial risk to our physical estate. Increased cooling requirements represent a smaller portion of the potential risk, and are largely offset by reduced heating requirements.	2080: £100-200m reduction in operating profit (before mitigation) 2050: £75-125m reduction in operating profit (before mitigation)	• Developing and implementing a flood resilience roadmap for high-risk properties. • Thorough flood risk assessments are carried out for all new sites.

[13] Last year, we included a transition risk for Distribution. This has been recalculated using the Partnership's latest scope 3 footprint data and, as the impact is now estimated to be lower than the £10m threshold for inclusion in this table, it has been removed.

Business area	Risk	Relevance	Estimated potential annual financial impact	Mitigation
Distribution	Physical risks in 2050	Of the possible physical climate impacts, sea level rise was found to pose the greatest risk to our distribution. A number of the ports that our products travel through are at risk of inundation under sea level rise scenarios.	£10-50m reduction in operating profit (before mitigation)	● Mitigation will involve working with our suppliers on climate resilience.
Animal protein	Physical risks in 2050	Long-term climatic changes and more extreme weather events could directly reduce livestock and feed yields.	£10-50m reduction in operating profit (before mitigation)	● Working with farmers and suppliers on increasing resilience, for example through breeding or flood protection.

Modelling assumptions

The financial impacts calculated are based on the assumption that:

- The Partnership's business activities (operating model, emissions etc.) remain static and that the Partnership does not mitigate the impacts;
- All increases in costs are assumed to be fully absorbed by the Partnership and not passed onto consumers;
- The two scenarios constructed are mutually exclusive and no assessment has been conducted where both transition risks and physical risks take place at the same time;
- Land use related emissions and non-land use related emissions were assigned different carbon prices, due to the different costs expected for land-based and technological carbon removals;
- Animal protein emissions are based on sales volumes of all fresh meat (including poultry), fish, seafood, dairy and eggs;
- Flood risk damages are based on past flooding events. These have been used as a proxy for future damage across all properties. A sample of sites were analysed for future flood risk with sufficient representation of all flood risk ratings to extrapolate the financial impact across the estate.

Approach to climate transition planning

Our climate risk scenario analysis work highlights a clear need and opportunity to further enhance our resilience to the changing climate and allows us to respond to the risks and opportunities that arise from the transition to a net zero, climate-resilient economy. This year, we became the first retailer in the world to set SBTi validated science-based targets on all GHG emissions originating from forests, land and agriculture (FLAG). These targets set out our pathway to net zero and follow the latest science, guidance and recommendations of SBTi. Our net zero pathway is based on three milestones:

1. A rapid reduction in emissions to meet our 1.5˚C near-term targets by 2030[14];
2. Achieving net zero in our operations (scope 1 and 2) by 2035;
3. Achieving net zero across our entire value chain (scope 3) by 2050.

For more detail on our full commitments, see https://www.johnlewispartnership.co.uk/csr/our-strategy/climate-action.html.

[14] Further detail on our near-term targets can be found at: www.johnlewispartnership.co.uk/csr/our-strategy/climate-action.html.

Our priority areas to deliver these milestones include:

- Net zero operations - Adapting our own operations to be low-carbon and resilient;
- Net zero supply chain - Working with and supporting our suppliers on their own low-carbon journeys;
- Net zero product and services ranges - Embracing low-carbon principles in the products and services we offer to our customers;
- Net zero choices - Giving our customers the information they need to make informed lower-carbon choices.

In support of each of these priority areas, we have a number of existing key climate-related targets and metrics covered in the Climate performance - metrics and targets section on the following pages. We are continuing to develop our plans to deliver on our net zero science-based targets. We continue to refine our established plan for net zero in our operations (scope 1 and 2) by 2035, and know that we have more to do to develop our scope 3 plans, starting with our key hotspots.

We have reduced our scope 1 and 2 energy and industrial emissions by -18.4% since our baseline year of 2020/21[15], with more detail provided in the Climate performance - metrics and targets section on pages 19 to 23. Our plans to reduce these emissions by 60% by 2030/31 in line with our science-based target include:

- Our property estate:
  - We are targeting an absolute reduction of 25% in our energy consumption across our estate by 2028 (from a 2018 baseline). Energy reduction is the first step to achieving net zero. Further details of the energy efficiency measures we have implemented are included in the Climate performance - metrics and targets section (pages 19 to 23);
  - Our target is to electrify all our store heating systems by 2035. We are installing heat pumps, replacing gas heating systems, alongside our store upgrade and maintenance programme, as well as looking at other solutions such as infrared panels for heating;
  - We are upgrading our refrigeration systems with a water-cooled alternative to hydrofluorocarbon (HFC) so that all Waitrose core store refrigeration will be HFC free by 2028;
  - We have a target for 100% of our electricity to be certified as renewable by 2028. This is expected to be achieved via a number of methods, including Power Purchase Agreements, onsite renewables or purchasing electricity through a renewable tariff with the appropriate certificates.
- Our fleet:
  - We are committed to ending the use of fossil fuels in our transport operations by 2030 by converting our heavy trucks to biomethane by 2028 and electrifying our wider fleet;
  - To facilitate the decarbonisation of our fleet we have introduced biomethane refuelling stations and electric charging infrastructure, over 70% of our heavy trucks now running on biomethane. We are testing our first all-electric large home delivery van from our Waitrose fulfilment centre.
- To support our scope 1 and 2 transition plan, we have embedded our net zero operations targets into our financial planning, decision-making frameworks and performance reporting to focus action on materiality and align with asset replacement cycles.

This year, we are publishing for the first time our scope 3 emissions 2020/21 baseline, as well as two years of reduction progress. Our scope 3 emissions baseline is 7.39 million tCO2e, with purchased goods and services making up the largest percentage of emissions - for more detail see the Scope 3 footprint section on page 22. We are currently on track with our scope 3 targets due to a combination of category sales mix and product composition changes, increasing renewable energy use in our supply chain, and more sustainable raw material sourcing.

[15] Details of our approach to updating our baseline from 2018 to 2020/21 can be found in the Climate performance - metrics and targets section on pages 19 to 23.

Supplier engagement and low-carbon products and services, as well as customer engagement and government advocacy will all be critical for us to meet our science-based target of net zero across our entire value chain (scope 3) by 2050. We have made key steps on this journey including: requesting key Waitrose suppliers to set science-based targets; sourcing 80.0% of the cotton used in own brand products from more sustainable or recycled sources; making 93.1% of John Lewis and 96.9% of Waitrose own brand primary product packaging widely recyclable, reusable or home compostable; and launching our PlantLiving and GoVeggie ranges. Last year, we also joined Manufacture 2030 to support our food and general merchandise suppliers to track and share their carbon data and plan reduction activities.

Climate performance - metrics and targets

The Partnership aims to reach net zero GHG emissions across its own operations by 2035 and across its entire supply chain by 2050. Our current key climate-related metrics relate to:

- Scope 1, 2 and 3;
- Renewable energy;
- Operational transport;
- Refrigeration.

The Partnership's carbon emissions and energy consumption

This section discloses our operational energy consumption, carbon footprint, and energy efficiency initiatives from 29th January 2023 to 27th January 2024 in line with Streamlined Energy and Carbon Reporting (SECR) requirements.

We are committed to reducing the Partnership's GHG emissions and continue to make progress towards reaching our goal of reaching net zero emissions in our operations by 2035. In 2023/24, the Partnership's scope 1 and 2 energy and industrial market-based emissions were 119,701 tCO_2e (tonnes of carbon dioxide equivalent), compared to 120,288 tCO_2e in 2022/23. This represents a reduction of 27,061 tCO_2e against our 2020/21 baseline, or -18.4% reduction.

In 2023, our carbon reduction targets were validated by the SBTi. Through this process, our baseline changed from 2018 (calendar year) to 2020/21 (financial year), and the carbon metrics in the following table have been adjusted accordingly. Our baseline year of 2020/21 was during the Covid-19 pandemic; but we used this as our baseline for all scopes for our science-based targets to be in line with the SBTi recommendation to choose the most recent year for which data is available, to ensure that targets have sufficient forward looking ambition. We have also updated our scope 1 baseline figures to only show energy and industrial emissions, removing 3,611 tCO2e of scope 1 emissions which were previously included but relate to FLAG (equivalent to 2.5% of our scope 1 baseline). FLAG science-based targets are separate and additional to conventional science-based targets; they have different pathways and targets[16]. We will be updating our scope 1 FLAG reporting methodology in line with updated sector guidance, so as a result have excluded FLAG emissions from our scope 1 reporting. This means the figures in the following table differ from numbers published previously.

This year, KPMG LLP has issued an independent limited assurance opinion over the selected data highlighted in the table below with an asterisk (*) using the assurance standards ISAE (UK) 3000 and ISAE 3410. The assurance opinion can be found in the appendix of the Ethics and Sustainabilty Report 2023/24 and the Basis of Reporting can be found on www.johnlewispartnership.co.uk/csr/reporting/reports-policies-standards.html. Selected data that KPMG LLP has previously issued an independent limited assurance opinion over, however was not part of this year's engagement is marked with a diamond (◊).

[16] See the climate section of the Partnership's website for more detail on our FLAG targets: www.johnlewispartnership.co.uk/csr/our-strategy/climate-action.html.

Climate performance metrics[17]				
Global GHG emissions data[18]	**Performance rating against target[19]**	**2023/24**	**2022/23**	**2020/21 baseline[20]**
Scope 1 and 2 energy and industrial market-based emissions reduction versus baseline Net zero carbon emissions across our own operations by 2035 (scope 1 and 2)		-18.4%*	-18.0%	-
Scope 1 energy and industrial emissions (tCO_2e)[21] Combustion of gas and fuel for transport purposes and refrigeration		103,299*	118,898	141,417
Scope 2 emissions (tCO_2e)[22] Electricity purchased, and heat and steam generated for own use – Location-based – Market-based		106,707* 16,402*	105,227◊ 1,390◊	130,029 5,345
Selected scope 3 emissions (tCO2e)[23] Including: offsite water treatment, third party operations, business travel, waste, and transmission and distribution losses from purchased electricity	-	14,876*	15,102◊	33,157
Intensity metric (tCO_2e per £m sales) – Location-based – Market-based	- -	18.1 10.8	19.5 11.1	24.7 14.6

[17] Performance figures in the table are based on the financial year. The exceptions to this are the baseline and 2022 years for the Energy usage measures (see footnote 24), 'Diesel displaced by alternative fuels %' and 'Reduction in litres of fossil fuels %' which are based on the calendar year.

[18] We previously reported figures based on the calendar year, and have now restated global GHG emissions data for 2020/21 and 2022/23 financial years to align with our validated science-based targets.

[19] Performance rating against target assesses the Partnership's confidence in meeting its target. Green is 'on track to meet target'. Amber is 'not currently on track to meet target, some improvement needed'. Red is 'not currently on track to meet target, significant improvement needed'.

[20] This year, our scope 1 and 2 baseline has changed from 2018 (calendar year) to 2020/21 (financial year) to align with our validated science-based targets. We have used this baseline for all our science-based targets in line with the SBTi recommendation to choose the most recent year for which data is available. We have also updated our scope 1 baseline figures to only show energy and industrial emissions, removing 3,611 tCO2e of scope 1 emissions which were previously included but relate to FLAG. This is in line with HM Government Environmental Reporting Guidelines (March 2019) for large unquoted companies to report scope 1 emissions from electricity, gas and transport fuels as a minimum.

[21] Scope 1: Emissions associated with our direct activities, such as heating our shops and offices and running our fleet of trucks, and company cars. These do not include any FLAG emissions or out of scope biogenic biomethane emissions. 2022/23 data has been restated from prior year, previously reported as 123,390 tCO2e against a calendar year and including FLAG emissions. The biogenic origin of biomethane used in some of our vehicles results in total out of scope emissions of 40,010 tCO2e for financial year 2023/24. These are emissions from biomethane production.

[22] Scope 2: Emissions from the electricity we purchase. 'Location-based' represents the average emissions factors for electricity grids, and market-based represents supplier-specific emissions factors and considers renewable energy certificates.

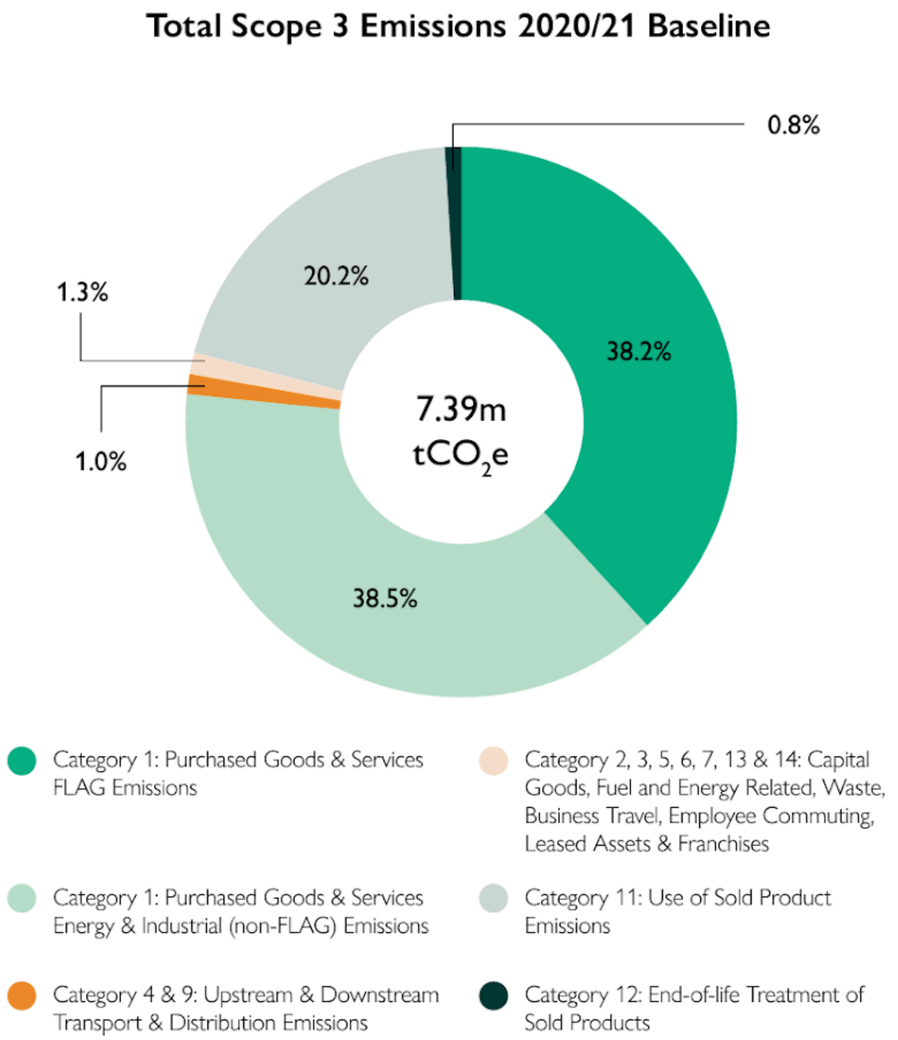
[23] Selected scope 3: Emissions from our indirect activities under our operational control or our operation's influences. The categories presented in the table are a subset of, rather than our entire, Scope 3 footprint (see page 22), and are not included in the energy and industrial scope 1 and 2 science-based target. See our Basis of Reporting for the full list of data points included: www.johnlewispartnership.co.uk/csr/reporting/reports-policies-standards.html.

Energy usage	**Performance rating against target**	**2023/24**	**2022[24]**	**2018 baseline[25]**
Partnership energy consumption (kWh) Total energy consumed (electricity, gas and transport) – Electricity – Gas – Transport[26]	- - - -	1,128,248,164 508,554,378 188,787,273 430,906,513	1,097,155,112 540,445,353 225,441,175 331,268,584	1,280,410,028 639,096,177 284,809,768 356,504,083
Absolute energy reduction within the Partnership's physical estate (electricity and gas only) An absolute energy reduction within the Partnership's physical estate (electricity and gas only) of 25% by 2028 from a 2018 baseline		-24.5%	-17.1%	-
Partnership electricity renewable % All electricity procured by the Partnership to be 100% renewable certified by 2028 (Total electricity which is REGO backed)		91.9%	100%	-
Fuel, hydrofluorocarbon and refrigerant gas	**Performance rating against target**	**2023/24**	**2022/23[27]**	**-**
Diesel displaced by alternative fuels % We will end the use of fossil fuels across the Partnership's transport fleet by 2030		44.4%*	37.2%◊	-
Reduction in litres of fossil fuels %[28] We will end the use of fossil fuels across the Partnership's transport fleet by 2030		-42.7%*	-32.8%◊	-
Heavy trucks converted to biomethane fuel % All heavy trucks to be converted to biomethane fuel by 2028		72.5%	61.2%	-
Waitrose stores hydrofluorocarbon (HFC) free % All Waitrose core store refrigeration to be hydrofluorocarbon (HFC) free by 2028		70.3%	69.1%	-
Refrigerant gas leakage rate % Waitrose to stay under a 7% refrigerant gas leakage rate		5.2%	3.9%	-

[24] Energy consumption and reduction data for 2022 has been restated in this year's report due to an error in reporting last year.
[25] The Partnership's energy reduction target is against a 2018 calendar year baseline, rather than the updated financial year baseline for our validated science-based targets.
[26] Transport energy consumption: The scope of the energy for transport being reported for 2023/24 has been updated to include third party sites where the Partnership has the lease and operational control. This results in an increase in energy consumption for the reporting year when compared with 2022.
[27] Diesel displacement data for 2022/23 has been restated in this year's report due to an error in reporting last year.
[28] The move to alternative fuels measured as a reduction in litres of fossil fuels for the calendar year 2023 is -42.7%* (19,961,175* litres vs the 2018 baseline of 34,855,311 litres).

Scope 3 footprint

Our scope 3 emissions baseline for 2020/21 is 7.39 million tCO2e, with purchased goods and services making up the largest percentage of emissions. See our Ethics and Sustainability Report 2023/24 at www.johnlewispartnership.co.uk/csr for further details on progress against this baseline.



Methodology

The methodology used to calculate our scope 1 and 2 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 scope 1 and 2 data has been calculated using Department for Energy Security and Net Zero 2023 emission factors for all carbon streams, with the exception of certain refrigerants, and market-based renewable electricity, 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 tCO_2e per £m Total trading sales (tCO_2e per £m sales).

The methodology used to calculate our scope 3 GHG emissions follows the GHG Protocol Corporate Value Chain (scope 3) Accounting and Reporting Standard and the GHG Protocol Land Sector and Removals Guidance using the operational control approach on reporting boundaries.

Energy efficiency
We continue our commitment to reduce the Partnership's overall energy consumption across our physical estate, through the development and implementation of smarter energy saving technologies. This year, we reached a -24.5% 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. Progress in 2023/24 included:

- Continuing the roll out of heat pump technology to a further 12 stores, removing the need for gas and providing a more efficient form of electric heating;
- Continuing 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 a further 13 AirDoor™, bringing our total to 33;
- Trialling infrared panels at John Lewis Edinburgh, as a solution for electrical heating, in combination with AirDoor™ technology to see how this solution could work to minimise cold air infiltration and decarbonise the heating source;
- An additional five Waitrose stores received a refrigeration upgrade. This involved a full replacement of conventional HFC based refrigeration systems to a low global warming potential water cooled alternative;
- Building on the energy awareness training we have previously made available to all Partners, we launched a behaviour change campaign ('Switch off and save!') across the Partnership, with clear messaging and support on addressing energy efficiency opportunities;
- Continuing to implement a full review of set points and time clocks to ensure we are using energy responsibly and to identify any opportunities for further reductions. For example, reviewing the temperatures in our buildings, and the timing and configuration of lighting, all to make sure we are minimising energy consumption wherever possible;
- Trialling destratification fans at some sites, to circulate warm air to ground level, ultimately reducing gas consumption.

Renewable energy
This year, 91.9% of electricity purchased across our physical estate is backed by Renewable Energy Guarantees of Origin (REGO) certified renewable energy sources, and is considered in our scope 2 market-based reporting, aligned with the GHG Protocol. A number of external pressures have resulted in a significant spike in the market cost of renewable electricity this year. As a result, we have significantly increased the premium we pay for renewable electricity and accepted that for 2023/24 we have purchased less than 100% renewable electricity. This resulted in an increase in our scope 2 market-based emissions compared to last year.

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 the Directors to act in the way they consider would be most likely to promote the success of John Lewis Partnership plc ('the Company') for the benefit of its members as a whole and in doing so have regard (amongst other matters) to:

- The likely long-term consequences of decisions;
- The interests of the Company's employees;
- The need to foster the Company's business relationships with suppliers, customers and others;
- The impact of the Company's operations on the community and the environment;
- The desirability of the Company maintaining a reputation for high standards of business conduct;
- 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 Strategic Report and is also contained within the Governance Report. The section on our risks and uncertainties on pages 32 to 39 includes, amongst other things, an assessment of the impact to the Partnership of volatility in the external environment and geopolitical risks, including how these affect our Partners, our customers, our supply chain and our operations.

Our Purpose, which is set out in our Constitution, states: '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'. We summarise this as 'Working in Partnership for a happier world'.

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 2006. For example, the requirements 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, are 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 align with the Purpose objectives 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. Papers submitted to the Board or Executive Team are required to state how a matter for decision 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 document pack for Executive Team and Partnership Board meetings. The Board's minutes reflect 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 the Partnership Board, our three governing authorities, is to safeguard the Partnership's future, enhance its prosperity and ensure its integrity.

The Partnership's key stakeholders, and community and environmental impact

When it is carrying forward that aim, and aligned to our Purpose, the Partnership Board keeps in mind the impact the Partnership has on different stakeholder groups. These stakeholders include: our customers, whose needs we respond to and with whom we aim to build long-term relationships; our producers and suppliers from whom we purchase goods and services; the communities and the environments in which we operate; and our financial stakeholders, including the Partnership Pensions Trust, relationship banks, credit insurers and holders of John Lewis plc financial bonds. Alongside these, engagement with campaign groups and non-governmental organisations, particularly those working on ethics and sustainability, is key. Partners are the thread that draws these other stakeholders together, acting as owners of the business and more than employees.

On the following pages, we describe 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 2023/24
Partners Our Purpose is clear 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: ● Becoming a more inclusive business, pages 11 to 12; ● Partnership Council Report, due to be published to Partners in June 2024.	Three Partners are elected to directorships on the Partnership Board. All Directors are non-voting members of and regularly attend Partnership Council meetings. Forum is the first formal layer of democracy operating on a geographical or subject matter basis. Most Council meetings discuss a regular report about 'What's On Partners' Minds' which, amongst other things, ensures that Partners' opinions are passed up from the Forums. Partners receive updates about the Partnership from regular dialogue with management, email updates, podcasts, vlogs, the Partner Intranet, and through the weekly independent Gazette publication. During the year, we once again conducted our all Partner survey. This included questions aligned to our Purpose as well as questions about people management. 67% of Partners participated and the results and proposed action plan were discussed by the Partnership Board.	The Board recognises the variety of changes Partners are experiencing - whether directly affected, delivering the change or through wider morale - and that communication is key: ● The year started with a briefing for all Partners on the plan for 2023/24, which was delivered through live streams, supporting material on the Partner Intranet and a series of roadshows for line managers; ● An extensive plan of internal communications was developed to explain the refreshed strategy, operating model and the plan for delivery in 2024/25. During the year, the Partnership was a principal sponsor of and participated in a research programme on employee ownership, the results of which were published by the Employee Ownership Association in October 2023. When one Elected Director resigned, Partnership Council elected a Partner to replace them on the Partnership Board in November 2023, taking up the role in December 2023.

Customers 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. Our Partners support this by providing specialist expertise, curation and advice to our customers. The Partnership aims to offer its customers the best value in the marketplace for goods and services of comparable quality and availability. Our own brand ranges offer quality products for every budget, and we offer enhanced payment and credit services. We continually strive to optimise our customer experience by monitoring key customer metrics including Brand Advocacy via Net Promoter Score (NPS) and Customer Satisfaction (CSAT), reviewing performance against our historic measures and also our competitive market set. See also: ● Our performance on pages 7 to 10.	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. We also manage a dedicated Customer Perspectives Panel allowing deep dives, concept testing and more collaborative research on new services and products, to ensure we understand the customer engagement and reaction ahead of launches. Regular customer reports are produced for management and for Partnership Board meetings, tracking and reviewing emerging trends, as well as measuring the business response and feeding in data to support both strategic and tactical initiatives and decision-making. During the year, the Directors considered customer interests, behaviour and expectations as well as likely future trends.	Waitrose retained The Grocer Gold Award for Best Service in 2023, for the third year running, and recorded 21 weekly wins in The Grocer 33 weekly survey. The latest UK Customer Satisfaction Index rates John Lewis amongst the best for customer service. In February 2023, Waitrose committed a record £100m to lower the prices of hundreds of everyday products, making it easier for customers to keep buying quality products when household budgets are under pressure. Waitrose improved ScanPayGo as part of driving a simpler, more personalised experience for customers. It also entered a multi-year partnership with Uber Eats that will deliver Waitrose products to customers' doors in as little as 20 minutes. We introduced over 170 new brands and customers continued to turn to John Lewis for independent, unbiased advice; over 200 of our Partners are now dedicated to fashion personal styling (appointments up 27%), nursery (appointments up 25%) and home (appointments up 5% year-on-year). John Lewis customers told us they wanted more ways to spread the cost of their purchases. In response, we launched new payment options for customers wanting to pay in stages. John Lewis extended its same day delivery offer to more cities, meaning customers in London, Manchester, Leeds and Birmingham are able to use the service. It also extended its Click & Collect network with the launch of outlets in Dobbies Garden Centres, taking the total number of collection points to 13,000. Along with improvements to the Deliver to Yodel Store service, these initiatives gave 90% of the UK population access to free, next day collections within 10 minutes of their home. The John Lewis Partnership announced new strategic partnerships with Google Cloud, and customer loyalty and marketing experts dunnhumby and Eagle Eye, to accelerate our digital transformation and deepen our relationships with our customers.

<table>
<tr>
<td>Producers and suppliers
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.

It is the strong working relationships we form that allow us to source high quality, more sustainable and ethical products for our customers.

See also:
● Our E&S strategy on page 12;
● Waitrose compliance with the Groceries Supply Code of Practice on pages 63 to 64;
● Anti-bribery and corruption on page 44;
● The John Lewis plc, John Lewis Properties plc and Waitrose Limited published payment practice reports;
● Our Better Jobs programme at https://www.johnlewispartnership.co.uk/csr/creating-better-jobs.html
● Our full Ethics and Sustainability Report and Modern Slavery Statement at www.johnlewispartnership.co.uk/csr</td>
<td>The Partnership Board monitors relationships with the Partnership's suppliers in a number of ways including:
● Review by the ARC of compliance with the Groceries Supply Code of Practice;
● The steps the Partnership is taking to meet its E&S goals, to improve the livelihoods 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 ESC.

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 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.

The Partnership engages with suppliers in a number of ways, including: through our dedicated online supplier portals, supplier conferences and forums such as The Waitrose Farming Partnership (which encompasses the Livestock Steering Group, Fish Forum and Agronomy Group), and a number of programmes and advocacy work including The John Lewis Better Jobs Programme and The Waitrose Foundation.

The Partnership is a signatory to the Prompt Payment Code.

For more details on a number of our supplier engagement programmes visit: www.johnlewispartnership.co.uk/csr.</td>
<td>The Partnership hosted an event before the peak trading period for key suppliers of goods not for resale and services across the business. This emphasised the contribution of peak trade to the success of the business. Working in partnership with suppliers contributed to successful operational delivery through the period from Black Friday to Sale.

The Waitrose Foundation conducted research to assess its impact on household incomes within its horticulture supply chains in East Africa. It also invested £0.8m in climate resilience projects, as part of its commitment to invest £1m overall, with projects underway in Senegal, Gambia, Kenya and South Africa.

The Responsible Commodities Facility, in which we were one of the inaugural investors, incentivises Brazilian farmers to produce soy without deforestation or conversion of natural land. This year, the second phase of funding attracted $47m of investment to support 122 farms during the 2023/24 crop cycle.

John Lewis has published two important policies this year that set out the more sustainable and responsible ways in which we expect to do business for specific raw materials. The policies have been supported by deeper engagement to help suppliers meet our expectations.

Our Better Jobs programme in China has evolved from identifying workplace issues to building workforce resilience. That means supporting factory managers and workers in dealing with work-life pressures, changing attitudes and behaviours and developing plans to build a more resilient workforce.

The ESC considered initiatives being implemented throughout the Partnership, including:
● The approach to animal welfare in our supply chain;
● Reducing food waste in our supply chain;
● Work to improve visibility within the John Lewis supply chain.</td>
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Communities in which we operate In line with our Purpose, we are working in Partnership for a happier world. 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. See also: ● Our E&S strategy on page 12; ● Our Ethics and Sustainability Report and further information at www.johnlewispartnership.co.uk/csr.	The Board monitors relationships with communities in which we operate via the ESC, including the Partnership's response to the increasing social challenges faced by today's society. 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 geographical presence matching our estate where possible, giving our Partners the opportunity to make a difference locally.	This year, together with our suppliers, customers and Partners we have donated a total of £10.2m to good causes, including FareShare, Action for Children, Home-Start UK and Who Cares? Scotland. We also funded The John Lewis Partnership Foundation which works to deliver sustainable youth employability where John Lewis operates both in the UK and internationally. In the summer of 2023, the Partnership made a targeted £100,000 donation via one of our charity partners, FareShare, to ensure thousands of nutritional meals reached people in need across the UK, including many who may be missing out on free school meals during the holidays. The Partnership's commitment to the Building Happier Futures programme continued. This included: ● The launch of a new programme, in collaboration with the Open University, to offer young people with experience of being in care the opportunity to study an undergraduate qualification for free; ● Transferring £1.1m of unspent apprenticeship levy to fund apprenticeships for 77 individuals who work within 19 charities supporting care experienced people.
Financial stakeholders This includes the John Lewis Partnership Pensions Trust, relationship banks, credit insurers and holders of John Lewis plc bonds. See also: ● Our performance on pages 7 to 10.	Through our website, we share details on our performance, and our Treasury team provides further detail as needed. We invite our financial stakeholders to join our financial updates and announcements, which gives them an opportunity to hear and engage with the Chairman, Chief Executive Officer, Executive Director, Finance and senior management. We maintain an open and collaborative relationship with our pension trustee, providing financial information and proactive engagement ahead of material transactions.	To support the Partnership and enhance investment over the life of the Plan, a new term loan was issued with some of our relationship banking partners for £131m, which matures in 2026. Alongside this, the Partnership repaid a £50m term loan at maturity. During the year, the Board agreed the triennial valuation of the Partnership Pension Scheme as at March 2022 with the Trustees of the John Lewis Partnership Pensions Trust. The Board and Trustees continue to work together closely to ensure the Scheme remains able to meet its liabilities. Annually, the Chair of the Pension Trustee attends a Board meeting and provides a full overview of the Scheme's activities and operations. The Board reviewed and approved updates to the Partnership's Treasury Standard to reflect organisational changes and ensure it remains comprehensive in managing financial risks faced by the business. Our pension trustee, relationship banks, credit insurers and bondholders were invited to a virtual results call and presentation at half year and year end, hosted by the Executive Team. On behalf of the Board, the Executive Director, Finance, the Group Finance & Strategy Director and the Head of Treasury also engaged with our relationship banking group and pension trustee at various points throughout the year.

Environmental impact

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 our products and services can have on people, animals and the natural environment.

How do we monitor our environmental impact?	Key highlights from 2023/24
The Board monitors environmental impact via the ESC, including responding to the environmental challenges faced by today's society and those which may impact our business operations. 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 threats 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, and Waitrose's membership of WRAP's Courtauld Commitment 2030 and the WWF Retailers' Commitment for Nature.	The Partnership became the first retailer in the world to have validated SBTi science-based targets focused on GHG emissions originating from forests, land and agriculture, which make up part of our total emissions footprint alongside the energy used to run our stores and make our products. The Partnership aims to reach net zero emissions across its own operations by 2035 and across its entire supply chain by 2050. More than 70% of our heavy trucks now run on biomethane, up from 61% last year, and we continue to grow our electric vehicle fleet. Waitrose became the first UK retailer to use biomethane gas to power tractors, on its farm at Leckford. The use of biomethane gas will reduce Leckford Estate's carbon footprint and is part of the Partnership's work to reach net zero emissions. Waitrose won the MSC Fish Counter of the Year award for the sixth year running, and became the first retailer in the UK to sell MSC-certified tuna across our canned, prepack, counter and food-to-go ranges. This achievement is the culmination of 14 years of industry engagement, addressing the complexities of tuna fisheries' management and validating responsible fishing practices. Working closely with one of our key suppliers, 100% of the pure cashmere used in our own brand womenswear is now certified to the Sustainable Fibre Alliance Cashmere Standard. This is a major milestone on our journey to making all our own brand cashmere more sustainable by 2025. We are committed to halving food waste in our own operations and supply chains and helping customers do the same. As part of a trial to reduce operational food waste, 75 Waitrose shops have this year diverted surplus that could not be diverted for human consumption to be processed into animal and pet feed.

For more on how the Partnership monitors and engages on matters concerning environmental impact, visit https://www.johnlewispartnership.co.uk/csr.html where you can also read Our Plan for Nature and the 2023/24 Ethics and Sustainability Report. For further information see also:

- Our E&S strategy on page 12;
- Climate disclosures, pages 13 to 23.

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 ARC oversees how the business manages compliance and this has continued to be an area of focus. Further information is provided in the risk and uncertainties section on pages 32 to 39 and the Audit and Risk Committee report on pages 55 to 64.

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.

Becoming a more inclusive business on pages 11 to 12 and the Partnership's Pay Gap Report, which can be viewed at www.johnlewispartnership.co.uk, set out how equality is fostered within the business.

MANAGING OUR RISKS

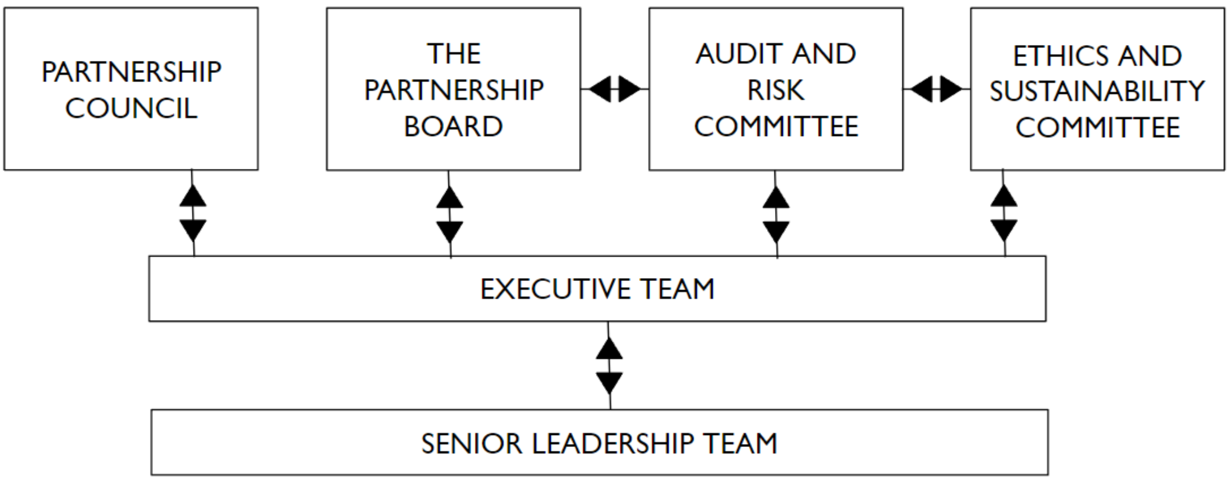
Our approach

As in all businesses, risk is inherent in both our current operations and the strategic decisions we make in pursuit of the Partnership's future goals and purpose. The Partnership Board sets our risk appetite which provides the overall 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 pursuing strategic innovation or options that offer potentially higher return in reward and less risk in the delivery of our day-to-day operations.

We implement a structured approach to risk management, consistent with previous years, which is 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 for the Partnership. All Partners should be aware of risks in their areas of responsibility and manage them in their day-to-day activities. This approach is underpinned by our risk management policy and leadership accountabilities.

Our principal risks are 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 ARC, the 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, with the support of the Executive Team, the ARC and the ESC, has managed and monitored the principal risks to achieving the Partnership Plan. See pages 32 to 39.

Governance



The risk management governance structure is set out above. 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 Team to identify, monitor and mitigate risks. The ARC has responsibility, on behalf of the Board, to assess the overall effectiveness of systems of risk management and control. Also, risks most related to the completeness and accuracy of our financial statements and our financial health, information security and compliance-related risks and mitigations are challenged in detail by the ARC on behalf of the Board, except for ethics and sustainability related compliance. Ethics and sustainability risk and compliance matters are reviewed by the ESC on behalf of the Board. All other principal risks, generally more strategic in nature and predominantly relating to Partners, customers, change and our response to the evolving external environment, are challenged directly by the Partnership Board. Accountability for oversight is noted in the table of principal risks on pages 32 to 39.

This activity is supported by a team of risk specialists, led by the Director of Risk and Assurance and embedded in Executive Leadership teams, providing 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 55 to 64 and Ethics and Sustainability Committee report on pages 65 to 67. The Director of Risk and Assurance continues to report 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 at each stage of the governance structure undertake horizon scanning as part of their quarterly risk discussions. Emerging risks identified through this process are assessed and monitored to understand their potential impact on the Partnership and facilitate proactive mitigations as appropriate. Examples of emerging risks identified during the course of this year and actively being monitored include:

- **Political uncertainty and war:** Our supply chain routes in close proximity to areas of conflict and tension are being proactively managed. Risks arising from the resultant volatility, for example rising inflation, energy price changes and cyber, as well as the more direct sourcing and availability risks are reflected in our mitigation plans. We are also mindful of global political uncertainty that could change the economic outlook in numerous geographies, potentially impacting consumer confidence and our business in terms of sales, gross margin and profit. We continue to monitor the geopolitical situation and are preparing for possible outcomes;
- **Economic situation:** The continued impact of higher interest rates putting pressure on discretionary spend remains a concern in the outlook for 2024 in terms of the impact on customer behaviour, sentiment and spend;
- **Partner happiness and engagement:** The Partnership is undergoing a period of transformation and there is a risk that change of this scale, against the backdrop of an uncertain external environment and sustained high inflation, could negatively impact Partner happiness, engagement and morale. We continue to monitor Partner happiness through regular checkpoints including anonymous surveys, with remedial actions planned or delivered and tracked via mitigation plans for relevant Partner-related risks;
- **Regulations and standards:** We have assessed the opportunities, risks and trade-offs associated with a variety of new and changing areas including the continued roll out of high fat salt sugar regulations, Digital Markets, Competition and Consumers Bill, Economic Crime and Corporate Transparency Act 2023 and emerging artificial intelligence and ethics and sustainability intelligence regulations.

PRINCIPAL RISKS AND UNCERTAINTIES

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

Our principal risks are:

- Productivity
- Change delivery
- Information security
- Strategic resilience
- Regulatory non-compliance
- Operational resilience
- Customer experience
- Customer proposition
- Partner differentiation
- Partner wellbeing
- Ethics and sustainability

What has changed since last year?

Managing our principal risks within the Board's risk appetite this year has been challenging. In response to the ongoing economic volatility, we refreshed our Partnership Plan and in doing so prioritised activity to deliver transformation at pace while giving due consideration to our principal risks and the trade-offs required through the Plan years. As a result, we have improved **Strategic resilience**.

Mitigations delivered this year have served to maintain a generally similar overall risk position to last year. The following changes have been made to our risk profile during the year, which continues to evolve to take account of the changing internal and external environment:

- Our **Insufficient profit** risk evolved to a **Productivity** risk, to reflect the step change in ambition required to ensure simplicity and productivity is embedded in all we do, every day. The causes, consequences and controls over this risk were also updated to reflect this change in focus;
- The likelihood of **Change delivery** risk reduced at the beginning of the year as a result of delivering actions to improve the quality of change. However, the potential impact of the risk increased towards the end of the year, reflecting challenges associated with the greater scale and pace of transformation across the Partnership. We ended the year with an overall risk exposure similar to that of the previous year end. We continue to strengthen our ability to deliver change and progress with the Plan but expect this risk to remain as we transform and new ways of working bed in;
- **Regulatory non-compliance** risk reduced overall during the year;
- A new **Operational resilience** principal risk was introduced to ensure greater Executive oversight over the management of business resilience and reflect the significant potential impact of business interruption on customers and Partners, reputation and trading performance. The resulting mitigation plan encompasses both preventative measures across IT systems and operational processes, and our crisis management response.

Our principal risks are described in more detail on the following pages, together with clarity on how they align to our Partnership Purpose, key mitigation activity for each risk and any change in risk exposure score since last year's disclosure.

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, refreshed mid-year as part of our business planning process, is our strategic response to this and its effective operationalisation is our single most important mitigation.

Movement in risk exposure versus last year:

Increased ⇈ Decreased ⇊ No movement ⟺

1. Productivity	⟺
Risk We cannot make sufficient improvement in our productivity levels to deliver the necessary step change in financial performance. **Key causes and consequences** Inability to make a cultural step change to achieve a productivity mindset, alongside the pace of change being too slow with insufficient resource and capability to land the change required; combined with external economic pressures like inflation, could mean that we fail to deliver the productivity savings required to fund the Partnership Plan and profit to deliver our Purpose. **Alignment to Partnership Purpose** Happier people, Happier business	**Mitigations** ● Monthly performance review reporting to the Executive Team and Partnership Board, with key indicators to the risk included in scorecards ● Delivery of gross margin improvement initiatives as part of strategy delivery across retail and new services, including reviewing our assortments and supplier contracts, reducing freight costs, and improving product availability, in part from technology investments ● Cost efficiencies activity including better matching Partners' hours to customer and business needs in Waitrose shops, reducing energy usage, automation within the John Lewis supply chain and reviewing goods not for resale contracts ● Monthly financial performance updates to all Partners through the Gazette and Partner Intranet to encourage a productivity mindset ● Budget targets for leaders communicated and reflected in the Plan and scorecard metrics with quarterly progress updates ● Specific productivity targets allocated to senior leaders and progress monitored monthly **Owner** Executive Director, Finance **Oversight** Executive Team and ARC
2. Change delivery	Impact ⇈ Likelihood ⇊
Risk Change activity does not realise the desired benefits to agreed timelines and drives unforeseen cost and consequences. **Key causes and consequences** Operating model and transformational change complexity combined with the volume and pace of the change required and capacity to deliver/receive change, could result in increased costs, disruption to trade, poor customer and Partner experience and missing our transformation ambitions. **Alignment to Partnership Purpose** Happier people, Happier business, Happier world	**Mitigations** ● Transformation leadership team recruited and in place ● Four year transformation plan and 2024/25 annual investment plan signed off by the Partnership Board and supported by scorecards to track benefits at least on a quarterly basis ● Reviews by senior sponsors of change activity and transformation and finance leadership to ensure quality of portfolio insight and intervention, with weekly escalation meetings to the Chief Transformation and Technology Officer (CTTO) to resolve emerging issues quickly ● Transformation Operating Plan model in place and used as input to quarterly delivery planning including a monthly capacity review **Owner** CTTO **Oversight** Executive Team and Partnership Board

3. Information security ⟺	
Risk The Partnership suffers a loss of key customer, Partner and/or commercially sensitive data leading to financial, regulatory, legal, operational and reputational issues. **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. **Alignment to Partnership Purpose** Happier people, Happier business	**Mitigations** ● Five year cyber security strategy focused on prevention, detection and response ● Well-established governance, including robust Information Security policy and standards and an Information Security and Privacy Steering Group with Partnership wide senior representation including Chief Information Security Officer, Data Protection Officer, Chief Information Officer, Chief Data and Insights Officer and brand leadership ● Independent maturity assessment against globally recognised cyber control framework (National Institute of Standards and Technology) with sector specific benchmarking ● A documented continual improvement plan, aligned to our strategy and Technology Modernisation Programme ● Intelligence-led security operations, with proactive and reactive capabilities supported by specialist security services ● Skilled and experienced Information Security team with focus on continual professional development ● Established Information Security and Privacy risk assessment process and assurance framework to ensure adherence to standards ● Annual mandatory training for Partners and continuous awareness campaigns with key stakeholders, including increased reporting of threat and risk metrics **Owner** CTTO **Oversight** Executive Team and ARC
4. Strategic resilience ⟺	
Risk Our strategy may not respond to the changes in the external environment sufficiently or fast enough to secure the future success of the Partnership, and/or it may not be sufficiently clear or compelling to inspire and engage Partners. **Key causes and consequences** Reduced margins due to changing customer behaviour and confidence - exacerbated by the cost of living crisis - and competitor activity, coupled with a lack of alignment on priorities and/or a lack of a clear strategic vision may result in an inability to sustain financial performance and meet customer needs. **Alignment to Partnership Purpose** Happier people, Happier business, Happier world	**Mitigations** ● Next phase of the Partnership Plan created and announced ● Target enterprise operating model for the Partnership agreed by the Executive Team and Partnership Board ● Priorities and investment plan for 2024/25 agreed and signed off by the Partnership Board ● Oversight and monitoring of progress against the strategy through quarterly reporting against key change activity and Partnership scorecard ● Strategy embedded in key trade and business processes ● Ongoing activity to engage Partners and leaders in the Plan ● Ongoing strategy development ● Review of key macro assumptions and consumer trends at least annually ● Continued engagement and discussions with Government and regulators through trade groups **Owner** Executive Director, Finance **Oversight** Executive Team and Partnership Board

5. Regulatory non-compliance	⇊
Risk Failure to comply with key regulatory requirements. **Key causes and consequences** Lack of awareness, understanding or control of key and/or changing regulatory requirements could have legal, reputational and/or financial damage which, depending on scale, could cause major trading disruption. **Alignment to Partnership Purpose** Happier people, Happier business, Happier world	**Mitigations** ● Policies and standards for areas of regulatory compliance maintained, regularly reviewed and published on the Partner Intranet ● Ongoing oversight and monitoring of completion of mandatory training courses ● Clear executive accountability for each key regulatory area ● Horizon scanning in areas of responsibility for new/changing regulations and the potential Partnership impact and response ● Programme of independent high risk regulatory assurance reviews, alongside second line assurance activities, such as within Financial Services or the Data Protection Office over the General Data Protection Regulation (GDPR) ● Key areas of control improvement noted within health and safety, financial crime remediation plan delivered and a new Build to Rent compliance framework for new sites ● Financial and people focused internal controls framework, including a database of risks, controls and assurance mechanisms ● Whistleblowing process ● New financial services quality assurance framework implemented with measures in response to the Consumer Duty legislation **Owner** Executive Director, Finance **Oversight** Executive Team and ARC
6. Operational resilience	**(new)**
Risk Inability to prevent, remedy, and recover from a major/sustained business interruption, due to a loss of key IT systems; premises (including plant/equipment) or suppliers. **Key causes and consequences** Complex legacy IT estate requiring significant investment, upgrades and/or replacement; greater operational dependency on third parties to deliver key services; significant required investment in the physical estate; and/or siloed ways of working. **Alignment to Partnership Purpose** Happier people, Happier business	**Mitigations** ● Incident and crisis management structures in place and rehearsed at managing incidents/crises and effective escalation to the Executive Team ● IT disaster recovery plans, with business critical systems identified and prioritised for recovery and restoration ● Resilience policy supported by an established assurance framework ● Vendor onboarding controls requiring all new third parties to pass through business continuity self-assessments ● Appropriate insurance policies at specific sites ● Multi-year technology modernisation project funded and underway ● Development of understanding of climate impact on operational resilience and mitigating activity - see Climate disclosures on pages 13 to 23 ● Continuation of programmes already underway **Owner** Executive Director, Finance **Oversight** Executive Team and ARC

7. Customer experience ⟺	
Risk Customers do not receive differentiated, excellent customer service across touchpoints. **Key causes and consequences** Systems, data, processes 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. **Alignment to Partnership Purpose** Happier people, Happier business	**Mitigations** ● Differentiated, personal service from Partners across Waitrose and John Lewis to provide excellent customer experience, supported by customer listening and insight, training and addressing customer pain points ● Reviewing and acting on customer insight data and key performance indicators, including Have Your Say, customer satisfaction, customer voice (including complaints and queries), product availability and NPS ● Changes implemented in Waitrose to better align Partner availability and activities with customer needs ● School of Service standards developed, with over 9,500 Partners trained Partnership wide and the John Lewis Service at Peak campaign and 'At Your Service' 2023 service plan delivered ● Provided expert advice to more customers. John Lewis saw an increasing number of customer advice appointments across personal styling, nursery consultations and home; and Waitrose embodied personal service in its growing counters offer **Owner** Executive Director, John Lewis and Executive Director, Waitrose **Oversight** Executive Team and Partnership Board

8. Customer proposition ⟺	
Risk Failure to deliver profitable, market-leading propositions to inspire our customers and maintain competitive advantage. **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. **Alignment to Partnership Purpose** Happier people, Happier business, Happier world	**Mitigations** ● Continued development of high quality, innovative propositions, tested with customers for relevance and consideration ● Ongoing range and category reviews, including bringing in branded products that complement overall range ● Continued differentiation on own brand products for example in home, fashion, Waitrose No.1 and Waitrose 'Dine In' meal deals, as well as further development of John Lewis Financial Services product range and Build to Rent offering ● Waitrose propositions launched including 'New Lower Prices' and 'Food to Feel Good About' campaigns, lunchtime meal deal, expansion of 'Dine In' meal deals, improvement to ScanPayGo technology and availability improvement actions ● 'Family Life' launched in spring 2023 to bring advice, products and services from baby to tween years, to John Lewis customers ● Online enhancements across app and website, including live chat rolled out for John Lewis ● Increased convenience of shopping at John Lewis at over 13,000 Click & Collect locations; and expansion of Waitrose groceries on demand via a new partnership with Uber Eats ● Competitor activity monitoring and response, regular and frequent customer and competitive performance metric evaluation and response implemented ● Increased number of my John Lewis members through members only events and promotions, such as 'The 12 Treats of Christmas', and in store events, including Christmas grotto and 'Santa's Tea Party' ● John Lewis increased category focused marketing, such as within beauty or the 'Family Life' campaign, and focus on brands, introducing 100 new fashion brands **Owner** Executive Director, John Lewis and Executive Director, Waitrose **Oversight** Executive Team and Partnership Board

9. Partner differentiation ⟺

Risk	Mitigations
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. **Key causes and consequences** Pressure on pay, scale of Partnership transformation ongoing, and lack of clarity on, and tangible impact of, the responsibilities and rewards of being a Partner could lead to Partners not feeling or delivering a differentiated experience, leading to Partner and customer dissatisfaction. **Alignment to Partnership Purpose** Happier people, Happier business	**Mitigations** ● A clear purpose statement articulating why we exist, who we are and the three guiding principles that drive us: Happier people, Happier business and Happier world ● A written Constitution that sets out how power is shared between our members and representative bodies: Partnership Council, Partnership Board and the Chairman. It also sets out the Rules and Values of the Partnership as an experiment in industrial democracy and explains the role of Partners within that, as well as some of the key aspects of our Distinctive Character ● Partnership Values which bring to life 'how we are' ● Partnership Council and regular Partner Forums in place to ensure the voice of Partners is heard throughout the Partnership ● Financial and wider business performance shared transparently and frequently with Partners ● Leadership behaviours embedded in learning programmes across the Partner lifecycle ● Earning membership process - a 90 day process to ensure that all new Partners are right for our business and our business is right for them - to ensure Partners understand our Partner-led model as part of their induction ● Distinctive Partner experience is embedded within the new People strategy ● Financial assistance fund and support to help Partners manage their finances ● Working with Partnership Council's Partner Working Group on modernising and simplifying pay strategy and contribution. The Board also agreed the Partnership's largest ever pay review budget, for 2024/25, noting that more needs to be done to sustainably improve pay rates at all levels **Owner** Executive Director, People **Oversight** Executive Team and Partnership Board

10. Partner wellbeing ⟺

Risk	Mitigations
Risk Partners' sense of wellbeing is threatened by societal and organisational uncertainty and change. **Key causes and consequences** Pressure on Partners relating to the cost of living challenges, anxiety from external social geopolitical instability, the longer term impact of the pandemic (in respect of both physical and mental health and social impacts) 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. **Alignment to Partnership Purpose** Happier people	**Mitigations** ● Health and wellbeing strategy which defines what wellbeing means in the Partnership and clearly connects wellbeing and our Purpose ● Wellbeing support services including occupational health and financial support tools to provide Partners with mental and physical health, emotional, financial and bereavement support ● Partner Choice offerings (non-financial rewards and benefits) monitored and refreshed ● Monitoring and oversight of all Partner survey data with commentary in place ● Manager mental health awareness training has launched with roll out to complete end 2024 ● Support to Partners through transformation and change ● Routine measurement of Partner wellbeing maintained with rolling Partner surveys and benchmarking against the UK population **Owner** Executive Director, People **Oversight** Executive Team and Partnership Board

11. Ethics and sustainability	⟺
Risk Failure to live up to our ethics and sustainability ambition. **Key causes and consequences** Central to the Partnership Plan and our Purpose, rising stakeholder expectations, economic pressures, increasing competitor activity, broad and complex supply chains and the need to invest in systems, processes, data and people. Failure to effectively manage our ethics and sustainability risks could result in a loss of trust from our customers, Partners and stakeholders; eroding brand value and jeopardising delivery of the Partnership Plan, in addition to potential legal and financial implications impacting our ability to operate. **Alignment to Partnership Purpose** Happier world	**Mitigations** ● Governance including Board-level ESC ● Partnership Human Rights policy in place ● Product sourcing standards and targets ● Stringent animal welfare requirements and policies (some expanded to include branded products) ● Net zero science-based targets validated by the SBTi ● Scope 3 GHG emissions baseline and performance published ● Operational food waste to animal feed trial ● Traceability systems maintained and improved ● Dedicated agricultural supply chains in key product categories ● External targets and reporting e.g. Ethics and Sustainability Report and Human Rights Report ● Developing our our approach to climate transition planning ● Embedding our net zero operations targets into our financial planning, decision-making frameworks and performance reporting **Owner** Executive Director, New Businesses **Oversight** Executive Team and ESC

Looking ahead

Our principal risks will continue to be monitored through our governance as we manage overall Partnership Plan delivery. Refreshed quarterly risk reporting will track adherence to agreed targets for each principal risk, in support of Partnership wide scorecard reporting which includes a principal risk performance metric. Decision-making will be supported by a repurposed risk agenda across senior governance meetings that will continue to enable proactive debate over existing and emerging areas of risk, and on opportunities to manage reputation and transformation. Additionally, it will cover significant interdependencies in our mitigation plans, behaviour and capability shifts; and more strategic topics such as the role of artificial intelligence, global supply chains and the evolving geopolitical environment.

Alongside this, our risk culture across the Partnership will continue to be developed in the year ahead, through practical application of a new accountability and behavioural framework. Other key priorities for the year ahead, to continue to progress our maturity, include refreshing the risk management toolkit, with a focus on reviewing risk assessment criteria and developing the measurement and reporting of risk proximity; refreshing risk appetite; improving central oversight over regulatory non-compliance risk; and developing insight and horizon scanning across a longer time scale.

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 financial position (pages 85 to 153); current strategy (page 6); and risks and uncertainties (pages 32 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 £1.6bn in total liquidity available at the date of approval of these financial statements.

A wide variety of time horizons are relevant to the management of the Partnership:

- The Partnership Plan and associated funding - four years to 2027/28;
- Currency and commodity hedging forecasts - two years to 2025/26;
- Long-term financial strategy - ten years to 2033/34;
- Asset lives - useful economic lives 3-25 years and lease payments typically subject to market review every five years.

The Directors have assessed the Partnership's viability over a three year period to January 2027. A three year period of assessment is deemed an appropriate timeframe as it captures the period over which detailed budgeting is provided for planning purposes, as well being covered by our Partnership Plan. As a business that takes a longer term view of its strategy and financial plans, the details of our Plan run to 2028.

Current climate

Given the pace of change in the retail sector, the economic and geopolitical uncertainty, along with risks resulting from the volatility in the external environment, we expect to see continued instability over the short term. We are continuing on our journey to implement the 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. Based on the Partnership's principal risks, which are the most relevant risks when assessing the Partnership's viability, the Directors created three downside risks scenarios which are severe but plausible. The financial impact of the risks occurring was modelled by overlaying them on the budget and following two years of the Partnership Plan to quantify the potential impact over the assessment period. In addition, a combined severe downside scenario combining selected impacts and assumptions from the three scenarios was modelled, consistent with management's going concern assessment but extended for the full viability period.

The severe downside scenarios and the principal risks (pages 32 to 39) underpinning them 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. These scenarios also assume that all Partnership borrowings are repaid at their maturity date and that no further refinancing or funding is undertaken. The potential impacts of one-off 'black swan' events that cannot reasonably be anticipated are not included within the severe downside scenarios.

The downside scenarios do not represent the Partnership's view of probable outcome. Details of the scenario assumptions and how they link to the Partnership's principal risks are summarised below:

Downside scenarios	**Link to Partnership's principal risks**
Scenario 1 - Customer and external environment The Partnership proposition is not appropriate in the current cost of living crisis, inflation remains higher for longer than market expectation and there is a high level of competitive pressure. Assumptions: ● Sales: Customer demand and sales volumes decline until the end 2024, and grow slower than the Partnership Plan thereafter ● Margin/Costs: High levels of inflation persist into 2026 impacting costs with a further impact of consumer confidence and increased competitive pressure ● Fall in the value of Pension scheme assets due to the market environment	Productivity Customer proposition Customer experience Ethics and sustainability Strategic resilience
Scenario 2 - Under delivery of productivity improvements The Partnership fails to deliver on its productivity improvement programme and does not transform into a more efficient business. This would consequently lead to a loss of Partner sentiment and support. Assumptions: ● Margin: Significant underperformance of the margin improvements from productivity initiatives included in the Partnership Plan as well as other investment returns included in the Partnership Plan ● Costs: Missed project delivery and under delivery of cost savings included in the Partnership Plan	Productivity Change delivery Partner differentiation Partner wellbeing
Scenario 3 - Operational resilience, information security or regulatory breach A serious but one-off disruption to operations from internal failure, and a breach resulting in a fine and loss of reputational damage. Assumptions: ● Sales: Fall in sales volumes due to reputation damage and operational disruption ● Costs: Significant penalties incurred in 2024	Operational resilience Information security Regulatory non-compliance

Mitigating actions
In response to any of the scenarios occurring, the Directors have identified £2.4bn of mitigations (£1.6bn available within the first two years up to January 2026, and a further £0.8bn available in the third year 2026/27), 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 a 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). Continuous monitoring of the Partnership's liquidity position enables management to proactively apply these mitigations as required.

Internal mitigations alone would be sufficient to absorb the effects of each of the severe downside scenarios in isolation.

Reverse stress testing
Further modelling was undertaken to review a scenario in which covenants would be breached even with all available internal mitigations implemented. In this highly unlikely scenario, which combines the existing severe downside assumptions with a decline in Partnership sales of 20%, the Syndicate Term Loan covenants are breached, triggering repayment of the loan The Directors have concluded that the likelihood of a covenant breach that could not be mitigated is remote.

Viability assessment
This assessment is based on the Directors' best view of severe but plausible scenarios 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 ARC (see page 59).

OTHER REPORTING INFORMATION

Non-financial and sustainability information statement

This section of the Strategic Report constitutes the Partnership's Group non-financial and sustainability 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 for ethics and sustainability. Read more at www.johnlewispartnership.co.uk/csr.

Reporting requirement	How we manage these issues: policies, standards, risks and additional information
Climate-related financial disclosures	• Climate disclosures on pages 13 to 23
Environmental matters	• Ethics and Sustainability strategy on page 12 • Climate disclosures on pages 13 to 23 • S172(l) Statement (Environmental Impact) on page 29 • Ethics and Sustainability Report 2023/24 and other reports, statements, policies and information available at www.johnlewispartnership.co.uk/csr
Employees	• Becoming a more inclusive business on pages 11 to 12 • S172(1) Statement (Partners) on page 25 • Partnership Board Diversity Statement on page 73
Social matters	• Ethics and Sustainability strategy on page 12 • Ethics and Sustainability Report 2023/24 and other reports, statements, policies and information available at www.johnlewispartnership.co.uk/csr
Human rights	• S172(1) Statement (Producers and Suppliers) on page 27 • Our latest Human Rights Report and Modern Slavery Statement, Ethics and Sustainability Report 2023/24 and other reports, statements, policies and information available at www.johnlewispartnership.co.uk/csr
Anti-corruption and anti-bribery	• Anti-bribery and corruption section on the following page
Description of our business model	• Our Purpose, the Partnership business model and the Partnership Plan on pages 5 to 6 • The Partnership's Constitution is available on our website at www.johnlewispartnership.co.uk
Policy embedding, due diligence and outcomes	• Throughout this report and Ethics and Sustainability Report 2023/24 and other reports, statements, policies and information available at www.johnlewispartnership.co.uk/csr • Climate disclosures on pages 13 to 23 • Managing our risks on pages 31 to 32 • Audit and Risk Committee report on pages 55 to 64
Description of principal risks and impact of business activity	• Principal risks and uncertainties on pages 32 to 39
Non-financial key performance indicators (KPIs)	• The Partnership has a science-based target of net zero emissions across our operations (scope 1 and 2) by 2035, and progress against that target is on pages 13 to 23 and in Ethics and Sustainability Report 2023/24 available at https://www.johnlewispartnership.co.uk/csr • Becoming a more inclusive business on pages 11 to 12 sets out some of the diversity and inclusion initiatives over the past year and related KPIs

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 and Gifts and Hospitality; this is reviewed annually, with the latest review having taken place in June 2023. Assurance over this policy is overseen at Board level by the ARC.

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 £307m and collected taxes on behalf of HMRC of £740m. A breakdown is provided below.

Taxes paid by the Partnership	**Taxes collected by the Partnership**
£114m Employer National Insurance contributions	£284m net VAT
£155m business rates	£225m Excise Duty
£11m Fuel Duty	£160m Partners' Pay As You Earn (PAYE)
£12m Customs Duty	£70m Partners' National Insurance contributions
£7m Apprenticeship Levy[1]	£1m other
£5m Climate Change Levy (CCL)	
£3m other	
£307m total	**£740m total**

[1] Before the drawdown of funds of £4m

Our approach to tax can be found at www.johnlewispartnership.co.uk.

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 the Partnership Council, and the Chairman. It is available on the Partner Intranet and is published on our website at www.johnlewispartnership.co.uk.

Power to direct the Partnership's affairs is shared between the three governing authorities: Partnership Council, the Partnership Board and the Chairman (Rule 2 of the Constitution). Rule 4 of the Constitution states that: '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'.

The Partnership's governance checks and balances are clear and robust in accordance with its democratic principles of sharing 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 each year, a meeting of the Council, to account for the progress of the Partnership. In the year under review, these meetings were held in May and October, with a focus on the full year and interim results respectively.

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. Johnny Aisher, Baz Naik and Matthew Street were elected Trustees of the Constitution in January 2022, taking up their appointments in March 2022.

Each term, the Council also elects three Partners to be Partnership Board members, known as Elected Directors. So our Board is different from most, with a mix of Executive, Non-Executive and employee (Partner) Elected Directors. The most recent elections, in January 2022, resulted in the re-election of Becky Wollam and the election of Jules Rushworth and David Wood who took up their roles in March 2022. Becky Wollam stepped down in October 2023 and was replaced by John Lee in December 2023 following a by-election in November 2023.

The Partnership Board has established Committees to assist it in carrying out its oversight and assurance responsibilities: the Audit and Risk Committee (see pages 55 to 64), the Ethics and Sustainability Committee (see pages 65 to 67), the Nomination Committee (see pages 68 to 73), and the Remuneration Committee (see pages 74 to 80). 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.

Beyond the structure for sharing power amongst Partnership Council, the Partnership Board and the Chairman established by the Constitution, 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, 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.

For more information on the Partnership Board see pages 48 to 54. 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 Chairman

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

- 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;
- The Chairman is the senior executive in the Partnership, ultimately responsible for its commercial performance. They are supported in this by a Chief Executive Officer and Executive Team. In March 2023, the Chairman delegated day-to-day management of the performance of the business to a Chief Executive Officer, enabling the Chairman to focus on ensuring the Partnership's transformation is carried out in a way that is aligned to the Partnership's Purpose, values and distinctive character.

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. In October 2023, Sharon asked the Partnership Board to initiate the process to appoint a successor as she entered the latter stages of her five-year term. As set out in the Trust Company's constitutional documents, as amended in January 2024, the choice of successor sits with the Partnership Board. A process is designed and implemented by the Nomination Committee, before the Partnership Board is asked to approve the Committee's nominee.

Following the conclusion of this process, on 8 April 2024 the Chairman and Deputy Chairman announced that the Board had agreed to appoint Jason Tarry as the next Chairman of the Partnership. He brings over thirty years of experience at Tesco plc, spanning grocery, general merchandise and fashion in senior commercial, operational and general management positions. The Board is confident that he will provide inspirational leadership, a proven track record in multi-channel, multi-category retail, and a strong identification with the Partnership's Values. He is expected to take up the post in September 2024.

Deputy Chairman

The role of Deputy Chairman includes:

- Having responsibility for leading the Chairman's performance appraisal and remuneration review;
- Chairing the Ethics and Sustainability, 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 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. In the past it has also been recognised that there were occasional agenda items at the Partnership Board for which the Chairman was acting in a 'Chief Executive Officer' capacity, and to avoid any potential conflict the Deputy Chairman stepped in and chaired the Board meeting for such discussions. Since the appointment of a Chief Executive Officer, it is expected this will be required in more limited circumstances, if at all.

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 the communities in which the Partnership operates to succeed, recommending it for the approval of the Partnership Board and then delivering it through its management and running of the business.

The Executive Team is made up of the following members at the date of this report:

Nish Kankiwala	Chief Executive Officer
James Bailey	Executive Director, Waitrose
Nina Bhatia	Executive Director, New Businesses
Lisa Cherry	Executive Director, People
Zak Mian	Chief Transformation and Technology Officer
Bérangère Michel	Executive Director, Finance
Peter Ruis	Executive Director, John Lewis

Nish Kankiwala took up the role of Chief Executive Officer on 27 March 2023. He was previously a Non-Executive Director of the Partnership. The Chief Executive Officer is responsible for the day-to-day management of the performance of the business and works closely with the Chairman.

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 are appointed by, 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, and challenge and support leaders;
- Provide an independent perspective on the progress of the business towards its Purpose and Principles (and advise the Chairman in this respect), and in doing so be completely open with the Chairman and tell them anything which they ought to know for the good of the Partnership;
- Maintain focus on the distinctive character of the Partnership, including specifically humanity (amongst Partners and with the communities within which the Partnership operates).

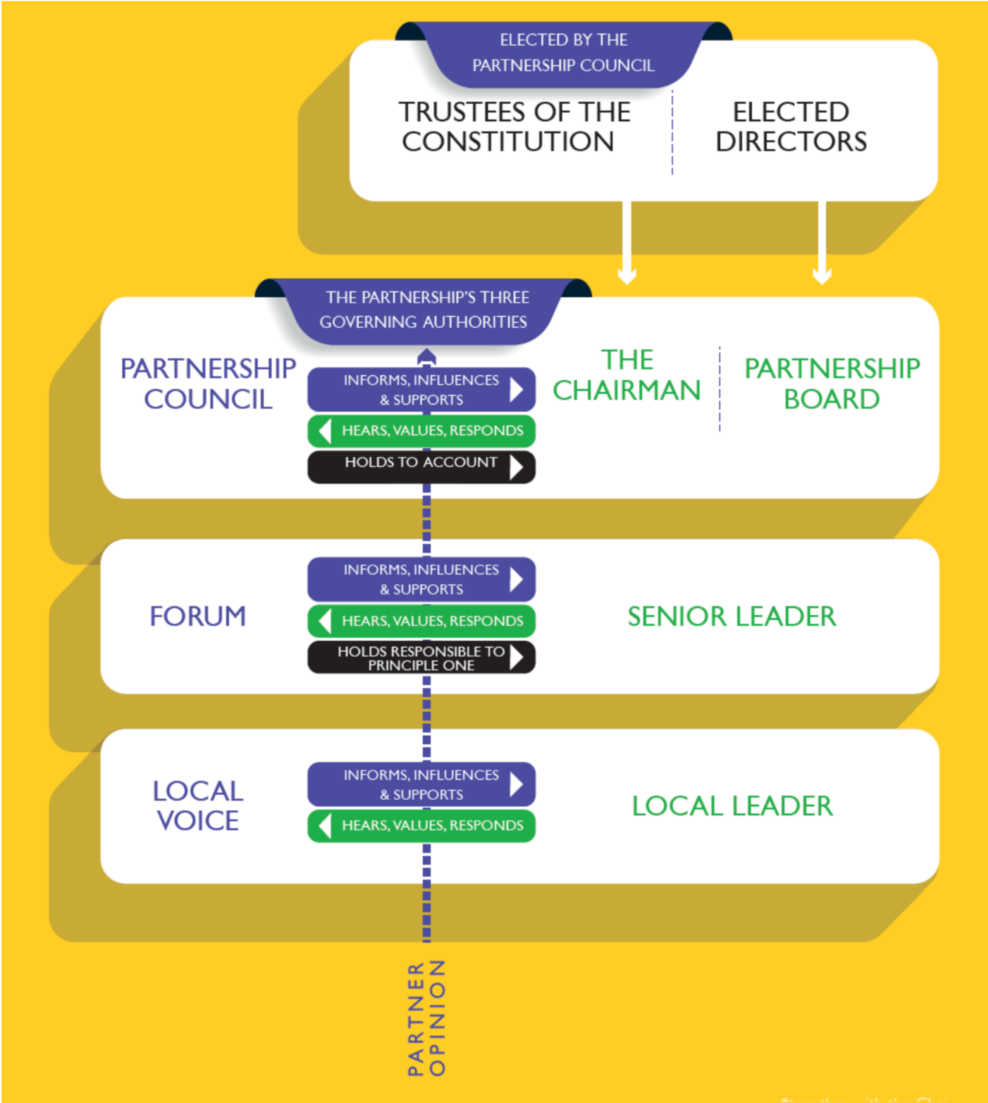
They have a constitutional 'right to roam' and investigate any area of the business and are supported by a group of Independent Advisors. They are not Directors of the Partnership. They attend meetings, but are not members of, the Executive Team, the Partnership Board and its Committees, and Partnership Council.

Clare Tickell took up the role of Independent Director on 14 October 2019, and James Allport was appointed 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's Purpose the Partnership's financial condition remains sound;
- To ensure proper governance of the Partnership.

The role and responsibilities of the Board are contained in the Board's reserved matters which are available at www.johnlewispartnership.co.uk. In performing its role, the Partnership Board:

- Approves the Partnership's strategy and business plan and 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;
- 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 24 to 30 for the Partnership's statement on section 172(1). The 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

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

The membership of the Board has undergone a number of changes through the year:

- Until 27 March 2023, it comprised the Chairman, three Non-Executive Directors (including the Deputy Chairman), three Elected Directors and one further Executive Director (the Executive Director, Finance);
- From 27 March 2023, the Partnership Board's membership structure changed to reflect Nish Kankiwala's appointment as Chief Executive Officer, and so comprised the Chairman, three Non-Executive Directors (including the Deputy Chairman), three Elected Directors and two further Executive Directors (the Chief Executive Officer and the Executive Director, Finance);
- At times during the year, there were vacancies on the Board while successors were sought, as follows: for an Elected Director between 31 October and 6 December 2023; and for a Non-Executive Director between 27 March and 27 April 2023, between 30 April and 12 September 2023, and between 6 December 2023 and 6 March 2024.

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

Elected Directors: John Lee, Jules Rushworth and David Wood;
Executive Directors: Sharon White (Chairman), Nish Kankiwala and Bérangère Michel;
Non-Executive Directors: Rita Clifton (Deputy Chairman), Will Kernan and Clare Swindell.

Biographies for the members of the Partnership Board can be found on pages 51 to 54.

During the prior year, Andrew Martin indicated his desire to step down as a Non-Executive Director after nearly five years on the Board. The Nomination Committee therefore commenced a process to appoint a new Non-Executive Director, which was summarised in last year's Annual Report. Andrew stepped down on 30 April 2023, and Nicky Dulieu joined the Board on 27 April 2023. However, during the year, Nicky indicated her desire to step down as a Non-Executive Director having reached the conclusion that the role was unsustainable alongside her other commitments. The Nomination Committee therefore commenced a process to appoint a new Non-Executive Director. Nicky stepped down on 6 December 2023. Clare Swindell joined the Board on 6 March 2024.

At the start of the year, Nish Kankiwala was a Non-Executive Director. On 27 March 2023, he took up the position of Chief Executive Officer and so became an Executive Director on the Board. The Nomination Committee built on the process already commenced to find a replacement for Andrew Martin to identify a second new Non-Executive Director. On 12 September 2023, Will Kernan was appointed as a Non-Executive Director to succeed Nish.

Becky Wollam ceased to be an Elected Director on 31 October 2023 and was replaced on 6 December 2023 by John Lee following his election by Council.

On 23 April 2024, Bérangère Michel announced her resignation from the Partnership. She is expected to step down from the Board in September 2024. The Nomination Committee has commenced a process to identify a successor.

Elected Directors
Elected Directors are neither Executive Directors nor Non-Executive Directors. Although, as employees, they are not considered to be 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.

External Independent Members of committees
The Partnership Board's Audit and Risk Committee and Ethics and Sustainability Committee both benefit from the appointment of additional External Independent Members. They have skills, experience and expertise that are particularly relevant to the committee's work. Their role is to assist, in the same way as other committee members, in fulfilling the responsibilities of the relevant committee. They are not Directors of the Company. Details of External Independent Members can be found in the relevant committee's report.

Partnership Board effectiveness review
An internally facilitated review of the Partnership Board's effectiveness was carried out in the middle of the 2023/24 year. The review consisted of a questionnaire issued to all members of the Board, members of the Executive Team, the Independent Directors and the Partnership Secretary. A standard question set developed for large company boards was used, with some modifications to reflect the Partnership's structure and current areas of focus, which enabled a degree of comparison with other organisations. It covered the Board's consideration of strategy, risk, the financial health of the Partnership, People, stakeholders and culture. It also examined information flows, relationships with the Executive Team and meeting dynamics. In comparison with other organisations surveyed using the same question set, Directors demonstrated agreement on the priorities for improvement, a greater willingness to improve, and commonality in responses between non-executive/elected and executive Board members.

The key outcome from the review was a recognition of the impact of the changes experienced on the Partnership Board and within the Executive Team during the year, including the development of a new enterprise operating model. This created a need to focus on a number of areas, including: roles and responsibilities; Board composition; succession planning at Board and Executive level; and how best to measure progress with the strategy, risk management and culture. The Board continues to focus time in its meetings on these matters, and an action plan to further improve these areas is in the course of being progressed.

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. During the year, work was undertaken to develop our internal balanced scorecard, ensuring that information shared is built on a common scaffold throughout the

Partnership and is rolled up for the Board. 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. All Directors attended each meeting they were eligible to attend, except six directors who were each unable to attend one meeting during the year. 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, including to receive briefings from management on matters that were scheduled to come to the Board for decision. 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

E&S - Ethics and Sustainability Committee

R - Remuneration Committee

† - Committee Chair

SHARON WHITE (E&S, N)

Partner and Chairman, appointed: February 2020

Sharon 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. She was, until June 2023, a Non-Executive Director of Barratt Developments plc.

Sharon 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, Chief Executive Officer and Chair at the global brand consultancy Interbrand and co-founder of BrandCap. Rita has previously held Board and non-executive director positions at ASOS, Dixons Retail, Nationwide Building Society, 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 Senior Independent Director at Ascential plc, a Trustee of the environmental think tank Green Alliance and Chair of the Board of Trustees at the international sustainability organisation Forum for the Future.

NISH KANKIWALA
Chief Executive Officer, appointed: April 2021

Nish joined the Partnership Board as a Non-Executive Director on 12 April 2021. He was appointed as Chief Executive Officer, remaining on the Partnership Board, on 27 March 2023.

Nish 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 leveraged this experience within private equity, including as President of Burger King International and in roles with brands such as Jeyes, Tommee Tippee and Plum Baby Foods. He joined Hovis, a business with over 130 years of heritage, in 2014, initially as Chairman and then as Chief Executive, leaving at the end of September 2022.

Nish is currently the Non-Executive Chair at Vibrant Foods.

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

WILL KERNAN (N, R)
Non-Executive Director, appointed: September 2023

Will has a wealth of experience in the retail industry, having held several leadership positions. He most recently served as the Chief Executive Officer of River Island, before which he led the transformation and merger of Wiggle Chain Reaction Group, an online cycling and tri-sports specialist business, as its Chief Executive Officer. Prior to joining Wiggle, he spent five years as the Chief Executive Officer of The White Company, and had a 13 year tenure at New Look, during which he assumed various roles ranging from Group Financial Director to Group Trading Director, Chief Operating Officer, and ultimately Group Managing Director.

Will is currently Chairman of interiors brand, Neptune, and handcrafted gifted biscuit retailer, Biscuiteers.

JOHN LEE (A)
Elected Director, Partner and Resilience Lead, appointed: December 2023

John joined the Partnership in 2015 and currently holds the position of Partnership Resilience Lead. Prior to joining the Partnership, John worked across the utility and financial sectors including a period overseas. In addition to this role he was previously a Partnership Councillor, representing Supply Chain Strategy and Operational Support, and was involved in democracy as a local voice lead. He became a Councillor in 2022 and was elected by Partnership Council to join the Partnership Board in December 2023.

John has a degree in Engineering, has recently completed a Masters in Leadership and is professionally accredited in Corporate and Information Security.

BÉRANGÈRE MICHEL (E&S)
Partner and Executive Director, Finance, appointed: January 2021

Bérangère has been Executive Director, Finance since January 2021. She joined the Partnership in April 2008 as Group Head of Financial Strategy, before being appointed Director, Supply Chain Development when she led the transformation of John Lewis' supply chain in support of its online growth. She subsequently became Finance & Strategy Director and Operations Director for John Lewis. She was appointed Executive Director, Customer Service in February 2020 looking after all customer facing areas of both Waitrose and John Lewis and co-leading the Partnership's response to the pandemic. Before joining the Partnership, Bérangère spent 11 years at the Royal Mail in a number of finance, change and strategy roles, including as Finance Director of the property division.

Bérangère is also Board Trustee and Chair of the Audit and Finance Committee at World Animal Protection - a global animal welfare charity.

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

JULES RUSHWORTH (E&S, 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 before 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.

CLARE SWINDELL (A†)
Non-Executive Director, appointed: March 2024

Clare brings a wealth of experience as a finance professional and has spent much of her career in retail. She was co-Chief Executive Officer for Camelot until January 2024, having joined as Chief Financial Officer in 2017 before being appointed to the board in 2019. Prior to that she was Group Chief Financial Officer at dunnhumby, having previously spent over 17 years at Tesco in a wide range of operational and financial roles, including Chief Financial Officer for Tesco.com and Group Audit Director.

Clare is advisor to the Chief Executive Officer of Allwyn, the operator of the UK National Lottery, until June 2024. She is also a Non-Executive Director and Audit Committee Chair at Fever-Tree, the listed drinks brand.

DAVID WOOD (A, N, R)

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

David joined the Partnership in 2018 and currently holds the position of Real Estate Senior Development Manager. In addition to this role he was, until 2022, a Partnership Councillor, representing Partners from the Property and Construction constituency. He was elected by Partnership Council to join the Partnership Board in March 2022. David has over 20 years of experience in large retail organisations and prior to joining the Partnership he was Head Of Estates at Arcadia Group.

David holds a degree in Business Management and an MBA, is a Chartered Surveyor and Chartered Manager.

AUDIT AND RISK COMMITTEE REPORT

The Partnership Board's Audit and Risk Committee (ARC) 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 responsibilities by reviewing and monitoring:

- The integrity of the Partnership's financial and narrative statements, other formal announcements relating to the Partnership's financial performance, and reviewing significant financial reporting judgements contained in them;
- The effectiveness of the Partnership's system of internal controls and risk management;
- The effectiveness of the Partnership's auditor and external audit process as well as being responsible for making a recommendation to the Partnership Board relating to the appointment, re-appointment or removal of the external auditor;
- The effectiveness of the work of the Partnership's internal audit function; and
- The effectiveness of the Partnership's processes for compliance with laws and regulations, including whistleblowing and systems and controls for the detection of fraud.

The Committee operates in accordance with its Terms of Reference, which are reviewed annually and are available at www.johnlewispartnership.co.uk.

Membership and composition

The Committee comprises two Non-Executive Directors, two Elected Directors and two External Independent Members; as at the date of this report there are three External Independent Members to facilitate knowledge transfer between a departing and new member. 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.

The External Independent 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.

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:

Sharon Fennessy	External Independent Member (and Interim Chair of the Committee)
Clare Swindell	Non-Executive Director (and incoming Chair of the Committee)
Rita Clifton	Non-Executive Director
Jane Hanson	External Independent Member
John Lee	Elected Director
Alan Martin	External Independent Member
David Wood	Elected Director

As reported in last year's report, Vijay Thakrar who served on the Committee as an External Independent Member stepped down on 31 January 2023 and was succeeded by Alan Martin who joined the Committee with effect from 3 January 2023 for an initial three year term, enabling a period of handover with Vijay. Alan brings a wealth of retail and commercial financial experience to the Committee.

Nicky Dulieu took up her appointment as a Non-Executive Director on 27 April 2023 and joined the Committee succeeding Andrew Martin as Chair of the Committee on this date. Andrew Martin stepped down as a Non-Executive Director and member of the Committee on 30 April 2023 after five years. Subsequently Nicky Dulieu indicated her intention to step down as a Non-Executive Director and Chair of the Committee and did so on 6 December 2023. Clare Swindell was appointed as a Non-Executive Director and a member of the Committee on 6 March 2024 and will assume the role of Chair of the Committee from close of business on 7 May 2024. In the intervening period Sharon Fennessy acted as Interim Chair of the Committee. Sharon has indicated her intention to step down as an External Independent Member of the Committee with effect from 7 May 2024, having served for a period of over eight years. Jane Hanson joined the Committee as an External Independent Member with effect from 25 January 2024, enabling a period of handover with Sharon. Following his appointment to the Partnership Board as an Elected Director on 6 December 2023, John Lee joined the Committee with effect from 25 January 2024.

There were seven Committee meetings held during the year under review. All members attended each meeting they were eligible to attend, except three members who were each unable to attend one meeting during the year. 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 Risk and Assurance or her designate, without management being present.

Relevant qualifications of Committee members and competence relevant to the sector
The following former or current members of the Committee have significant, recent and relevant financial experience: Nicky Dulieu, Sharon Fennessy, Jane Hanson, Alan Martin, Andrew Martin and Clare Swindell. Each is a qualified accountant and has held or currently hold senior finance roles. See page 53 and below for biographical information, or the 2022/23 Annual Report for biographical information for former members who served during the year under review. Viewed as a whole, the Committee possesses competence relevant to the retail sector in which the Partnership operates.

External Independent Members

Sharon Fennessy, appointed: March 2016
Sharon is a Non-Executive Director of Morgan Sindall Plc and the Gowan Group. Previously, 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 being Group Controller of Diageo plc Sharon held a number of senior finance roles including Finance Director Europe, Group Treasurer and Head of Investor Relations. Sharon is a chartered accountant.

Jane Hanson, appointed: January 2024
Jane is a Non-Executive Director of HM Treasury, Audit Committee Chair at the Civil Aviation Authority, Audit Committee Chair at Welsh Water plc and Chair of the Board of Trustees of the Bardi Symphony Orchestra. She has also served as Chair of the UK Government's Dormant Asset Expansion Board, Chair of Reclaim Fund Ltd, Non-Executive Director and Chair of the Board Risk Committee at Direct Line Group plc, Old Mutual plc and William Hill plc and Honorary Treasurer and Independent Trustee of The Disasters Emergency Committee. Jane was awarded a CBE in the Queen's Platinum Jubilee Honours in June 2022 for services to charity. Jane is a fellow of the Institute of Chartered Accountants.

Alan Martin, appointed: January 2023
Alan is currently Chief Financial Officer at Charles Tyrwhitt - a global menswear business - and an experienced chartered accountant. Prior to Charles Tyrwhitt, Alan held various Finance Director roles at Mothercare, Amazon and Argos.

Committee effectiveness

During the year under review the Committee members contributed to an assessment of the Committee's effectiveness as part of the Board evaluation process (see page 50) covering ways of working, external audit, financial reporting, risk management, control and assurance, Internal Audit and Committee support. The output from the evaluation was considered by the Committee at its April 2024 meeting and will be followed up both through the agreed actions and also as context for the 2024 Board evaluation process.

External financial reporting

The Partnership prepares consolidated financial statements, which form part of the Annual Report and Accounts, in accordance with UK-adopted international accounting standards ('UK-adopted IFRS'). An interim review is prepared at the end of the first six months of the year and unaudited full year results are prepared in March each year, after the financial year end.

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 2024 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, with alternative performance measures only used where necessary, and with appropriate weighting given 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 ARC report and estimates and judgements referred to in the financial statements?
- Are the key performance indicators (KPIs) presented and explained appropriately, with clear linkage from strategy to performance?
- Are financial measures not defined under UK-adopted IFRS clearly explained and used consistently with appropriate reconciliations to measures defined by UK-adopted 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?
- Is the narrative reporting in the front of the report consistent with the financial reporting?
- 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, John Lewis Partnership plc's Annual Report and Accounts 2024 is fair, balanced and understandable.

Our significant financial reporting matters and our response

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

*1. **Impairment** (Notes to the consolidated 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 triggered, management prepared a value in use model or obtained valuations to assess the asset's recoverable amount and calculated an impairment charge or release where appropriate. The model includes a number of assumptions in relation to sales, margin, online sales and costs, and allocation of central costs. For each intangible asset identified, consideration was given to changes in use, deterioration and evidence of obsolescence, with an impairment charge or reversal 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 assumptions used for tangible impairment modelling, including growth rates for sales and margin, online sales and costs, and allocation of central costs. The Committee considered the updated calculation methodology for online sales, based on changes to the business. 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 was 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 consolidated financial statements: 6)*

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. The pension scheme asset includes a variety of assets including those where a market quotable price is not available (level 3). The assets are valued by third party fund managers using a variety of valuation models. Additional detail is provided in note 6 to the consolidated financial statements. For this year, the net of the pension assets and pension liabilities is a deficit of £287m, compared to £102m last year.

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. The Committee concluded that the overall pension scheme net liability is appropriate.

*3. **Exceptional items** (Notes to the consolidated financial statements: 2.5)*

Issue: The Partnership has recorded exceptional income of £14m (2023: £156m cost), principally relating to exceptional store impairment charges and releases, and the physical estate programme. Management exercises judgement in the application of Partnership's accounting policy for exceptional items.

Response: The Committee approved a change to the accounting policy for exceptional items to include all store impairment charges, irrespective of size or nature of the impairment charge. The Committee considered all the items presented as exceptional in the context of the policy, including the new items incurred in respect of the

Partnership's productivity initiatives as well as the transformation initiatives that were ongoing in the prior year. Having considered the significance of both the size and nature of these items, as well as the associated disclosure, the Committee satisfied itself that it was appropriate to present these items as exceptional and they were satisfied with the disclosure in the financial statements.

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 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 2027.

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 the risk focused and combined severe downside scenarios, ensuring this was based on the potential financial impact of the Partnership's principal risks. The combined severe downside scenario, as set out in the Viability Statement (pages 40 to 42), 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 was able to take action as required. The Committee also reviewed and tested management's assessment that 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 90 to 91) to ensure this sufficiently detailed the considerations in making this conclusion, including making a recommendation to the Board that the Partnership was a going concern and viable. The Board's going concern statement is included within the Directors' Report on page 84 and the Viability Statement within the Strategic Report on pages 40 to 42.

External audit activities
KPMG LLP were the Partnership's external auditor for 2023/24. They provided the Committee with relevant reports, reviews, information and advice throughout the year, as set out in their engagement letter.

External auditor effectiveness
Since the year end, the Committee conducted an evaluation of the external auditor's performance. This took into account the provisions contained in the Audit Committees and the External Audit: Minimum Standard in assessing the effectiveness of the external auditor and the audit process, as appropriate. 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. The evaluation also took into account information from the external auditor in relation to their own performance. In assessing the effectiveness of the external auditor, areas considered included:

- 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 2023/24;

- 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;
- Discussions with the audit partner and audit team on (i) the risks to audit quality that they identified and how these have been addressed; (ii) the key audit firm and network level controls they relied on to address identified risks to audit quality; and (iii) any findings from internal and external inspections of their audit and their audit firm;
- Discussions with the auditors on areas highlighted in their reports where they have challenged management and the result of those challenges;
- The auditor's own assessments of the quality of the audit, and its broader quality assurance systems.

The outcome of the evaluation was considered by the Committee. The Committee discussed the effectiveness of the external auditor 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 to tender the external audit contract at least every 10 years.

Following the audit tender process conducted in 2015/16, the year ended 27 January 2024 was the eighth year of audit by KPMG LLP and the third 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 2.7 to the consolidated financial statements. The ratio of non-audit services fees to audit and audit-related services fees was 3% (2022/23: 4%).

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 Partners' interests, protecting our reputation, complying with regulatory standards and achieving our business objectives.

To enable this, the Partnership implements a risk management framework which clearly defines the processes we follow to identify, evaluate, manage and monitor the principal risks faced by the Partnership, supported by a 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.

During the year under review, reporting was through presentations from Finance management as well as the work of Internal Audit, which provides independent and objective assurance on the effectiveness of controls through the delivery of a risk-based work plan. The Director of Risk and Assurance reports operationally to the Chair of the Committee and structurally to the Executive Director, Finance and reports quarterly on risk profile status to the Executive Team, the Committee and the Partnership Board on various aspects of risk management in line with their respective governance roles. The Partnership Board also 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.

At the end of the year, the Committee assessed 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 (see pages 40 to 42);
- Continued to challenge management to understand and appropriately mitigate against the risks arising from the external environment and internal change across the Partnership: from increasing geopolitical uncertainty, the effects of the ongoing conflict in Ukraine and its repercussions on energy, food and product prices, the consequential cost of living crisis in the UK, and changing customer behaviour and regulations; to the Partnership's ability to land change at the pace required in order to deliver its strategy;
- Maintained its focus on security and data privacy requirements and the actions needed to continuously improve cyber security resilience;
- Supported the continuing maturity of risk management across the Partnership by supporting a review of risk appetite, tolerances and targets, weaved into the Board's risk related decision-making on the strategy and business planning, reviewing and challenging principal risks and mitigations through deep dives and other areas of our business such as the Financial Services risk and control environment over the course of the year;
- Continued to review the outcome of Internal Audit work and receive updates on regulatory assurance and compliance;
- 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;
- Continued to have oversight of open and overdue Internal Audit findings, with an ongoing focus on action-owner accountability. For the majority of the year there have been no overdue audit findings.

In the coming year, the Committee will continue to oversee the Partnership's systems of risk management and internal control with an ongoing focus on maturing risk management across the Partnership and challenging where there are gaps or blockers to delivering the refreshed Partnership Plan at the agreed pace.

The Partnership's approach to Internal Audit

Partnership Internal Audit (IA) 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 IA, as laid out in its charter, is to support the Committee in fulfilling the parts of its remit 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.

IA's work plan reflects the key risks and pressures faced by the Partnership and is aligned with the Partnership's strategic plan. It 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 endorses a six month work plan, with progress updates and outcomes presented each quarter.

KPIs measuring the efficiency and effectiveness of the IA function are used to benchmark performance against prior years and to assess value add, with performance reporting to the Committee each quarter. Status updates on management's implementation of agreed actions from audits undertaken are also provided.

The function was last externally assessed in 2021 in line with section 1312 of the Institute of Internal Auditors (IIA) standards, which require an independent external quality assessment once every five years. In the interim, the Director of Risk and Assurance provides regular updates to the Committee in relation to continuous improvement activities, such as developments in data analytics and the use of real time reporting. IA will undertake a gap analysis against the new Global Internal Audit Standards to be implemented in January 2025 and share the outcome with the Committee. The function will implement a plan to close any gaps and report ongoing conformance with the new standards to the Committee.

Compliance

The Committee routinely receives updates on control and assurance activities relating to compliance with laws and regulations, including on whistleblowing, anti-bribery and corruption (see page 44) and fraud.

The Committee receives biannual reports on the level and nature of issues raised under the Partnership's whistleblowing policy, which outlines the Partnership's arrangements for dealing with allegations which relate to suspected wrongdoing or potential risks at work which have a wider impact. Accordingly, the Committee reviews, on behalf of the Board, the adequacy and security of the Partnership's arrangements for Partners and - when working directly for the Partnership or on Partnership premises - 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. Any significant matters raised would be escalated to the ARC Chair on a more timely basis. The Board retains responsibility for reviewing reports arising from use of these arrangements.

The Committee annually reviews the Partnership's level of compliance with the Partnership Fraud Standard and receives a pan-Partnership assessment of the approach to this risk. This includes an assessment of control effectiveness and an explanation as to how we may be able to improve the control environment further.

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 (also referred to as the 'Code').

Both the Order and, in particular, the Code, regulate 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 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.

The Partnership continues to take compliance with the Code very seriously and Waitrose has worked hard over the past year to make further improvements to our overall GSCoP compliance. In particular we have:

- Evolved our GSCoP governance framework to ensure GSCoP is a continual and two way conversation with the whole of the Trading Leadership and Commercial Leadership Teams;
- Strengthened the approach to annual GSCoP training by removing the 'refresher' GSCoP training module option, meaning that each year Commercial Partners must re-complete the full suite GSCoP e-learning, irrespective of whether they completed it in the previous year;
- Moved the mandatory annual GSCoP compliance briefing to July to ensure the results of the Groceries Code Adjudicator's (GCA) Annual Survey and any key updates can be shared with the Commercial Team in advance of their annual contract negotiations with suppliers in the Autumn;
- Continued to raise the profile of the Code Compliance Officer (CCO) through bi-monthly newsletters to suppliers covering Code-related topics and helping suppliers to improve their understanding of the Code and introduced dedicated drop-in sessions for suppliers to book time with the CCO;
- Reviewed and issued guidance where needed on topical issues seen through compliance audits and supplier feedback in the CCO sessions.

Over the past year we have continued to work with the GCA, and our collaborative approach supports us in identifying underlying issues and trends based on supplier concerns that the GCA may bring to our attention. The CCO and GCA met on three occasions during the year and we continued to share information with the GCA which could be relevant to our supplier interactions on a timely basis. Our Commercial Director also took part in a panel discussion at the GCA's 2023 Annual Conference.

Training

Mandatory training takes the form of a suite of e-learning modules on the Code and each year the Buying Team must complete their e-learning on the Code as well as attend an interactive briefing, prepared by our Compliance and Commercial Management Team with support from our Legal Department. This year's content focused on: cost price increases and cost price decreases (and the adherence to the GCA's 7 Golden Rules in both cases), forecasting accuracy, Buyer communication with suppliers, supply agreements, and De-listing. In addition, all new joiners attended an induction session with the Commercial Compliance Lead which covers GSCoP.

Of the 122 Partners who formed part of the Buying Team (as defined by the Order) during the Reporting Period and to whom the legal requirement for training relates, 122 (100%) completed their e-learning and attended the interactive briefing session.

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. In total over 500 Partners have completed both the GSCoP e-learning and attended the interactive briefing session on the Code.

In addition, we have also trained 28 contractors on the Code, where they might be supporting the Commercial Teams in supplier-facing roles. This includes, in particular, contractors supporting our value chain analysis work with suppliers.

Breaches or alleged breaches

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.

With the exception of confidential supplier complaints, which are handled by the CCO and non-Commercial members of the GSCoP Working Group, all Code-related issues or complaints are reported to our GSCoP Working Group so any themes can be monitored and action taken where needed.

During the Reporting Period, Waitrose had 24 cases (down from 26 last year) where a supplier either alleged that there had been a breach of the Code or referred to a potential non-compliance with the Code. 12 of these cases were raised directly with the business and 12 directly with the CCO. Seven complaints were ongoing at the end of the Reporting Period. Two Code issues raised before the Reporting Period were also closed in the year. No formal disputes were raised during the Reporting Period.

The most common theme for supplier complaints this year concerned payment issues, albeit these did not always strictly relate to delays in payments as required by paragraph 5; for example, a number of suppliers wanted access to copies of financial documents and were unsure how to locate these. We have re-communicated through the CCO newsletter the correct way to raise any payment queries, which is through our Finance Portal, and have also communicated the times that support can be accessed via the helpline if needed. We continue to closely monitor our payment processes and seek to identify any areas where improvements can be made, for example we have this year included a GSCoP guidance page within the Finance Portal.

The second most common theme for supplier complaints this year related to De-listing and in particular requests for Senior Buyer reviews. In cases where the decision was overturned in full or part, this was often as a result of complex circumstances or where, on balance, a concession seemed to be fair, irrespective of the strict Code position. As part of our wider continuous improvement measures, we also analyse all De-listing queries together with the outcomes of our internal De-listing audits so as to identify key themes and root causes. We then share these observations (and associated recommendations) with the Trading Teams both on an ad hoc basis and as part of our Annual Compliance Briefings.

Finally, all supplier meetings held with the CCO are treated in the strictest of confidence unless the supplier states otherwise and Waitrose has signed up to the CCO Confidentiality Commitment which ensures that suppliers will not face any negative consequences as a result of raising a query either with the CCO or the Waitrose business generally.

On behalf of the Audit and Risk Committee.

Sharon Fennessy

SHARON FENNESSY

Interim Chair of the Audit and Risk Committee and External Independent Member

ETHICS AND SUSTAINABILITY COMMITTEE REPORT

The role of the Committee is to assist the Board to fulfil its responsibilities for setting Ethics and Sustainability (E&S) strategy in accordance with the Partnership's Purpose and Values and ensuring that E&S strategy is embedded into the Partnership's operations by reviewing and monitoring:

- The Partnership's conduct with regard to its obligation, reputation and opportunity as a responsible and progressive corporate citizen;
- That E&S remains core to the Partnership, aligned to the Partnership's Purpose and Values;
- The delivery of the Partnership's E&S commitments, consistent with the strategy;
- The Partnership's principal risks related to E&S;
- That external perspective is fully considered to ensure the Partnership's approach on E&S remains relevant and stretching.

To meet its purpose, the Committee assesses the embedding of E&S strategy into the Partnership's operations, and whether E&S issues are considered when reviewing and guiding the Partnership's strategy, major plans of action, risks, annual budgets, and business plans. It monitors whether the expectations of Partners and other stakeholders are taken into account in relation to the Partnership's E&S performance and the management of E&S risk and opportunities, and reviews adherence to E&S compliance obligations.

The Committee's Terms of Reference are reviewed annually and are available at www.johnlewispartnership.co.uk.

Membership and composition

The Committee comprises the Chairman, Deputy Chairman, Executive Director, Finance, one Elected Director and two External Independent Members. The members of the Committee at the date of this report are:

Rita Clifton	Non-Executive Director (Chair of the Committee)
Bérangère Michel	Executive Director, Finance
John Morrison	External Independent Member
Sarah Mukherjee	External Independent Member
Jules Rushworth	Elected Director
Sharon White	Chairman

As part of the annual review of the Committee's Terms of Reference, James Bailey, Nina Bhatia and Naomi Simcock stood down as members of the Committee with effect from 13 July 2023. However, the Executive Directors of John Lewis, Waitrose and New Businesses, as well as the Director, Ethics and Sustainability and the Director of Risk and Assurance (or a nominee appointed by them) routinely attend meetings but are not members of the Committee.

The two External Independent Members assist the Committee to ensure that an external perspective is maintained, and that the Partnership's approach remains relevant and stretching.

The Committee met four times during the year under review. These meetings were attended by all members who were eligible to attend.

External Independent Members

John Morrison, appointed: December 2022
John has been Chief Executive Officer of the Institute for Human Rights and Business (IHRB) since its formation in 2009, and brings a wealth of experience in ethics to the Partnership. John leads IHRB's global strategy, fundraising, and outreach. Before IHRB, he directed the Business Leaders Initiative on Human Rights, was Head of Public Affairs for The Body Shop International, and before this worked in the field of refugee protection and on issues of human trafficking. John advises a number of governments, intergovernmental organisations, and

businesses on human rights and wider issues of sustainability, development, and international affairs. John also sits on the UK Foreign Secretary's Human Rights Advisory Group.

Sarah Mukherjee, appointed: December 2022
Sarah is Chief Executive Officer at IEMA (Institute of Environmental Management and Assessment) and has years of experience in sustainability. Previously Sarah was the BBC's Environment correspondent. After leaving the corporation, she held leadership roles in various sectors including utilities and agriculture. Sarah was a panel member for the National Parks Review and the Glover Review and also sat on the National Food Strategy Advisory Panel. She is co-chair of the Natural England Landscape Advisory Panel as well as Non-executive Director on the Board of the Environment Agency. In 2021 Sarah was awarded an MBE for her services to agriculture and farmer well-being.

Committee effectiveness
During the year under review, Committee members and regular attendees contributed to an assessment of the Committee's effectiveness as part of the 2023 Board Evaluation. The output from the evaluation was considered by the Committee at its April 2024 meeting and will be followed up both through the agreed actions and also as context for the 2024 Board evaluation process.

Activity
In the year under review, the Committee continued to mature its structured ways of working. At each meeting the Committee received a high level overview of the Partnership's key E&S priorities using a heatmap to focus attention on the most salient issues and areas of progress, including policy updates and benchmarking.

Committee time centred around reviewing, monitoring and challenging management on key areas of E&S strategy, performance and risk including:
- Updates on E&S initiatives and plans for John Lewis and Waitrose;
- Priority initiatives and issues including:
    - Partnership-wide issues such as plastics and packaging, ethical sourcing and compliance, zero deforestation, climate-related risk, performance and disclosure, the Partnership's partnership with WWF, and Building Happier Futures;
    - At Waitrose - regenerative agriculture, animal welfare, and activity to tackle food waste, in support of an improved food system;
    - At John Lewis - responsible sourcing including more sustainable raw materials and circular design, and the customer-facing approach to sustainability;
- E&S related risks and compliance and policy updates, and risk mitigation relating to goods not for resale;
- The approach of diversity and inclusion plans to align with the Partnership's Purpose and promote an inclusive culture;
- The Partnership's response to crisis incidents such as conflict, focusing specifically on issues of humanitarian aid and responsible sourcing;
- Work in the area of social impact, the development of a new social impact metric for the Partnership's balanced scorecard, work on the consolidation of the Partnership's Trusts & Foundations and Building Happier Futures;
- Briefings from the External Independent Members of the Committee on areas for particular focus and to continue to develop the breadth of understanding and knowledge of Committee members on current issues of E&S which may be of relevance to the Partnership, including a pre-briefing on COP28;
- The impact of financial decisions and business planning for E&S plans and performance.

The Committee maintained, on behalf of the Partnership Board (which retains overall responsibility for risk management), direct oversight of the Partnership's principal risks related to E&S being: (i) E&S risk; and (ii) the E&S related elements of regulatory non-compliance risk. Working within the Partnership's risk management framework, the Committee oversaw risks relating to E&S, and provided input and assurance to the ARC on issues relating to risk management, internal control and E&S reporting, including reporting in accordance with the requirements for Climate-Related Financial Disclosures.

During the year under review, the Committee endorsed E&S related reporting comprising the Partnership's Ethics and Sustainability Report 2022/23, E&S content for the Annual Report 2023, and the Modern Slavery statement and Human Rights Report 2023. Since the year end, the Committee has endorsed the Partnership's Ethics and Sustainability Report 2023/24 and E&S content for the Annual Report 2024.

More information about the work of the Committee and the Partnership's E&S strategy and performance during the year can be found in the Strategic Report on pages 12 to 23, with further detail published in the Partnership's Ethics and Sustainability Report 2023/24 available at www.johnlewispartnership.co.uk/csr.

On behalf of the Ethics and Sustainability Committee

RITA CLIFTON
Chair of the Ethics and Sustainability Committee and Deputy Chairman

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 and Senior Management positions. (Senior Management is defined as Partners at Executive Director level, and at 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.

The Committee's Terms of Reference are reviewed annually and are available at www.johnlewispartnership.co.uk.

Membership and composition

The Committee comprises the Chairman, two Non-Executive Directors and two Elected Directors. The members of the Committee at the date of this report are:

Rita Clifton	Non-Executive Director (Chair of the Committee)
Will Kernan	Non-Executive Director
Jules Rushworth	Elected Director
Sharon White	Chairman
David Wood	Elected Director

Andrew Martin stepped back as a member of the Committee between 8 December 2022 and 27 March 2023, although he continued to attend meetings to allow the Committee to continue to benefit from his insights and experience. He then rejoined the Committee until his membership of the Board ended on 30 April 2023. Nish Kankiwala stepped down as a member of the Committee on becoming Chief Executive Officer on 27 March 2023. Nicky Dulieu took up her appointment as a Non-Executive Director on 27 April 2023 and joined the Committee on this date. She remained a member of the Committee until her membership of the Board ended on 6 December 2023. Will Kernan was appointed as a member of the Committee on 31 October 2023 to enable an orderly handover from Nicky Dulieu. Becky Wollam stepped down as an Elected Director, and hence left the Committee, on 31 October 2023, when David Wood was appointed to replace her as a member of the Committee.

There were 16 Committee meetings during the year, more than in prior years to reflect the level of activity, in particular regarding the Chairman's succession. All members attended each meeting they were eligible to attend with the exception of one member who was unable to attend three meetings. The Committee is supported by the Executive Director, People and assisted by independent consultants, who attend Committee meetings as required. Committee meetings are also regularly attended by the Partnership Secretary and the Independent Directors.

No member of the Committee participates in discussions regarding their own appointment. When any matter relating to their appointment is being discussed or agreed, they recuse themselves from that part of the meeting.

Board effectiveness review

During the year, an internally facilitated review of the Partnership Board's effectiveness was conducted. An overview of the review process and a summary of the agreed actions is provided in the section on Governance in the Partnership on page 50.

As part of this review, Committee members contributed to an assessment of the Committee's effectiveness. The output from the evaluation, which found the Committee to be largely performing in line with expectation but called out the need for further work on succession planning, was considered by the Committee at its April 2024 meeting.

Appointments

The Nomination Committee oversees the process for selecting and recommending candidates for Partnership Board and Senior Management appointments.

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 and Senior Management as well as those needed to meet future challenges affecting the Partnership. From this evaluation it 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 the Partnership's internal Talent Acquisition Lead - supplemented by external search consultancy firms - as required for the appointments made within its remit. None of the external firms have any other connection with the Partnership aside from the provision of recruitment services.

A different process is followed for appointment to the position of Elected Director. Selection is overseen by Partnership Council and not the Committee. For the election held during the year the Deputy Chairman wrote to the Council Planning Committee with details of the Committee's assessment of the capabilities the Board would benefit the most from at that time.

Chairman's succession

In early October 2023, the Chairman asked the Partnership Board to initiate a process to appoint a successor as she entered the latter stages of her five year term. This then became a key area of focus for the Committee. The Chairman also indicated her intention to give up the right of the Chairman to choose their successor. The Articles of Association of John Lewis Partnership Trust Limited were amended on 29 January 2024 to formalise the role of the Partnership Board in the selection of a Chairman.

The Committee carefully reviewed the formalities associated with the succession process as well as the role scope and profile. It considered potential routes to identifying candidates and appropriate ways of working. In developing its approach to the succession process, it considered the process followed for the current Chairman's appointment, identifying what had worked well and what improvements could be made. It overlaid this with practical considerations related to any appointment.

The Committee worked through a thorough, considered and rigorous process, with the highest regard for principles of good governance and for the expectations of Partners, supported by an external search consultancy chosen after a tender process. Committee members undertook unconscious bias training before a series of informal and formal interviews and presentations conducted by all Committee members and an Independent Director. The culmination of this process was the recommendation to the Partnership Board that Jason Tarry be appointed as the seventh Chairman of the Partnership. The Board supported this recommendation, and Jason's appointment was subsequently announced on 8 April 2024. He is expected to take up the post in September 2024.

Non-Executive Directors
On 27 March 2023, Nish Kankiwala took up the position of Chief Executive Officer. The Committee decided to build on the process already commenced to find a replacement for Andrew Martin (who had previously indicated his desire to step down as a Non-Executive Director) to identify a second new Non-Executive Director.

The Committee considered the experience, skills and capabilities required on the Partnership Board to support the Partnership's strategy and the term of appointment. From this, and taking into account the Partnership Board's Diversity Statement (see page 73), candidate specifications were drawn up.

On the Committee's recommendation, the Board approved the appointment of Nicky Dulieu as a Non-Executive Director to replace Andrew Martin and of Will Kernan as a Non-Executive Director to replace Nish Kankiwala. Andrew stepped down on 30 April 2023 and Nicky took up her role on 27 April 2023. Will took up his role on 12 September 2023.

Later in the year, Nicky Dulieu indicated her desire to step down as a Non-Executive Director having concluded that the role was unsustainable alongside her other commitments. The process to appoint a new Non-Executive Director to replace Nicky was concluded in January 2024 with the Board approving, on the Committee's recommendation, the appointment of Clare Swindell who joined the Board on 6 March 2024.

Rita Clifton, whose initial three-year term as a Non-Executive Director and Deputy Chairman was due to expire on 31 January 2024, confirmed that she was willing to extend her term for a further three years commencing on 1 February 2024. On the Committee's recommendation, this was approved by the Partnership Board on 6 December 2023.

Partnership Board committee membership
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 Chairs of those committees. During 2023/24, the Committee recommended to the Partnership Board that changes be made to the composition of the Partnership Board committees following the changes to the membership of the Partnership Board.

Following Nish Kankiwala's appointment as Chief Executive Officer, Andrew Martin was reappointed to the Nomination and Remuneration Committees, until his departure on 30 April 2023.

On appointment to the Board, Nicky Dulieu was appointed as Chair of the ARC and as a member of the Nomination and Remuneration Committees. As a result of Nicky's decision to stand down as a Non-Executive Director, Will Kernan was appointed to the Nomination and Remuneration Committees on 31 October 2023. Nicky's Committee memberships came to an end when she left the Board on 6 December 2023. Sharon Fennessy, External Independent Member of the ARC, agreed to take on the role of Interim Chair of the ARC following Nicky Dulieu's departure and held the position until 7 May 2024. After the year end, Clare Swindell was appointed as a member of the ARC on 6 March, taking over from Sharon as Chair on 7 May 2024, which allowed for a short handover period and ensured continuity during the preparation of the year end results.

David Wood was appointed to the Nomination and Remuneration Committees on Becky Wollam's departure from the Board and these two committees on 31 October 2023.

John Lee was appointed to the ARC on 25 January 2024.

The membership of each of the Partnership Board committees is set out 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 the Partnership Board committees, and makes recommendations to the Board on any such appointments. Biographies for External Independent Members can be found in the relevant committee's report.

The Committee has determined that the ARC benefits from having two External Independent Members:
- Alan Martin joined the ARC as an External Independent Member in January 2023 for an initial three year term;
- Sharon Fennessy joined the ARC as an External Independent Member in March 2016 and extended her term to 7 May 2024. The Committee identified that it would be useful for one External Independent Member of the ARC to have skills and experience within financial services. It therefore decided to include this requirement in its search for a replacement for Sharon Fennessy. The Committee recommended to the Board that Jane Hanson be appointed as an External Independent Member of the ARC for an initial three year term commencing on 1 January 2024. This appointment date was agreed to facilitate a short period during which the ARC has three External Independent Members, recognising the benefit of an orderly handover and the importance of continuity during the preparation of the year end results.

The Committee has determined that the Ethics and Sustainability Committee benefits from having two External Independent Members. No changes were made to these appointees - John Morrison and Sarah Mukherjee - during the year.

Elected Directors
Under the ownership model for the John Lewis Partnership, Partnership Councillors choose three Partners to be Directors on the Partnership Board. The most recent scheduled election took place in January 2022, with appointments effective from March 2022. Following Becky Wollam's resignation from the Partnership and the Board, an election was held leading to the appointment of John Lee. During the year, the Committee contributed to the induction and support of John Lee, ensuring this was commensurate with the scope of his role and requirements.

Senior Management
The Committee oversees and approves any substantial change in duties or responsibilities and any suspension or termination of employment of members of Senior Management.

During the previous year, the Committee considered the delegation of certain of the Chairman's responsibilities to a Chief Executive Officer and the related appointment process. This ultimately led, in March 2023, to the appointment of Nish Kankiwala as Chief Executive Officer of the Partnership, with responsibility for the day-to-day management of the performance of the business.

Following the appointment of the Chief Executive Officer in March 2023, the Committee considered the metrics that would be used to evaluate the implementation of the Chief Executive Officer's role. This was focused on the role of Chief Executive Officer, its interaction with the Chairman's role and its place in the Partnership's new operating model, rather than the performance of the incumbent. Following on from this, the Committee considered changes to the responsibilities of some Executive Team members to support the move to the Partnership's new operating model. These changes took effect from the start of the 2024/25 trading year.

Following a period of considerable transformation of the John Lewis brand, Pippa Wicks, Executive Director, John Lewis, stepped down from the Executive Team in February 2023 and left the Partnership in June 2023. An external search for her successor was commenced and the Committee supported the appointment of Naomi Simcock, Retail Director, John Lewis, to replace her on an interim basis. Peter Ruis joined the Partnership as Executive Director, John Lewis in January 2024.

As advised in last year's report, following changes to the Partnership Plan, the conditions that made the role of Chief Operating Officer necessary and valuable for the Partnership no longer existed. Consequently, the role lapsed at the end of the previous trading year with the responsibilities previously assigned to the role being split between the rest of the Executive Team. Andrew Murphy, who had held the role since February 2022, stepped down from the Executive Team in March 2023 and left the Partnership in October 2023. He continued to advise the Chairman and the rest of the Executive Team until he left.

On 23 April 2024, Bérangère Michel announced her resignation from the Partnership. The Committee has commenced a process to identify a successor as Executive Director, Finance and member of the Partnership Board.

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 reviews succession plans for the Board and Executive Team. It also reviews annually the potential of Director level (Partnership Level 3) leadership talent and the existence of any capability gaps to achieving the Partnership Plan.

The Committee received updates on progress of the Partnership's leadership development programmes, which have also been discussed in more detail by the Board as part of the development of the People strategy.

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 oversaw:

- A comprehensive review of the induction process for new Non-Executive Directors and Elected Directors, considering both core elements and tailored training relevant to their background, as well as structured development support for Elected Directors including (internal) mentoring and (external) coaching;
- A bespoke induction programme for the new External Independent Member of the ARC.

Diversity and inclusion

Under its Terms of Reference, the Committee's role includes setting the ambition 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 diversity in the leadership community and progress against diversity and inclusion objectives annually, with regular reviews of progress against leadership diversity objectives. After year end, the Committee reviewed the Partnership's Pay Gap Report, which was published on 25 March 2024.

Further information on diversity and inclusion in the Partnership can be found in the section on Becoming a more inclusive business on pages 11 to 12.

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 56% female, 44% 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.

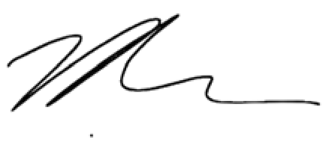
Inclusion is vital in every element of our business. It shows up in everything we do and in all that makes us different. It ensures we live our Purpose, connect with our Partners, bring our Values to life and listen to the voice of our Partners. We have a clear action plan, and our Partnership Board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

Chair of the Nomination Committee and Deputy Chairman

REMUNERATION COMMITTEE REPORT

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

The Committee oversees how remuneration policy (comprising base pay, pension arrangements and other benefits) is applied to the Chairman, Chief Executive Officer, Executive Directors and other senior managers who report to the Chairman. The Committee ensures remuneration arrangements for these Partners remain competitive and appropriate, 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;
- Considering the pay of the Chief Executive Officer, Executive Directors and other senior managers.

The Elected Director members are responsible for setting the fees for the Partnership Board's Non-Executive Directors and External Independent Members of committees of the Partnership Board.

The Committee's Terms of Reference are reviewed annually and can be found at www.johnlewispartnership.co.uk.

Membership and composition

The Remuneration Committee normally comprises 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.

Remuneration Committee decisions can only be made 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. When any matter relating to their remuneration is being discussed or agreed, they recuse themselves from that part of the meeting.

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

Rita Clifton	Non-Executive Director (Chair of the Committee)
Will Kernan	Non-Executive Director
Jules Rushworth	Elected Director
David Wood	Elected Director

Nish Kankiwala stepped down from the Committee on becoming Chief Executive Officer on 27 March 2023. Andrew Martin rejoined the Committee on 27 March 2023 and remained on it until his membership of the Board ended; he had also been invited by the Committee to continue his attendance at meetings during the period when he was not a member so the Committee could continue to benefit from his insights and experience. Nicky Dulieu joined the Committee on 27 April 2023 on her appointment as a Non-Executive Director. She remained a member of the Committee until her membership of the Board ended. To enable a handover from Nicky Dulieu, Will Kernan was appointed as a member of the Committee on 31 October 2023. Becky Wollam left the Committee on 31 October 2023 on her resignation from the Board, with David Wood appointed a member of the Committee on 31 October 2023.

The Committee met on nine occasions during the year. All members attended each meeting they were eligible to attend with the exception of one Director who was unable to attend two meetings.

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 and Policy. Committee meetings are also regularly attended by the Chairman, Chief Executive Officer, 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 approach to pay is set out in Rules 61, 62 and 63 of the Constitution:

Rule 61	(i) The Partnership sets pay which is informed by the market and supports the attraction and retention of high calibre people. (ii) Managers must take great care in adhering to Partnership guidelines, ensuring each individual's pay is appropriate for their role and if made public would pass the closest scrutiny. (iii) Partnership Bonus is not taken into account when setting pay.
Rule 62	Each year, those who make the highest level of individual contribution will receive additional reward or recognition. Only by exception would this not be possible.
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 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.

Partner pay is reviewed annually in line with the agreed pay review approach. Each role in the Partnership, including Executive Team roles, has a pay range set with reference to similar roles or groups of roles in comparable organisations. The Partnership does not operate annual or long-term incentive plans.

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 requested that no pay review increase be awarded in respect of the 2023/24 year. The Chairman also requested that no increase be awarded in April 2024.

After the end of the year under review, the Committee considered the proposed remuneration for Jason Tarry, alongside the Nomination Committee's recommendation that he be appointed as Chairman. The Committee's decision was informed by the proposed scope of the Chairman's role, an updated external market assessment and Rule 63 of the Partnership's Constitution. The Partnership Board accepted the Committee's recommendation.

Pay ratios

The Committee again agreed to voluntarily report a CEO pay ratio figure in line with legislation for quoted companies. The ratio is calculated with reference to the total remuneration of the director 'undertaking the role of chief executive officer' as prescribed by The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 ('the Regulations') to the total pay of individual Partners at the 25th, 50th and 75th percentiles, as identified using 2023 gender pay gap reporting data. During the reporting year, this role was fulfilled by the Chairman until 27 March 2023, when the role of Chief Executive Officer was introduced.

The legislation requires companies to choose one of three calculation methodologies (A, B or C), to calculate their CEO pay ratio. Option A requires calculating the full time equivalent remuneration of all UK employees for the financial year in order to identify comparators at the 25th, 50th and 75th percentile. Option B enables companies to use their most recent gender pay gap data to identify the comparators and Option C allows use of other pay data with supportive narrative. As in previous years, the Committee chose to use Option B as it enables use of a readily available, robust and consistent dataset.

In addition, Rule 63 of the Partnership's Constitution limits the pay of the highest paid Partner to no more than 75 times the average basic pay of non-management Partners. The Rule only applies to basic pay but the Committee also considers a total reward comparison that includes pension and other benefits (but not any Partnership Bonus). This compares the total reward of the highest paid Partner to the average total reward of non-management Partners with three or more years' service.

Executive Team pay

The Remuneration Committee also approves the pay of other Executive Directors. The Committee considers the Chairman's recommendation for the Chief Executive Officer, and the Chief Executive Officer's recommendations for the Executive Team, and also takes into account market data provided by Willis Towers Watson as well as the pay review approach and level of pay increases awarded to other Partners. During the year, the Committee approved pay arrangements for the new Chief Executive Officer and one other new Executive Team member.

Non-Executive Directors

The Elected Director members of the Committee approve fee arrangements for Non-Executive Directors. During the year, they approved changes to the fee arrangements for one Non-Executive Director to reflect changes to their responsibilities. After year end, they approved a 5% increase in the fees for Non-Executive Directors, the first such increase since 2017.

External Independent Members of Partnership Board committees

The Elected Director members of the Committee also approve fee arrangements for External Independent Members of Partnership Board committees. During the year, they approved fee arrangements for one new External Independent Member of the ARC.

Partnership pay

During the year, the Remuneration Committee was provided with information and context on pay across the Partnership including the 2023 pay review approach and outcomes. It also supported the Partnership Board's decisions regarding the 2024 pay review budget of £116m and approach including the move to spot rates (i.e. consistent hourly pay rates) as part of our new pay framework and a consistent percentage increase for other eligible Partners.

Gender pay gap reporting
After the year end, the Committee reviewed the Partnership's statutory gender pay gap reporting as at April 2023 and voluntary ethnicity pay gap disclosure. The Committee welcomed the further decrease in both the gender and ethnicity pay gap and acknowledged the actions taken since last year.

Outlook
Looking forward, the Committee will continue to ensure that the Chairman, Chief Executive Officer, 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, financial performance and external developments. 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 consider the extent to which they are relevant to the Partnership to ensure our approach to pay remains fair and transparent.

Remuneration report
All references to the Chairman below relate to arrangements for Sharon White. All references to the Executive Directors refer to the two members of the Executive Team who served on the Partnership Board during the year: Nish Kankiwala who served as Chief Executive Officer and Bérangère Michel who served as Executive Director, Finance. For the avoidance of doubt, such references do not include other Executive Team members who did not serve on the Partnership Board.

Spend on pay
In 2023/24, the Partnership spent £1,794m on employment and related costs (2022/23: £1,820m). This represented 16.6% (2022/23: 17.3%) of the Partnership's revenue.

£1,538m was spent on wages and salaries (2022/23: £1,526m). As in the previous year, no Partnership Bonus was awarded in respect of 2023/24.

Chairman's pay
The Chairman's total reward was £1,122,300; base pay was £990,000. The total reward package for the reporting period is made up of the following elements:

	2024 £	2023 £
Pay	**990,000**	990,000
Partnership Bonus	**-**	-
Pension	**118,800**	118,800
Cash value of other benefits	**13,500**	13,800
Total reward	**1,122,300**	1,122,600

The Chairman received a pension cash replacement of 12% of pay. Other benefits comprised car allowance and medical cover.

The Chairman's total reward in the year fell marginally in comparison with the previous year.

As noted previously, the Chairman voluntarily chose not to accept a pay review in 2023 or 2024. The Chairman's pay therefore remains at £990,000 which is unchanged since her appointment in 2020.

Pay ratios
As prescribed by the legislation, the CEO pay ratio (defined on page 76) is calculated for the entire financial year. The calculation therefore includes the Chairman's total reward for the period of the financial year until the appointment of the Chief Executive Officer. Total pay for the purposes of the calculation includes ranking pay, any Partnership Bonus and pension benefit. The movement in ratios this year reflects increases to the ranking pay of the 25th percentile comparator Partner and the comparator figure for 'undertaking the role of chief executive officer'.

Year	Methodology	25th percentile ratio	50th percentile ratio	75th percentile ratio
2024	Option B	**53**	**51**	**49**
2023	Option B	55	50	45
2022	Option B	51	44	41
2021	Option B	54	49	36

For the purposes of Rule 63 (defined on page 75), the highest paid Partner for the reporting period was the Chief Executive Officer. At the end of the reporting period, their pay received in the year was 51 times the average basic pay of non-management Partners and 44 times the average total reward of non-management Partners with three or more years' service, both below the 75 times limit.

	2024	2023	2022	2021	2020
Rule 63: Basic pay only	**51**	49	52	52	63
Rule 63: Total reward excluding any Partnership Bonus	**44**	45	46	42	54

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. 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 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 £3,290,000 (2022/23: £2,137,000). The Chairman, Chief Executive Officer, Executive Director and Elected Directors are also entitled to the same benefits as all other Partners, including Partnership discount and long leave.

Total Remuneration for Directors who served on the Partnership Board (excluding the Elected Directors)

Banding		Number of Directors	
Min	**Max**	**2023/24**	**2022/23**
1	50,000	2	
50,001	100,000	2	2
100,001	150,000	1	1
650,001	700,000	1	
700,001	750,000		1
1,100,001	1,150,000	2	1
Total		**8**	**5**

As noted above, the table includes all Directors who served on the Board for any period of the financial year. As a result, the total number of Directors in the year is higher than last year but only reflects a net increase of one. The table includes the Chief Executive Officer's total remuneration from the date of appointment on 27 March 2023. The fee for his role as a Non-Executive Director prior to this period is shown separately. The table also includes fees paid to three Non-Executive Directors who did not serve for the full financial year.

The disclosure in respect of the highest paid director is included in note 2.9.4 to the consolidated financial statements.

Pension arrangements
The Chairman and Executive Directors are not building up additional benefits in the Partnership's pension scheme; instead all receive a monthly cash replacement. This is set at a percentage of pay in line with the maximum Partnership contribution into the defined contribution section of the pension scheme (i.e. 8% with an additional 4% after three years' service). For 2023/24, the total pension replacement value paid to the Chairman, Chief Executive Officer and Executive Director was £275,000 (2022/23: £205,000 for the Chairman and Executive Director).

Defined benefit pension value
One Executive Director has defined benefit pension entitlement and the value built up at the end of the year was £72,000 per year (2022/23: £68,000). Their 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 relevant Executive Director had no entitlement to temporary pension.

Payments to former Directors
No payments to former Executive Directors who served on the Partnership Board were accrued for or paid in the 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 on the Partnership Board are included within the biographies from pages 51 to 54.

During the year, until she stood down from the position in June 2023, the Chairman voluntarily paid an amount equivalent to the fees received 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 this charity.

Reporting requirements
This report has been prepared in accordance with the disclosure requirements applying to the Partnership, as set out in Schedule 5 of 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 77 to 80 is cross-referenced with note 2.9.4 to the consolidated financial statements.

On behalf of the Remuneration Committee

RITA CLIFTON
Chair of the Remuneration Committee and Deputy Chairman

DIRECTORS' REPORT

The Directors' Report for John Lewis Partnership plc ('the Company') for the 52 week period ended 27 January 2024 comprises the Governance Report on pages 45 to 84 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 the Strategic Report that would otherwise be required to be disclosed in the Directors' Report. These are:

- Future business developments - pages 6 and 9;
- Risk management - pages 31 to 39;
- Employee engagement - page 25;
- Engagement with suppliers, customers and others - pages 26 to 28;
- Becoming a more inclusive business - pages 11 to 12;
- Climate disclosures - pages 13 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 Strategic Report on pages 24 to 30.

For more details on the progress the Partnership (within this Directors' Report meaning the group of companies headed by the Company) is making with its E&S 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 Company's statements on corporate governance can be found in the Governance Report on pages 45 to 84, including details and biographies of the Company's Directors, the ARC report, the ESC report, the Nomination 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 Company would cease voluntarily reporting against the Code or any other formal corporate governance code, because it is governed by its own Constitution. The Constitution and our governance structures are broadly consistent with the Wates Principles.

Whilst unique, the Company'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.

Further information on the Partnership's Purpose is on page 5. Every Board paper requiring a decision now requires the author to answer the question, 'How does this decision advance our Purpose?'

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), in-home services, and sourcing offices in Gurgaon, India and Kwun Tong, Hong Kong. Waitrose operates 329 supermarkets and convenience shops in the UK and Channel Islands, online (waitrose.com and specialist sites for wine, plants and flowers), a cookery school and the Leckford Estate (the Waitrose Farm). Shops also operate under licence in the Middle East. The two brands work closely together, enhancing customer choice. The Partnership's Financial Services business principally provides credit and insurance products to customers in the UK. There are also hotels, manufacturing activities, customer contact centres, and business to business contracts in the UK and abroad. The Partnership has also commenced work on its entry into the Build to Rent property market, with three sites announced for development, subject to planning permission, and management services provided to two third party owned residential rental sites. The Company's subsidiaries and related undertakings are listed in note 16 to the consolidated financial statements.

Directors' interests

Under the Constitution, 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 27 January 2024 the Company 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 Company was £104,781,594 at the year end (2022/23: £104,781,594).

Dividends and Partnership Bonus

No dividends were paid on the deferred ordinary shares (2022/23: £nil). Each year, the Board 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 2024, not to award a Partnership Bonus for the year 2023/24 (2022/23: nil).

When it is paid, 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) are still due.

Until 2020, the Company also offered BonusSave, a Share Incentive Plan. BonusSave allowed 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 Company. Participating Partners save Income Tax and NICs when the funds are invested for five years, and receive a cash dividend for every full year the investment remains in BonusSave. 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 had declined to fewer than 3% of Partners, leading to the decision to pause offering it for new investments.

Dividends on SIP shares (issued in connection with previous years' BonusSave) relating to the year under review were £317,470 (2022/23: £33,346). The SIP shares do not carry voting rights, cannot be sold or transferred except within the BonusSave trust or two Trust Settlements and are, at all times, held in trust for the benefit of the respective Partners in the name of the relevant trustee. Details of SIP shares can be found in note 5.1 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 Company. 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 51 to 54, 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, and key managers of the Company, its associated companies, and other companies 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 Pay Gap Report (at www.johnlewispartnership.co.uk) sets out the steps the Partnership is taking to achieve its aim to become the UK's most inclusive business. 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 11 to 12 in the Strategic Report and pages 72 to 73 in the Nomination Committee report 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 63 to 64 of the ARC report for more information on compliance with GSCoP and the Order.

Political donations

It is the Partnership's policy not to make donations to political groups or those acting with the express purpose of seeking changes to the law or political policy. No political donations were made in the year (2022/23: £nil).

Use of financial instruments

The notes to the consolidated financial statements, including note 3.4 on pages 125 to 126, include further information on our use of financial instruments.

Retirement by rotation

The Company 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 at any time 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 have concluded that the Partnership is a going concern and the Annual Report and Accounts have been prepared on that basis. Please refer to pages 90 to 91 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 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 2027. 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 full Viability Statement is set out on pages 40 to 42.

Events after the balance sheet date

Since 27 January 2024, there has been one subsequent event which requires disclosure in the financial statements. See note 8.3 to the consolidated financial statements 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 2024 Annual General Meeting, together with a resolution to authorise the Directors to determine the auditor's remuneration.

The Directors 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.

The Directors' Report was approved by the Partnership Board on 7 May 2024 and signed on its behalf by

JANE CHEONG TUNG SING
Partner and Company Secretary
John Lewis Partnership plc
7 May 2024

FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT for the 52 week period ended 27 January 2024

Our revenue minus our incurred expenses showing the Partnership's overall profit for the 52 week period.

Notes		2024 £m	2023 £m
2.1, 2.2	**Revenue**	**10,781**	10,534
	Cost of sales	**(7,391)**	(7,281)
	Gross profit	**3,390**	3,253
2.3	Other operating income	**124**	127
2.4	Operating and administrative expenses	**(3,368)**	(3,541)
	of which:		
2.5	Exceptional items (net)	**14**	(156)
	Partnership Bonus	**-**	-
3.5	Share of profit of joint venture (net of tax)	**1**	1
2.1	**Operating profit/(loss)**	**147**	(160)
2.6	Finance costs	**(138)**	(139)
2.6	Finance income	**47**	65
2.7	**Profit/(loss) before tax**	**56**	(234)
2.8	Taxation	**(15)**	36
	Profit/(loss) for the year	**41**	(198)
2.1	**Profit/(loss) before Partnership Bonus, tax and exceptional items**	**42**	(78)

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME for the 52 week period ended 27 January 2024

Profit as shown in the income statement plus other income and expenses not yet realised, giving total comprehensive income for the 52 week period.

Notes		2024 £m	2023 £m
	Profit/(loss) for the year	**41**	(198)
	Other comprehensive (expense)/income:		
	Items that will not be reclassified to profit or loss:		
6.4	Remeasurement of defined benefit pension scheme	**(191)**	(600)
2.8	Movement in deferred tax on pension scheme	**46**	147
2.8	Movement in current tax on pension scheme	**1**	3
	Items that may be reclassified subsequently to profit or loss:	**-**	
	Fair value (loss)/gain on cash flow hedges	**(11)**	37
	Cash flow hedge loss reclassified and reported in the consolidated income statement	**-**	(10)
2.8	Movement in deferred tax on cash flow hedges	**4**	(2)
	Gain on foreign currency translations	**1**	-
	Other comprehensive expense for the year	**(150)**	(425)
	Total comprehensive expense for the year	**(109)**	(623)

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

CONSOLIDATED BALANCE SHEET as at 27 January 2024

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

Notes		**2024** **£m**	2023 £m
	Non-current assets		
3.1	Intangible assets	**405**	442
3.2	Property, plant and equipment	**2,762**	2,883
3.2	Right-of-use assets	**1,290**	1,319
3.3	Trade and other receivables	**29**	17
3.4	Derivative financial instruments	**1**	2
3.5	Investment in and loans to joint venture	**5**	5
2.8	Deferred tax asset	**55**	6
		4,547	4,674
	Current assets		
4.1	Inventories	**678**	702
3.3	Trade and other receivables	**261**	258
	Current tax receivable	**5**	17
3.4	Derivative financial instruments	**1**	11
4.2	Short-term investments	**260**	-
4.3	Cash and cash equivalents	**1,028**	1,038
		2,233	2,026
	Total assets	**6,780**	6,700
	Current liabilities		
5.1	Borrowings and overdrafts	**(308)**	(67)
5.2	Trade and other payables	**(1,588)**	(1,665)
	Current tax payable	**(4)**	-
5.3	Other liabilities held at amortised cost	**(2)**	-
5.4, 5.5	Lease liabilities	**(146)**	(149)
5.6	Provisions	**(99)**	(102)
3.4	Derivative financial instruments	**(15)**	(4)
		(2,162)	(1,987)
	Non-current liabilities		
5.1	Borrowings	**(425)**	(588)
5.2	Trade and other payables	**(29)**	(28)
5.3	Other liabilities held at amortised cost	**(60)**	-
5.4, 5.5	Lease liabilities	**(1,703)**	(1,754)
5.6	Provisions	**(115)**	(123)
3.4	Derivative financial instruments	**(1)**	(9)
6.4	Retirement benefit obligations	**(287)**	(102)
2.8	Deferred tax liability	**(5)**	(5)
		(2,625)	(2,609)
	Total liabilities	**(4,787)**	(4,596)
	Net assets	**1,993**	2,104
	Equity		
8.1	Share capital	**1**	1
	Other reserves	**1**	9
	Retained earnings	**1,991**	2,094
	Total equity	**1,993**	2,104

CONSOLIDATED BALANCE SHEET as at 27 January 2024 (continued)

The financial statements on pages 85 to 153 were approved by the Board of Directors on 7 May 2024 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
7 May 2024

Registered number 00238937

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY for the 52 week period ended 27 January 2024

A reconciliation between the beginning and the end of the 52 week period 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 29 January 2022	**1**	**5**	**1**	**-**	**-**	**2,742**	**2,749**
	Loss for the year	-	-	-	-	-	(198)	(198)
6.4	Remeasurement of defined benefit pension scheme	-	-	-	-	-	(600)	(600)
	Fair value gain on cash flow hedges	-	-	-	37	-	-	37
	Cash flow hedge gain reclassified and reported in the consolidated income statement	-	-	-	(10)	-	-	(10)
2.8	Tax on above items recognised in equity	-	-	-	(2)	-	150	148
	Total comprehensive expense for the year	-	-	-	25	-	(648)	(623)
	Hedging losses transferred to cost of inventory	-	-	-	(22)	-	-	(22)
	Balance at 28 January 2023	**1**	**5**	**1**	**3**	**-**	**2,094**	**2,104**
	Profit for the year	-	-	-	-	-	41	41
6.4	Remeasurement of defined benefit pension scheme	-	-	-	-	-	(191)	(191)
	Fair value loss on cash flow hedges	-	-	-	(11)	-	-	(11)
	Cash flow hedge gain reclassified and reported in the consolidated income statement	-	-	-	-	-	-	-
2.8	Tax on above items recognised in equity	-	-	-	4	-	47	51
	Gain on currency translations	-	-	-	-	1	-	1
	Total comprehensive expense for the year	-	-	-	(7)	1	(103)	(109)
	Hedging losses transferred to cost of inventory	-	-	-	(2)	-	-	(2)
	Balance at 27 January 2024	**1**	**5**	**1**	**(6)**	**1**	**1,991**	**1,993**

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

CONSOLIDATED STATEMENT OF CASH FLOWS for the 52 week period ended 27 January 2024

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

Notes		2024 £m	2023 Reclassified[1] £m
2.10	**Cash generated from operations before Partnership Bonus**	**530**	348
	Net taxation received/(paid)	**5**	(10)
	Pension deficit reduction payments	**(7)**	(10)
	Finance costs paid on lease and other liabilities	**(95)**	(96)
	Net cash generated from operating activities before Partnership Bonus, bond finance costs and BonusSave plan	**433**	232
	Partnership Bonus paid	**-**	(46)
	Finance costs paid in respect of bonds and related financial instruments	**(35)**	(32)
5.1	Net cash flow in relation to BonusSave plan shares	**(5)**	(6)
	Net cash generated from operating activities	**393**	148
	Cash flows from investing activities		
	Purchase of property, plant and equipment	**(155)**	(223)
	Purchase of intangible assets	**(112)**	(128)
	Proceeds from sale of property, plant and equipment and intangible assets	**82**	2
	Finance income received	**41**	12
	Cash Inflow from loans to joint venture	**1**	-
5.4	Cash (outflow)/inflow from short-term investments	**(260)**	95
	Net cash used in investing activities	**(403)**	(242)
	Cash flows from financing activities		
	Payment of capital element of leases	**(143)**	(133)
5.3	Proceeds in relation to other liabilities at amortised cost	**62**	-
	Cash proceeds from borrowings	**131**	-
	Cash outflow from borrowings	**(50)**	(150)
	Net cash used in financing activities	**-**	(283)
	Decrease in net cash and cash equivalents	**(10)**	(377)
5.4	Net cash and cash equivalents at beginning of the year	**1,038**	1,415
	Net cash and cash equivalents at end of the year	**1,028**	1,038
4.3	**Net cash and cash equivalents comprise:**		
	Cash at bank and in hand	**147**	163
	Short-term deposits	**881**	875
		1,028	1,038

[1] See accounting policy in note 2.6

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

Notes to the consolidated financial statements

1 ACCOUNTING INFORMATION

1.1 ACCOUNTING PRINCIPLES AND POLICIES

PURPOSE

We prepare our financial statements 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 UK-adopted IFRS. Changes to significant accounting policies are described in note 1.1.4.

COMPANY INFORMATION

The Company is a public company limited by shares, incorporated in the United Kingdom and registered in England and Wales. The address of the registered office is 171 Victoria Street, London SWIE 5NN.

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 note 1.1.6.

The financial year is the 52 week period ended 27 January 2024 (prior year: 52 week period ended 28 January 2023). See Glossary section on pages 162 to 168 for an explanation of financial terms.

Going concern

In determining the appropriate basis of preparation of the financial statements for the period ended 27 January 2024, 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 the Partnership is a going concern and the Annual Report and Accounts have been prepared on that basis, having undertaken a rigorous assessment of the financial forecasts with specific consideration to the trading position of the Partnership.

The Partnership returned to profit in 2023/24 through a combination of sales growth, gross margin rate improvement and sustainable cost reductions. There is more to do to deliver the Partnership Plan and a transformation of this scale carries inherent risks but the Partnership has a strong balance sheet to support this transformation and high levels of liquidity to provide sufficient financial cover in the event of a severe but plausible downside scenario (described below). As at 27 January 2024, the Partnership had total assets less current liabilities of £5bn and net assets of £2bn. Liquidity as at that date remains strong at £1.7bn, made up of £1.3bn of cash and cash equivalents and short-term investments and £0.4bn of undrawn committed credit facilities.

The Directors have modelled a severe but plausible downside scenario ('severe downside scenario') which reflects a deeper economic downturn and under delivery of the Partnership Plan. This scenario combines selected impacts with consistent assumptions to the scenarios disclosed in the viability statement. The modelling covers the going concern assessment period, being the 12 month period ending 30 April 2025. For the purposes of the going concern assessment, it is assumed that all Partnership borrowings are repaid at their maturity date, which for the purposes of this going concern period includes the repayment of the Partnership's 2025 £300m bond maturing in January 2025, and that no further refinancing or funding is undertaken.

Notes to the consolidated financial statements (continued)

1.1 ACCOUNTING PRINCIPLES AND POLICIES (CONTINUED)

1.1.1 BASIS OF PREPARATION (CONTINUED)

Going concern (continued)

The severe downside scenario has a significant adverse impact on sales, margin, costs and cash flow: Waitrose and John Lewis continue to trade both in store and online, albeit with lower sales and margins compared to current trading levels. This severe downside scenario assumes a poor trading environment throughout the assessment period, as well as a reduction in gross margin against expectations across both brands, a higher impairment charge, a decrease in pension scheme assets, and under delivery of key activities - which includes future productivity plans. The impact of the severe downside adjustments has been reviewed against the Partnership's projected cash position and financial covenants. Should these events occur simultaneously, mitigating actions would be required to ensure that the Partnership's liquidity remains sufficient to meet liabilities as they fall due over the next 12 months.

The severe downside scenario modelled indicates that without mitigating actions the Partnership's financial covenants relating to the undrawn revolving credit facility (RCF) would breach at the next balance sheet date due to the reduction in profits and net assets modelled. This is a £420m credit facility, maturing in 2026. It is undrawn at the balance sheet date and has not been drawn at any point throughout the year. In the severe downside scenario, the Partnership's lowest cash balance would still be positive, at £519m, prior to mitigations, therefore the RCF would remain undrawn. Any default on the covenant would therefore not create any further cash outflow for the Partnership in the severe downside scenario.

Despite this, in the severe downside scenario the Directors would react to trigger downside mitigations to protect the financial health of the Partnership. The Directors have identified available mitigations in the going concern assessment period, all within management's control, to reduce costs and improve 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 investment expenditure through postponing or pausing projects and change activity, deferring or cancelling discretionary spend (including discretionary Partner benefits), and reducing marketing spend. Post mitigating actions, there would be no breaches of financial covenants and the lowest cash balance point under such a scenario would be £564m, with further mitigations available.

If outcomes are unexpectedly significantly worse, the Directors may need to consider what additional mitigating actions were needed, for example, leveraging 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.

Notes to the consolidated financial statements (continued)

1.1 ACCOUNTING PRINCIPLES AND POLICIES (CONTINUED)

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 period ended 27 January 2024. 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
BTR (Operating) Limited	14378218
Carlisle Place Ventures Limited	02829583
Herbert Parkinson Limited	00318082
JLP Scotland Limited[1]	SC370158
John Lewis Car Finance Limited	04328890
John Lewis International Limited	07501166
John Lewis Partnership BTR (Bromley Development) Limited	14378526
John Lewis Partnership BTR Limited	14370559
John Lewis Partnership BTR (Reading Development) Limited	14378573
John Lewis Partnership BTR (West Ealing Development) Limited	14378612
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 52 week period ended 27 January 2024. 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.

In accordance with Section 479C of the Companies Act 2006, John Lewis Partnership plc or John Lewis plc guarantee 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. The guarantee is enforceable against John Lewis Partnership plc or John Lewis plc as the parent undertaking, by any person to whom the subsidiary companies listed above are liable in respect of those liabilities.

Notes to the consolidated financial statements (continued)

1.1 ACCOUNTING PRINCIPLES AND POLICIES (CONTINUED)

1.1.4 AMENDMENTS TO ACCOUNTING STANDARDS

The following standards, amendments and interpretations were applicable for the periods beginning after 1 January 2023 and therefore adopted by the Partnership for the period from 29 January 2023 to 27 January 2024. The adoption of these standards has not had a significant impact on the Partnership's consolidated results, financial position or disclosures:

- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statements 2 Making Materiality Judgements (effective date 29 January 2023);
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to introduce a new definition for accounting estimates (effective date 29 January 2023);
- Amendments to IAS 12 Income Taxes – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (effective date 29 January 2023);
- IFRS 17 Insurance Contracts, Amendments to IFRS 17 and Initial Application of IFRS17 and IFRS 9 – Comparative Information (effective date 29 January 2023).

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

- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current and No-current Liabilities with Covenants (effective date 28 January 2024);
- Amendments to IAS 7 Statement of Cash Flows and IFRS 17 Insurance Contracts: Supplier Finance Arrangements (effective date 28 January 2024);
- Amendments to IFRS 16: Lease liability in a Sale and Leaseback (effective date 28 January 2024);
- Amendment to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability (effective 26 January 2025).

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	3.3	Amortised cost
Other receivables	3.3	Amortised cost
Derivative financial instruments	3.4	Fair value through profit and loss or other comprehensive income[1]
Short-term investments	4.2	Amortised cost
Cash and cash equivalents	4.3	Amortised cost
Financial liabilities:		
Borrowings and overdrafts	5.1	Amortised cost
Trade payables	5.2	Amortised cost
Other payables	5.2	Amortised cost
Accruals	5.2	Amortised cost
Partnership Bonus accrual	5.2	Amortised cost
Other liabilities	5.3	Amortised cost
Lease liabilities	5.4, 5.5	Amortised cost
Derivative financial instruments	3.4	Fair value through profit and loss or other comprehensive income[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.

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

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.

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 that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year and management's key judgement in respect of presentation are:

Areas of key risk	Note	Critical accounting estimates and key judgements
Exceptional items	2.5	Key judgements
Impairment	3.2	Critical accounting estimates and key judgements
Retirement benefits	6.1	Critical accounting estimates

Notes to the consolidated financial statements (continued)

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 162 to 168 .

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 and is used by the Executive Team and brands to assess the performance of the John Lewis and Waitrose brands.

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 excludes exceptional items. 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, costs of central operations, 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.

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; exceptional items include store impairment charges. In considering the nature of an item, management's assessment includes, both individually and collectively, each of the following:

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

In previous years, charges were classified under either operating expenses or exceptional items, as determined by whether they met the criteria for exceptional items. During the year, the Directors amended the definition of exceptional items to include store impairment charges, irrespective of size or nature of the impairment charge. There is no impact on the prior year. Any reversal of historic impairment charges will continue to be reversed through the income statement line in which they were originally recorded. This reflects the Directors' judgement that store impairment charges are not part of the Partnership's underlying performance.

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

Profit/(loss) 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: *Whether to award a Partnership Bonus is decided by the Partnership Board each March, having regard to performance in the past year and future financial obligations. 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)

2024	Waitrose £m	John Lewis £m	Partnership £m
Total trading sales	**7,661**	**4,765**	**12,426**
Value added tax	(443)	(772)	(1,215)
Sale or return and other accounting adjustments	(81)	(349)	(430)
Revenue	**7,137**	**3,644**	**10,781**
Trading operating profit[1]	**1,064**	**689**	**1,753**
Other operating and administrative expenses			(1,607)
of which:			
Exceptional items (net)			14
Partnership Bonus			-
Share of profit of joint venture (net of tax)			1
Operating Profit			**147**
Finance costs			(138)
Finance income			47
Profit before tax			**56**
Taxation			(15)
Profit for the year			**41**
Profit before Partnership Bonus, tax and exceptional items			**42**

[1] Included in trading operating profit is other operating income of which £116m (split between operating segments: £41m Waitrose and £75m John Lewis) represents further income from customers (see note 2.3). This is reported to the CODM separately as part of other income and expenses.

2023	Waitrose £m	John Lewis £m	Partnership £m
Total trading sales	**7,312**	**4,938**	**12,250**
Value added tax	(425)	(800)	(1,225)
Sale or return and other accounting adjustments	(137)	(354)	(491)
Revenue	**6,750**	**3,784**	**10,534**
Trading operating profit[1]	**894**	**676**	**1,570**
Other operating and administrative expenses			(1,731)
of which:			
Exceptional items (net)			(156)
Partnership Bonus			-
Share of profit of joint venture (net of tax)			1
Operating loss			**(160)**
Finance costs			(139)
Finance income			65
Loss before tax			**(234)**
Taxation			36
Loss for the year			**(198)**
Loss before Partnership Bonus, tax and exceptional items			**(78)**

[1] Included in trading operating profit is other operating income of which £119m (split between operating segments: £37m Waitrose and £82m 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.

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 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 and customer 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 from the customer.

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 in note 4.1.

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

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.

	2024 **£m**	2023 £m
Major product lines:		
Goods		
– Grocery	**7,112**	6,726
– Home[1]	**1,021**	1,081
– Fashion[1]	**1,225**	1,216
– Technology[1]	**1,315**	1,407
Services		
– Free warranty	**17**	18
Other revenue[1]	**91**	86
	10,781	10,534

[1] The balances for the 52 week period ended 28 January 2023 have been adjusted to allocate revenue for delivery and workrooms to the associated major product lines.

Notes to the consolidated financial statements (continued)
2.2 REVENUE (CONTINUED)
2.2.2 REVENUE RECOGNITION POLICIES

Nature and timing of satisfaction of performance obligations
The major product and service lines generating revenue are Grocery, Home, Fashion and Technology.

Grocery products are principally sold by Waitrose and include food, drink, household and other items. Additionally, fuel sales and food halls are shown here. 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.

Home products are principally sold by John Lewis and include items intended for use in the home environment. Fashion products are principally sold by John Lewis and include clothing, footwear, beauty, jewellery and other items. This also includes 'sale or return' sales. Technology products are principally sold by John Lewis and include televisions, computers, tablets and other electrical items. Customers pay at the point of sale in John Lewis shops. Where a product is ordered online, it is generally fulfilled from a centralised location.

Revenue from Grocery, Home, Fashion and Technology is recognised when the goods have been received by the customer and control obtained. Waitrose and John Lewis accept returns in accordance with a customer's statutory rights under consumer laws in the United Kingdom and have a discretionary goodwill policy. Under the goodwill policy, customers can return products within 35 days after receipt, if not entirely satisfied. Adjustments to revenue 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. For business to business customers, invoices are raised and are payable on a variety of payment terms up to 30 days.

Free warranties
A free service guarantee is provided with certain Technology products which are sold by John Lewis. 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.

When such Technology products are sold with a free warranty an element of the sales price is allocated to the performance of that service, estimated on a cost plus margin basis. This amount is deducted from revenue and deferred on the balance sheet. Revenue is then released to the income statement over the period of the guarantee on a straight-line basis. Deferred income is shown under trade and other payables, see note 5.2.

Other revenue
Other revenue products/services are principally sold by John Lewis and include catering and the non-redemption revenue relating to gift vouchers and gift cards that are never redeemed or expire unredeemed. Customers obtain control of other revenue products/services when the products/services have been rendered and the performance obligations have been met.

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.

Revenue is recognised when the products/services have been received by the customer and the performance obligations have been met.

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.

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.*

Other operating income	**2024 £m**	2023 £m
Commissions	**85**	90
Rental income	**9**	9
Backhauling income	**8**	8
Car park income	**9**	7
Licence fees	**4**	4
Other income	**9**	9
	124	127

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 and online operating expenses and administrative expenses, as well as exceptional items and Partnership Bonus. Shop and online 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.

Operating and administrative expenses	**2024 £m**	2023 £m
Shop and online operating expenses	**(2,233)**	(2,245)
Administrative expenses	**(1,149)**	(1,140)
Exceptional items (net) - see note 2.5	**14**	(156)
Partnership Bonus	**-**	-
	(3,368)	(3,541)

In addition to the items disclosed in note 2.7, 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; exceptional items include store impairment charges. 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.

Exceptional items	**2024 Operating (expense)/ income £m**	**2024 Taxation credit/ (charge) £m**	2023 Operating (expense)/ income £m	2023 Taxation credit/ (charge) £m
Strategic restructuring and redundancy programmes:				
Productivity	**(11)**	**3**	-	-
Physical estate[1]	**10**	**(3)**	(14)	1
Central operations reviews	**1**	**-**	-	-
Shop operations	**-**	**-**	(2)	-
	-	**-**	(16)	1
Store impairments (John Lewis)	**8**	**(6)**	18	(4)
Store impairments (Waitrose)	**6**	**-**	(131)	13
Cost of living payment	**-**	**-**	(27)	5
	14	**(6)**	(156)	15

[1] For the 52 week period ended 28 January 2023 this includes a net impairment charge of £14m.

Strategic restructuring and redundancy programmes
Our refreshed Partnership Plan is focused on providing a brilliant retail experience for our customers, inspired by our Partners. During the year, a number of ongoing transformation projects which were announced in previous years have continued. These are across our physical estate, shop operations and central operations. Since January 2023, we have been simplifying our business and improving productivity. 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. The financial impacts of these programmes are detailed below.

Notes to the consolidated financial statements (continued)
2.5 EXCEPTIONAL ITEMS (CONTINUED)

Productivity (previously Lean, Simple, Fast): Improving our productivity through being leaner, simpler and faster is a key pillar of the Partnership Plan. In 2024, a charge of £11m has been recorded; which is principally the redundancy and restructuring costs from simplifying processes in Waitrose shops.

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 will extend to 2027/28.

In 2024, the release of £10m principally relates to the exit of the lease of a John Lewis store whose closure was announced in March 2021. The remaining lease liability was released to exceptional items, consistent with how John Lewis store closures in 2021 and 2022 were recorded.

In 2023, we recognised an impairment charge of £16m following the announcement to close seven floors of our London office and to revise the use of our Bracknell office buildings. Further charges of £3m were recognised for the closure of two Waitrose shops, announced in August 2022, primarily comprising redundancies and impairment of assets.

Central operations reviews: The transformation of central operations began at the end of 2017. The original transformation programmes have reached completion this year with a net release of £1m recognised across the Head Office Transformation and Tech & Change Transformation initiatives, primarily related to the true up for existing provisions.

Included within operating expenses, and not separately reported as exceptional, are £4m (2023: £4m) 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.

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 customer experience and productivity, we have made a number of changes in our shop operating models.

In July 2021, we announced the proposal to redesign management structures in Waitrose and John Lewis shops to be simpler and more flexible. This change programme has now closed. In 2023, we recognised a net charge of £2m primarily related to redundancies.

Store impairments (John Lewis)
In 2024, a net impairment release of £8m (2023: £18m release) was recognised. The cash flow forecasts for individual John Lewis stores at January 2024 have been updated for the latest view of future trading, based on a prudent scenario which excludes costs and benefits associated with capital investment.

The updated cash flow forecasts have led to new impairment charges of £67m and a reversal of impairment charges of £75m for existing provisions which were previously charged as exceptional. The charge has been recognised as exceptional in accordance with the accounting policy for exceptional items. See note 3.2 for further detail.

Store impairments (Waitrose)
In 2024, a net impairment release of £6m (2023: £131m charge) was recognised. The cash flow forecasts for individual Waitrose stores at January 2024 have been updated for the latest view of future trading, based on a prudent scenario which excludes costs and benefits associated with capital investment.

The updated cash flow forecasts have led to new impairment charges of £43m and a reversal of impairment charges of £49m for existing provisions which were previously charged as exceptional. The charge has been recognised as exceptional in accordance with the accounting policy for exceptional items. See note 3.2 for further detail.

Notes to the consolidated financial statements (continued)
2.5 EXCEPTIONAL ITEMS (CONTINUED)

Cost of living payment
In 2023, the Partnership Board decided to distribute a one-off cost of living support payment of up to £500 per Partner, pro rata based on scheduled weekly hours. The total cost including employers' National Insurance was £27m. The Partnership classified these payments as an exceptional item to provide a more meaningful view of the Partnership's underlying business performance because this type of payment is material and specific to the unusual economic circumstances of the prior year. There was no such payment in 2024.

2.6 NET FINANCE COSTS

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

ACCOUNTING POLICY
Finance costs and income are presented in the consolidated income statement in the period in which they occur. In the consolidated statement of cash flows, finance costs are shown as operating activities and financing income is shown as investing activities. In the current year, interest paid on borrowings and other financial instruments has been presented in operating activities. Consequently, the comparative has been reclassified to align with the current period presentation.

	2024 £m	2023 £m
Finance costs		
Net interest payable on:		
Commitment fees and bank overdrafts	**(2)**	(2)
Other loans repayable within five years[1]	**(29)**	(25)
Other loans repayable in more than five years	**(12)**	(13)
Interest payable in relation to lease liabilities (see note 5.5)	**(89)**	(92)
Amortisation of issue costs of bonds and credit facilities	**(2)**	(2)
Share Incentive Plan dividends	**-**	-
Finance costs in respect of borrowings	**(134)**	(134)
Fair value measurements and other	**2**	(5)
Net finance costs arising on defined benefit retirement and employee benefit schemes	**(6)**	-
Total finance costs	**(138)**	(139)
Finance income		
Finance income in respect of cash and short-term investments[2]	**48**	20
Fair value measurements and other	**(1)**	5
Net finance income arising on other employee benefit schemes	**-**	40
Total finance income	**47**	65
Net finance costs	**(91)**	(74)

[1] Other loans repayable within five years includes interest payable on interest rate swaps of £10m (2023: £7m).
[2] Finance income in respect of cash and short-term investments includes interest receivable on interest rate swaps of £6m (2023: £6m).

Capitalised borrowing costs totalled £2m (2023: £1m) which were capitalised within property, plant and equipment.

Notes to the consolidated financial statements (continued)
2.7 PROFIT/(LOSS) BEFORE TAX

PURPOSE

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

	2024 £m	2023 £m
Staff costs (note 2.9)	**(1,795)**	(1,820)
Depreciation[1]	**(326)**	(477)
Amortisation of intangible assets (note 3.1)	**(155)**	(132)
Net profit/(loss) on sale of property (including exceptional items)	**10**	(1)
Net profit on disposal of other plant and equipment and intangible assets	**-**	2
Net profit on lease exit[2]	**12**	3
Inventory – cost of inventory recognised as an expense	**(7,391)**	(7,281)
Sub-lease income – land and buildings	**9**	10

[1] Included within depreciation is a net impairment release of £14m (2023: £121m charge). See note 3.2.

[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:

Auditor's remuneration	**2024 £m**	2023 £m
Audit and audit-related services:		
– Audit of the Company and consolidated financial statements	**(1)**	(1)
– Audit of the Company's subsidiaries	**(2)**	(2)
	(3)	(3)
Non-audit services:		
– Other assurance services	**-**	-
	-	-
Total fees	**(3)**	(3)

Non-audit services are other assurance services and amount to £0.1m (2023: £0.1m).

Notes to the consolidated financial statements (continued)

2.8 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)
2.8 TAXATION (CONTINUED)
2.8.1 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 2.8.3.

Tax credited/(charged) to the income statement	**2024 £m**	2023 £m
Current tax – current year	**(13)**	(3)
Current tax – adjustment in respect of prior years	**(1)**	7
Total current tax (charge)/ credit	**(14)**	4
Deferred tax – current year	**(7)**	19
Deferred tax – rate change	**-**	9
Deferred tax – adjustment in respect of prior years	**6**	4
Total deferred tax (charge)/credit	**(1)**	32
	(15)	36

Tax credited/(charged) to other comprehensive income	**2024 £m**	2023 £m
Current tax on pension scheme[1]	**1**	3
Total current tax credit	**1**	3
Deferred tax on pension scheme	**46**	147
Deferred tax on cash flow hedges	**4**	(2)
Total deferred tax credit	**50**	145
	51	148

[1] An additional deficit funding contribution of £7m has been paid by the Partnership during the year (2023: £10m) in relation to the defined benefit pension scheme, resulting in a tax credit of £2m (2023: £2m) to the statement of other comprehensive income/(expense) and a corresponding reduction in our current tax liability.

Notes to the consolidated financial statements (continued)
2.8 TAXATION (CONTINUED)
2.8.2 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 (2023: credit) is higher (2023: lower) than the standard corporation tax rate of 24.0% (2023: 19.0%). The differences are explained below:

	2024 £m	2023 £m
Profit/(loss) before tax	**56**	(234)
Profit/(loss) before tax multiplied by standard rate of corporation tax in the UK of 24.0% (2023: 19.0%)	**(13)**	44
Effects of:		
Changes in tax rate	**-**	9
Adjustment in respect of prior years	**5**	11
Depreciation on assets not qualifying for tax relief	**(12)**	(12)
Difference between accounting and tax base for land and buildings	**5**	(4)
Differences in overseas tax rates	**1**	-
Sundry disallowables	**2**	(18)
Other	**(3)**	6
Total tax (charge)/credit	**(15)**	36
Effective tax rate (%)	**26.8**	15.4

2.8.3 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 increased from 1 April 2023 to 25% for companies with profits over £250,000. The movement on the deferred tax account is shown below:

Deferred tax	**2024 £m**	2023 £m
Opening net asset/(liability)	**1**	(176)
(Charged)/credited to income statement	**(1)**	32
Charged to other comprehensive income/(expense)	**50**	145
Closing net asset	**50**	1

Notes to the consolidated financial statements (continued)

2.8 TAXATION (CONTINUED)

2.8.3 DEFERRED TAX (CONTINUED)

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

Deferred tax liabilities	**Accelerated tax depreciation £m**	**Revaluation of land and buildings £m**	**Rollover gains £m**	**Other £m**	**Total £m**
At 29 January 2022	(85)	(10)	(48)	(1)	(144)
Charged to income statement	(13)	(2)	-	-	(15)
Charged to other comprehensive (expense)/income	-	-	-	(2)	(2)
At 28 January 2023	(98)	(12)	(48)	(3)	(161)
Charged to income statement	(1)	-	-	-	(1)
Credited to other comprehensive (expense)/income	-	-	-	4	4
At 27 January 2024	**(99)**	**(12)**	**(48)**	**1**	**(158)**

Deferred tax assets/(liabilities)	**Tax losses £m**	**Capital gains tax on land and buildings £m**	**Pensions and provisions £m**	**Other £m**	**Total £m**
At 29 January 2022	16	39	(104)	17	(32)
Credited/(charged) to income statement	59	(3)	(10)	1	47
Charged to other comprehensive (expense)/income	-	-	147	-	147
At 28 January 2023	75	36	33	18	162
(Charged)/credited to income statement	(3)	(2)	1	4	-
Credited to other comprehensive (expense)/income	-	-	46	-	46
At 27 January 2024	**72**	**34**	**80**	**22**	**208**

The deferred tax asset in relation to the defined benefit pension scheme is £49m (2023: £2m 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):

Deferred tax	**2024 £m**	2023 £m
Deferred tax assets	**55**	6
Deferred tax liabilities	**(5)**	(5)
Deferred tax net	**50**	1

Notes to the consolidated financial statements (continued)
2.8 TAXATION (CONTINUED)
2.8.3 DEFERRED TAX (CONTINUED)

The recoverability of deferred tax assets is supported by the expected level of future profits in the countries concerned. At the year end, the Partnership had approximately £284m (2023: £298m) of unutilised tax losses. Deferred tax assets have been recognised on the entire amount, the recovery of which is supported by forecasts of future profitability as set out in the Partnership Plan. Current forecasts indicate that losses will be utilised within approximately five years.

The deferred tax balance associated with the pension deficit 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.

2.8.4 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 main rate of UK corporation tax increased to 25.0% from 1 April 2023.

The Partnership is aware of the Global Anti-Base Erosion Rules, which provide for an internationally co-ordinated system of taxation to ensure that large multinational groups pay a minimum level of corporate income tax in countries where they operate. The UK enacted the BEPS Pillar Two Minimum Tax legislation in July 2023 with effect for accounting periods beginning on or after 31 December 2023. From an initial review of the Partnership's business and tax profile, we do not expect the rules to have a material impact on the Partnership's tax rate or tax payments.

Notes to the consolidated financial statements (continued)

2.9 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. The average number of full time equivalent employees is 50,800 (2023: 53,300). At the end of the year, our total number of Partners was 70,500 (2023: 74,300). This note also covers Partner benefits, including pay for senior Partners and the Partnership Board.

2.9.1 PARTNER NUMBERS

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

	2024	2023
John Lewis	**20,500**	21,100
Waitrose	**49,600**	52,700
Other	**2,800**	2,600
	72,900	76,400

2.9.2 PARTNER PAY AND BENEFITS

Employment and related costs were as follows:

	2024 £m	2023 £m
Staff costs:		
Wages and salaries	**(1,538)**	(1,526)
Social security costs	**(115)**	(120)
Partnership Bonus	**-**	-
Employers' National Insurance on Partnership Bonus	**-**	-
Cost of living payment	-	(27)
Other pension charge (note 6.3)	**(134)**	(137)
Long leave cost	**(7)**	(10)
Total before Partner discounts	**(1,794)**	(1,820)
Partner discounts (excluded from revenue)	**(99)**	(101)
	(1,893)	(1,921)

Notes to the consolidated financial statements (continued)
2.9 PARTNERS (CONTINUED)
2.9.3 KEY MANAGEMENT COMPENSATION

	2024 £m	2023 £m
Salaries and short-term benefits	**(7)**	(6)
Post-employment benefits[1]	**(1)**	(1)
Termination provisions[2]	**(1)**	(1)
	(9)	(8)

[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.

2.9.4 DIRECTORS' EMOLUMENTS
Directors' emoluments have been summarised below. Further details of the remuneration of Directors is included in the Remuneration Committee report on pages 74 to 80.

	2024 £m	2023 £m
Aggregate emoluments	**(3)**	(2)

The total remuneration of the highest paid director in the year is £1,179,600 (2023: £1,122,600).

Notes to the consolidated financial statements (continued)

2.10 RECONCILIATION OF PROFIT/(LOSS) BEFORE TAX TO CASH GENERATED FROM OPERATIONS BEFORE PARTNERSHIP BONUS

PURPOSE

We have analysed how our profit before tax reconciles to the cash generated from our operating activities before Partnership Bonus. Items added back to, or deducted from, profit 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. Profit before tax includes investment costs which are not eligible to be capitalised.

	2024 £m	2023 £m
Profit/(loss) before tax	**56**	(234)
Amortisation and write-offs of intangible assets	**155**	132
Depreciation[1]	**326**	477
Share of profit of joint venture (net of tax)	**(1)**	(1)
Net finance costs (see note 2.6)	**91**	74
Partnership Bonus	**-**	-
Profit on disposal of property, plant and equipment, intangible assets and early termination of leases	**(22)**	(3)
Decrease/(Increase) in inventories	**27**	(48)
Increase in receivables	**(16)**	(12)
(Decrease)/increase in payables	**(70)**	14
Decrease in retirement benefit obligations	**(3)**	(3)
Decrease in provisions	**(13)**	(48)
Cash generated from operations before Partnership Bonus	**530**	348

[1] Includes a net impairment release (2023: charge). See note 3.2.

Notes to the consolidated financial statements (continued)

3 NON-CURRENT ASSETS

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 evidence of a trigger for potential impairment at least annually or whenever events or circumstances indicate that the value on the balance sheet 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)
3.1 INTANGIBLE ASSETS (CONTINUED)

	Computer software			
Intangible assets	**Purchased**	**Internally developed**	**Work in progress**	**Total**
	£m	**£m**	**£m**	**£m**
Cost				
At 29 January 2022	236	843	70	1,149
Additions[1]	-	-	129	129
Transfers	77	35	(112)	-
Disposals and write-offs	(15)	(48)	(2)	(65)
At 28 January 2023	**298**	**830**	**85**	**1,213**
Additions[1]	-	-	121	121
Transfers	98	33	(131)	-
Disposals and write-offs	(19)	(55)	(3)	(77)
At 27 January 2024	**377**	**808**	**72**	**1,257**
Accumulated amortisation				
At 29 January 2022	(178)	(524)	-	(702)
Charge for the year	(39)	(93)	-	(132)
Disposals and write-offs	15	48	-	63
At 28 January 2023	**(202)**	**(569)**	**-**	**(771)**
Charge for the year	(67)	(88)	-	(155)
Disposals and write-offs	19	55	-	74
At 27 January 2024	**(250)**	**(602)**	**-**	**(852)**
Net book value at 29 January 2022	58	319	70	447
Net book value at 28 January 2023	96	261	85	442
Net book value at 27 January 2024	**127**	**206**	**72**	**405**

[1] For the 52 week period ended 27 January 2024, additions for the year include the non-cash capital expenditure accrual on intangible assets of £7m (2023: £3m).

Intangible assets principally relate to customer and distribution projects with useful economic lives of up to ten years. There are five individually significant assets (2023: five) within the total carrying amount of intangible assets as at 27 January 2024: three are customer projects (£178m, 2023: three projects, £170m) and two relate to distribution projects (£100m, 2023: two projects £101m). These assets have remaining useful economic lives ranging from three to ten years.

During the year to 27 January 2024, computer software valued at £130m (2023: £112m) was brought into use. This covered a range of selling, support, administration and information technology infrastructure applications, with useful economic lives ranging from three to seven years.

Amortisation of intangible assets is charged within operating expenses.

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 UELs. The value after deducting accumulated depreciation is known as the net book value.

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 5.5 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 evidence of a trigger for potential impairment at least annually or whenever events or circumstances indicate that the value on the balance sheet 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 post-IFRS 16 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.

JUDGEMENTS

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.*

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 ESTIMATE

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 various factors, in particular future sales, future margin performance, the John Lewis online sales allocation and the allocation of central costs. Each of these four areas are critical in estimating the present value of future cash flows. Were there to be significant changes in these estimations, the amount recognised in respect of impairment during the year could be materially impacted, or impairment charges recognised in previous years may be reversed.*

CRITICAL ACCOUNTING JUDGEMENT

Impairment: *The John Lewis online sales allocation reflects that, 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.*

Notes to the consolidated financial statements (continued)
3.2 PROPERTY, PLANT AND EQUIPMENT, AND RIGHT-OF-USE ASSETS (CONTINUED)

Property, plant and equipment	Land and buildings	Fixtures, fittings and equipment	Assets in course of construction	Total
	£m	£m	£m	£m
Cost				
At 29 January 2022	4,400	1,840	109	6,349
Additions[1]	-	-	224	224
Transfers	78	123	(201)	-
Disposals and write-offs	(14)	(118)	-	(132)
At 28 January 2023	**4,464**	**1,845**	**132**	**6,441**
Additions[1]	1	-	152	153
Transfers	71	97	(168)	-
Disposals and write-offs	(87)	(136)	(5)	(228)
At 27 January 2024	**4,449**	**1,806**	**111**	**6,366**
Accumulated depreciation				
At 29 January 2022	(1,945)	(1,476)	-	(3,421)
Charge for the year[2]	(161)	(106)	-	(267)
Disposals and write-offs	13	117	-	130
At 28 January 2023	**(2,093)**	**(1,465)**	**-**	**(3,558)**
Charge for the year[2]	(121)	(92)	-	(213)
Disposals and write-offs	41	126	-	167
At 27 January 2024	**(2,173)**	**(1,431)**	**-**	**(3,604)**
Net book value at 29 January 2022	2,455	364	109	2,928
Net book value at 28 January 2023	2,371	380	132	2,883
Net book value at 27 January 2024[3]	**2,276**	**375**	**111**	**2,762**

[1] For the 52 week period ended 27 January 2024, additions for the year include the non-cash capital expenditure accrual on property, plant and equipment of £22m (2023: £35m).

[2] For the 52 week period ended 27 January 2024 this includes an impairment charge of £14m in land and buildings (2023: £47m charge) and an impairment release of £5m in fixtures and fittings (2023: £5m charge).

[3] Included within the net book value at 27 January 2024 are £3m (2023: £5m) of owned assets which are outside the Partnership's normal course of business.

Notes to the consolidated financial statements (continued)
3.2 PROPERTY, PLANT AND EQUIPMENT, AND RIGHT-OF-USE ASSETS (CONTINUED)

Right-of-use assets	**Land and buildings**	**Fixtures, fittings and equipment**	**Total**
	£m	**£m**	**£m**
Net book value at 29 January 2022	1,431	42	1,473
Additions	61	-	61
Disposals including lease terminations, modifications and reassessments	(5)	-	(5)
Depreciation charge	(202)	(8)	(210)
Net book value at 28 January 2023	**1,285**	**34**	**1,319**
Additions[2]	79	16	95
Disposals including lease terminations, modifications and reassessments	(11)	-	(11)
Depreciation charge[1]	(104)	(9)	(113)
Net book value at 27 January 2024	**1,249**	**41**	**1,290**

[1] For the 52 week period ended 27 January 2024, this includes an impairment release of £23m (2023: £69m charge).

[2] For the 52 week period ended 27 January 2024, this includes £35m of additions arising from the sale and leaseback of certain plant, property and equipment assets which met the sale criteria under IFRS 15. See also note 5.3.

In accordance with IAS 36, the Partnership reviews its property, plant and equipment and right-of-use assets for evidence of a trigger for potential impairment at least annually or whenever events or circumstances indicate that the value on the balance sheet may not be recoverable. Each CGU that shows an indication of impairment is included in the impairment review.

For non-store assets, including corporate assets, these are not allocated to store CGUs as they cannot be reasonably allocated given (i) the complexity of multiple supply chain sites, (ii) the support provided to multiple and varying locations and (iii) the fact that operations are not typically affected by individual store openings or closures. These are subject to an impairment test at the Partnership level. The impairment test at the Partnership level compared the Partnership VIU, prepared on a broadly consistent basis to the store VIU, to the carrying value of intangible assets, plant, property and equipment and right of use assets. No impairment charges were identified.

The impairment review compares the recoverable amount for each CGU to the carrying value on the balance sheet. It considers the 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 four year cash flow projections using the latest forecast data and extended to a fifth year to adjust for specific cash flows. 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, up to the end of the lease term for leasehold properties and in perpetuity for freehold properties. There are two CGUs in John Lewis which are not held at VIU but are held at their recoverable amounts which are higher. The recoverable amount is the fair value less cost to dispose, valued with reference to an active market and other relevant market inputs. The recoverable amounts of all other impaired CGUs are based on the VIU.

The growth rate and operating margins used to estimate cash flows are based on past performance and on the Partnership four year plan approved by the Partnership Board which has been prudently prepared.

The key assumptions used in the VIU calculation are the expected sales and margin performance, the allocation of online sales and associated costs and the allocation of central costs to stores in the determination of the John Lewis store CGU.

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 that considers the available market for properties.

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

Following the impairment review, the Partnership recognised a net impairment release of £8m for John Lewis and a net impairment release of £6m for Waitrose as exceptional items. The total net impairment release for the year following the impairment review is £14m.

In the VIU calculations, no specific impact has been included in respect of climate change as it is not expected to be materially different to the forecast assumptions during the forecast period. Certain assets within the CGU are expected to be replaced at the end of their UEL by those that have a lower impact on the environment, such as refrigeration units. Cash outflows that are directly associated with CGUs have been included in the discounted cash flow modelling.

John Lewis store impairment

The carrying value of John Lewis plant, property and equipment and right of use assets that were subject to impairment testing is £624m, after the impairment provision. The cash flow forecasts for the individual stores have been updated for the latest view of future trading which is based on expected future customer behaviour, inflation and cost of living, post-pandemic. For some stores, this is better than our previous expectations, whilst for other stores performance expectations have declined. The updated cash flow forecasts have led to a reversal of impairment charges of £75m and new impairment charges of £67m. The releases are due to improved store performance which has been judged to be sustainable. All new charges have been recorded in exceptional items, consistent with the updated accounting policy for exceptional items. Reversals have been recorded through the line they were originally recorded which is exceptional items for all reversals this year.

Cash forecasts

The calculations use a post-tax cash flow based on a four year plan approved by the Partnership Board. The plan includes the impact of the updated property strategy, and factors in changes to customer behaviour post-pandemic as well as the impacts of higher inflation and the associated cost of living crisis. The forecasts exclude any costs or benefits associated with capital investments. The key assumptions in this plan are: sales with a continued recovery of John Lewis store sales following the pandemic disruption and online sales allocation; margin rates which includes the effect of cost inflation and cost efficiencies. 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.

Online sales allocation

Judgement is required as to whether online sales and associated costs should be attributed to John Lewis 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), reflects the importance of stores to some of our omnichannel customers. This 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). Online sales are allocated to stores based on the connection of the store to our omnichannel customers and supported by detailed customer data, which is based on the number of branch visits.

The Partnership has observed a shift in customer behaviour and spending patterns both within the physical and online channels. The relationship between the branch and online businesses and the impact they play on omnichannel customers has also stabilised post the Covid-19 era. The Partnership's physical estate portfolio strategy also continues to evolve. In response to such factors, the Partnership has refined its online allocation methodology in the current year to ensure that the cash flows of CGUs continue to reflect the latest market dynamics. The specific allocation of online sales and costs is based on a consistent application of the methodology although the amounts vary by store.

Discount rate

The pre-tax post- IFRS 16 discount rate of 14.8% (2023: 14.5%) used to discount the cash flows is derived from the JL Weighted Average Cost of Capital (WACC). This has increased since last year end, reflecting increased interest rates. The WACC factors in the nominal (i.e. inflation adjusted) nature of the cash flow forecasts within the impairment model.

Notes to the consolidated financial statements (continued)
3.2 PROPERTY, PLANT AND EQUIPMENT, AND RIGHT-OF-USE ASSETS (CONTINUED)

Waitrose store impairment

The carrying value of Waitrose plant, property and equipment and right of use assets that were subject to impairment testing is £335m, after the impairment provision. The cash flow forecasts for the individual stores have been updated for the latest view of future trading which is based on expected future customer behaviour, inflation and cost of living, post-pandemic. For some stores, this is better than our previous expectations, whilst for other stores performance expectations have declined. The updated cash flow forecasts have led to a reversal of impairment charges of £49m and new impairment charges of £43m. The releases are due to improved store performance which has been judged to be sustainable. All new charges have been recorded in exceptional items, consistent with the updated accounting policy for exceptional items. Reversals have been recorded through the line they were originally recorded which is exceptional items for all reversals this year.

The impairment calculations for Waitrose stores use a post-tax cash flow based on a four year plan approved by the Board. The forecasts exclude any costs or benefits associated with capital investments. The key assumptions in this plan are: sales which includes the recovery of volumes through price investment and year-on-year sales growth; margin rates which includes the effect of cost inflation and cost efficiencies; and the allocation of central costs. 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.

Discount rate

The pre-tax post-IFRS 16 discount rate of 13.7% (2023: 13.5%) used to discount the cash flows is derived from the Waitrose WACC which has increased from last year end, reflecting increased interest rates. The WACC factors in the nominal (i.e. inflation adjusted) nature of the cash flow forecasts within the impairment model.

Sensitivities in the impairment modelling - John Lewis

The John Lewis impairment estimation is most sensitive to changes in the sales and margin forecasts, as well as the allocation of online sales and costs and the allocation of central costs. Sensitivity analysis reflects a reasonably plausible alternative scenario and has focused on these aspects of the impairment evaluation:

John Lewis sensitivity adjustment	Net Impairment impact
Sales growth by -2.0%	Additional charge of £52m
Sales growth by +2.0%	Additional release of £50m
Margin rate by -50 bps	Additional charge of £37m
Margin rate by +50 bps	Additional release of £36m
Increase allocation of central costs by 5%	Additional charge of £33m
Decrease allocation of central costs by 5%	Additional release of £33m
Reduction in number of branch visits by online customers by one visit	Additional release of £109m
Increase in number of branch visits by online customers by one visit	Additional charge of £72m
No online sales allocation	Additional charge of £302m
Discount rate by +100 bps	Additional charge of £19m
Discount rate by -100 bps	Additional release of £21m

Notes to the consolidated financial statements (continued)

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

Sensitivities in the impairment modelling - Waitrose

The Waitrose impairment estimation is most sensitive to changes in the sales and margin forecasts and the allocation of central costs. Sensitivity analysis reflects a reasonably plausible alternative scenario and has focused on these aspects of the impairment evaluation:

Waitrose sensitivity adjustment	Net Impairment impact
Sales growth by -4.0%	Additional charge of £35m
Sales growth by +4.0%	Additional release of £26m
Margin rate by -50 bps	Additional charge of £18m
Margin rate by +50 bps	Additional release of £17m
Increase allocation of central costs by 5%	Additional charge of £11m
Decrease allocation of central costs by 5%	Additional release of £11m
Discount rate by +100 bps	Additional charge of £15m
Discount rate by -100 bps	Additional release of £11m

Recognition of impairment charges and reversals

2024	Other operating and administrative expenses before exceptionals	Exceptional items	Total
	£m	£m	£m
Impairment charges	-	(110)	(110)
Impairment reversals	-	124	124
Total	**-**	**14**	**14**

2023	Other operating and administrative expenses before exceptionals	Exceptional items	Total
	£m	£m	£m
Impairment charges	-	(189)	(189)
Impairment reversals	7	76	83
Total	**7**	**(113)**	**(106)**

Notes to the consolidated financial statements (continued)

3.3 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 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 receivable is shown as part of trade receivables.

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)
3.3 TRADE AND OTHER RECEIVABLES (CONTINUED)

Trade and other receivables	2024 £m	2023 £m
Current:		
Trade receivables	**70**	69
Other receivables	**36**	43
Prepayments	**98**	95
Accrued income	**57**	51
	261	258
Non-current:		
Other receivables	**19**	14
Prepayments	**10**	3
	29	17

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 5.2).

Within accrued income, there is £23m (2023: £23m) in relation to supplier income which has not yet been invoiced. Additionally, accrued income includes £12m (2023: £7m) 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 (ECLs) within operating expenses in the income statement. As at 27 January 2024, trade and other receivables of £nil (2023: £nil) were partially or fully impaired.

For trade receivables, the Partnership applies the simplified approach with lifetime ECLs recognised from initial recognition of the receivables. The reconciliation for the year is as follows:

Allowance for expected credit losses	£m
At 29 January 2022	2
Charged to income statement	-
Released to income statement	(1)
Written off	(1)
At 28 January 2023	-
Charged to income statement	-
Released to income statement	-
Written off	-
At 27 January 2024	**-**

As at 27 January 2024, trade and other receivables of £29m (2023: £27m) were past due but not impaired. The ageing analysis of the past due amounts is as follows:

Ageing analysis	2024 £m	2023 £m
Up to 3 months past due	**29**	27
3 to 12 months past due	**-**	-
Over 12 months past due	**-**	-
	29	27

Notes to the consolidated financial statements (continued)
3.4 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 52 week period ended 27 January 2024, 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.

3.4.1 FAIR VALUE OF DERIVATIVE FINANCIAL INSTRUMENTS

The fair value of derivative financial instruments is as follows:

				2024				2023
Fair value of derivative financial instruments	**Assets**	**Liabilities**	**Recognised in other comprehensive income**	**Recognised in income statement**	Assets	Liabilities	Recognised in other comprehensive income	Recognised in income statement
	£m	**£m**	**£m**	**£m**	£m	£m	£m	£m
Non-current								
Currency and commodity derivatives - cash flow hedge	**1**	**(1)**	**(1)**	**-**	2	(3)	(7)	-
Other derivatives	**-**	**-**	**-**	**-**	-	(6)	-	-
	1	**(1)**	**(1)**	**-**	2	(9)	(7)	-
Current								
Currency and commodity derivatives - cash flow hedge	**1**	**(11)**	**(10)**	**-**	11	(4)	7	-
Other derivatives	**-**	**(4)**	**-**	**(4)**	-	-	-	-
	1	**(15)**	**(10)**	**(4)**	11	(4)	7	-

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.

Notes to the consolidated financial statements (continued)

3.4 DERIVATIVE FINANCIAL INSTRUMENTS AND FINANCIAL LIABILITIES (CONTINUED)

3.4.2 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):

		2024		2023
	CV £m	**FV £m**	CV £m	FV £m
Financial liabilities				
Listed bonds	**(595)**	**(509)**	(594)	(482)

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 because they are all of a short term nature.

Notes to the consolidated financial statements (continued)

3.5 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 GXO Logistics UK II Limited (formerly 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 29 January 2022	2	2	4
At 28 January 2023	2	2	4
Additions	-	(1)	(1)
At 27 January 2024	**2**	**1**	**3**
Share of profit/(loss)			
At 29 January 2022	-	-	-
Share of profit	1	-	1
At 28 January 2023	**1**	**-**	**1**
Share of profit	1	-	1
At 27 January 2024	**2**	**-**	**2**
At 29 January 2022	2	2	4
At 28 January 2023	3	2	5
At 27 January 2024	**4**	**1**	**5**

3.6 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 27 January 2024, contracts had been entered into for future capital expenditure of £15m (2023: £37m) of which £11m (2023: £33m) relates to property, plant and equipment and £4m (2023: £4m) relates to intangible assets.

Notes to the consolidated financial statements (continued)

4 CURRENT ASSETS

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.*

Inventory	**2024 £m**	2023 £m
Raw materials	**4**	6
Work in progress	**1**	-
Finished goods and goods for resale	**673**	696
	678	702

Provisions against inventories of £32m were charged (2023: £32m charged) to cost of sales.

Finished goods and goods for resale include a 'right to return goods' asset of £11m (2023: £12m). This relates to the Partnership's expected returns inventory based on previous rates of return.

4.2 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.*

Short-term investments	**2024 £m**	2023 £m
Short-term investments	**260**	-

For the 52 week period ended 27 January 2024, the effective interest rate on short-term investments was 5.4% (2023: 1.3%) and these investments had an average maturity of 109 days (2023: 93 days). The increase in short-term investments during the year has allowed the Partnership to enhance the interest rate earned on a portion of its substantial cash balances. Maturities on the £260m go out to May 2024.

Notes to the consolidated financial statements (continued)

4.3 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.*

Cash and cash equivalents	2024 £m	2023 £m
Cash at bank and in hand	**147**	163
Short-term deposits	**881**	875
	1,028	1,038

For the 52 week period ended 27 January 2024, the effective interest rate on short-term deposits was 4.2% (2023: 1.4%) and these deposits had an average maturity of two days (2023: six days).

At 27 January 2024, £16m (2023: £12m) of the Partnership's cash balance and £0.2m (2023: £0.1m) 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.

Cash and cash equivalents includes credit and debit card transactions not yet settled of £79m (2023: £80m).

Notes to the consolidated financial statements (continued)

5 LIABILITIES - NON-CURRENT AND CURRENT

5.1 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 6.8% (2023: 5.6%).

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.*

Borrowings and overdrafts	2024 £m	2023 £m
Current:		
6⅛% Bonds, 2025	**(300)**	-
Fair value adjustment for hedged element on bonds	**4**	-
Share Incentive Plan shares (SIP)	**(12)**	(17)
Bank loans	**-**	(50)
	(308)	(67)
Non-current:		
Bank loans[1]	**(131)**	-
6⅛% Bonds, 2025	**-**	(300)
4¼% Bonds, 2034	**(300)**	(300)
Unamortised bond and loan transaction costs	**6**	6
Fair value adjustment for hedged element on bonds	**-**	6
Share Incentive Plan shares (SIP)	**-**	-
	(425)	(588)

[1] During the year, the Partnership entered into a new term loan with its banking partners for £131m, this loan matures in 2026. Alongside this, the Partnership repaid a £50m term loan at maturity in December 2023 (2023: repaid £150m). 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 allowed Partners to elect to invest part of their Partnership Bonus back into the Partnership. For the 52 week periods ended 27 January 2024 and 28 January 2023, no Partnership Bonus was declared. The BonusSave scheme is currently closed to new entrants and investments. SIP shares are issued as part of the BonusSave scheme. Partners who have invested 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.

5.1 BORROWINGS AND OVERDRAFTS (CONTINUED)

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. At 27 January 2024, the value of SIP shares held by John Lewis Partnership Trust Limited on behalf of Partners was £12m (2023: £17m), following redemptions during the year. This is £92m lower than the value of SIP shares issued of £104m (2023: £104m).

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 £5m (2023: £6m) 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 £nil (2023: £nil) are shown as cash flows used in financing operations.

5.2 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.*

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 over the most recent 24 months.*

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.*

Trade and other payables	**2024 £m**	2023 £m
Current:		
Trade payables	**(1,092)**	(1,128)
Other payables	**(158)**	(160)
Other taxation and social security	**(145)**	(160)
Accruals	**(126)**	(143)
Deferred income	**(67)**	(74)
Partnership Bonus	**-**	-
	(1,588)	(1,665)
Non-current:		
Deferred income	**(29)**	(28)
	(29)	(28)

Notes to the consolidated financial statements (continued)

5.2 TRADE AND OTHER PAYABLES (CONTINUED)

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

Other payables principally relate to liabilities in respect of unredeemed gift cards and gift vouchers.

Included in deferred income are contract liabilities for free warranties of £26m (2023: £26m) and payments from customers for goods and services in advance of providing a good or service at the balance sheet date of £45m (2023: £55m). During the year an amount of £17m (2023: £18m) was released to the income statement over the period covered by the free warranties. The deferral for the year was £17m (2023: £18m). All of the contract liabilities for goods and services sold but not delivered at 28 January 2023 have been recognised as revenue in the 52 week period ended 27 January 2024.

5.3 OTHER LIABILITIES HELD AT AMORTISED COST

PURPOSE

Other liabilities at amortised cost are amounts owed by the Partnership in respect of certain property transactions included as part of a sale and leaseback transaction. In this transaction, certain plant, property and equipment assets did not meet the sale criteria in IFRS 15 Revenue from Contracts with Customers. The accounting therefore reflects that these plant, property and equipment assets have not been sold and remain on the balance sheet. In substance, this is a financing transaction. Non-current other liabilities at amortised cost are not expected to be settled within the next financial year.

ACCOUNTING POLICIES

Other liabilities at amortised cost: *Other liabilities at amortised cost are initially recognised at fair value and subsequently measured at amortised cost. They are increased by the interest charge and decreased by the payments made.*

Other liabilities at amortised cost	**2024 £m**	2023 £m
Current:		
Other liabilities at amortised cost	**(2)**	-
	(2)	-
Non-current:		
Other liabilities at amortised cost	**(60)**	-
	(60)	-

Notes to the consolidated financial statements (continued)
5.4 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, other liabilities held at amortised cost and obligations under leases. These liabilities are offset by cash and cash equivalents, short-term investments and a portion of debt transaction costs that relate to the remaining duration of the debt. This note shows how our net debt position has moved from the prior year end, split out between cash movements and non-cash movements.

	2023 £m	Cash movements £m	Other non-cash movements £m	**2024** **£m**
Non-current assets				
Derivative financial instruments	2	-	(1)	**1**
	2	-	(1)	**1**
Current assets				
Cash and cash equivalents	1,038	(10)	-	**1,028**
Short-term investments	-	260	-	**260**
Derivative financial instruments	11	(12)	2	**1**
	1,049	238	2	**1,289**
Current liabilities				
Borrowings and overdrafts	(67)	90	(335)	**(312)**
Fair value adjustment for hedged element on bonds	-	-	4	**4**
Other liabilities amortised cost	-	(2)	-	**(2)**
Lease liabilities	(149)	232	(229)	**(146)**
Derivative financial instruments	(4)	7	(18)	**(15)**
	(220)	327	(578)	**(471)**
Non-current liabilities				
Borrowings	(600)	(131)	300	**(431)**
Unamortised debt transaction costs	6	-	-	**6**
Fair value adjustment for hedged element on bonds	6	-	(6)	**-**
Other liabilities amortised cost	-	(60)	-	**(60)**
Lease liabilities	(1,754)	-	51	**(1,703)**
Derivative financial instruments	(9)	-	8	**(1)**
	(2,351)	(191)	353	**(2,189)**
Total net debt	(1,520)	374	(224)	**(1,370)**

Notes to the consolidated financial statements (continued)
5.4 ANALYSIS OF NET DEBT (CONTINUED)

Reconciliation of net cash flow to net debt

	2024 £m	2023 Reclassified[1] £m
Decrease in net cash and cash equivalents in the year	**(10)**	(377)
Cash inflow from borrowings	**(131)**	-
Cash outflow from borrowings[1]	**85**	182
Cash outflow/(inflow) from movement in short-term investments	**260**	(95)
Cash outflow from SIP shares	**5**	6
Cash inflow from other liabilities held at amortised cost	**(62)**	-
Cash outflow from movement in other net debt items[1]	**227**	163
Cash movement in net debt for the year	**374**	(121)
Opening net debt	**(1,520)**	(1,295)
Non-cash movement in net debt for the year	**(224)**	(104)
Closing net debt	**(1,370)**	(1,520)

[1] See accounting policy in note 2.6

Our total borrowings and lease liabilities are summarised below.

	Borrowings £m	Lease liabilities £m	**Total £m**
At 29 January 2022	(823)	(1,988)	**(2,811)**
Movements arising from operating cash flows[1]	38	92	**130**
Movements arising from financing cash flows[1]	150	133	**283**
Other non-cash movements	(32)	(140)	**(172)**
At 28 January 2023	(667)	(1,903)	**(2,570)**
Movements arising from operating cash flows	40	89	**129**
Movements arising from financing cash flows	(81)	143	**62**
Other non-cash movements	(35)	(178)	**(213)**
At 27 January 2024	**(743)**	**(1,849)**	**(2,592)**

[1] See accounting policy in note 2.6

Other non-cash movements in borrowings relate to interest accruals. Other non-cash movements in lease liabilities reflect the unwind of the discount on the lease liability and changes to lease agreements such as changes to future rental charges, extensions and new leases.

Borrowings exclude unamortised bond transaction costs of £5m (2023: £6m), unamortised loan transaction costs of £1m (2023: £nil) and the fair value adjustment for hedged element on bonds of £4m gain (2023: £6m gain).

5.5 LEASE LIABILITIES

PURPOSE

The Partnership enters into leases for property, plant and equipment. The Partnership's lease portfolio principally comprises property leases of land and buildings in relation to Waitrose and John Lewis shops, distribution centres and head offices. The leases typically run for terms between five 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. Judgement is exercised in assessing whether assets have been sold in accordance with IFRS 15 Revenue from Contracts with Customers.*

Notes to the consolidated financial statements (continued)
5.5 LEASE LIABILITIES (CONTINUED)

The following amounts are included in the Partnership's consolidated financial statements in respect of its leases:

	2024 £m	2023 £m
Depreciation charge for right of use assets (excluding impairment) (see note 3.2)	**(136)**	(141)
Interest expense on lease liabilities (see note 2.6)	**(89)**	(92)
Expense relating to short-term leases	**(3)**	(4)
Expense relating to variable lease payments not included in lease liabilities	**(4)**	(4)
Total cash outflow for leases comprising interest and capital payments (see note 5.4)	**(232)**	(225)
Additions to right-of-use assets (see note 3.2)	**95**	61
Carrying amount of right-of-use assets (see note 3.2)	**1,290**	1,319
Gains arising from sale and leaseback transactions	**8**	-
Income from sub-leasing right-of-use assets	**9**	10

Gains arising from sale and leaseback transactions resulted from the derecognition of certain plant, property and equipment assets and recording of a right-of-use asset. See notes 3.2 and 5.3.

We 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 values 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 year end.

Notes to the consolidated financial statements (continued)
5.6 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.*

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.*

Provisions	Long leave £m	Customer refunds £m	Insurance claims £m	Reorganisation £m	Other £m	Total £m
At 28 January 2023	(121)	(23)	(24)	(11)	(46)	(225)
Charged to income statement	(12)	(48)	(9)	(8)	(7)	(84)
Released to income statement	-	-	1	11	3	15
Utilised	11	49	8	-	12	80
At 27 January 2024	**(122)**	**(22)**	**(24)**	**(8)**	**(38)**	**(214)**
Of which:						
Current	(38)	(22)	(11)	(8)	(20)	(99)
Non-current	(84)	-	(13)	-	(18)	(115)

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.

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. These reserves relate to past events and are calculated using independent actuarial assessments wherever possible, or a reasonable assessment based on past claims experience. The Partnership's insurance arrangements include self-insurance, reinsurance to the Partnership's captive insurance company, JLP Insurance Limited, and third party cover.

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

Other provisions primarily include property-related costs including dilapidations provisions. The effect of discounting non-current provisions is not individually material.

Notes to the consolidated financial statements (continued)
6 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 net 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.*

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.

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 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 key assumptions is provided in note 6.6. The pension scheme asset includes a variety of assets including those where a market quotable price is not available (level 3). The assets are valued by third party fund managers using a variation of valuation models (see note 6.5).*

Notes to the consolidated financial statements (continued)
6.1 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.

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.

Actuarial valuation

The pension scheme is subject to a full actuarial valuation every three years using assumptions agreed between the Pensions 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 2022, and resulted in an actuarial surplus of £320m (31 March 2019: deficit of £58m). The market value of the assets of the scheme as at 31 March 2022 was £6,934m (31 March 2019: £6,012m). The actuarial valuation showed that these assets were sufficient to cover 105% (31 March 2019: 99%) of the benefits which had accrued to members. The valuation calculated under the actuarial valuation basis of a surplus of £320m at 31 March 2022 is different from the accounting valuation which is presented on the balance sheet in the Partnership's financial statements at 27 January 2024 which is a deficit of £287m. Differences arise between the actuarial 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 2022 and 27 January 2024.

For actuarial 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 actuarial valuation as at 31 March 2022 is based on index-linked gilt yields plus 2.4% and 0.5% for pre- and post-retirement respectively.

In the financial statements the liabilities are determined in accordance with IAS 19. 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 31 March 2022 valuation, the Partnership and the Trustee agreed to stop making additional deficit reducing contributions. These were previously £10m per annum.

The next triennial actuarial valuation of the scheme will take place as at 31 March 2025.

Notes to the consolidated financial statements (continued)
6.1 RETIREMENT BENEFITS (CONTINUED)

Pension commitments recognised in these accounts have been calculated based on the most recent actuarial valuation, as at 31 March 2022, which has been updated by actuaries to reflect the assets and liabilities of the scheme as at 27 January 2024, calculated on assumptions that are appropriate for accounting under IAS 19.

IAS 19 accounting valuation

In the financial statements the liabilities are determined in accordance with IAS 19: Employee Benefits. At the year end, there was an IAS 19 accounting pension deficit of £287m (£239m after deferred tax), compared to £102m (£100m after deferred tax) at January 2023. The accounting position reflects the gap between the market value of pension assets held by our defined benefit scheme and the IAS 19 value of our pension liabilities.

At the year end, IAS 19 pension liabilities for the defined benefit obligation for funded arrangements were £4,017m, down from £4,476m at January 2023, with the reduction largely attributable to an increase in the discount rate as a result of increasing interest rate expectations, partly offset by this year's inflation figure being higher than expected. The market value of pension assets was £3,743m, down from £4,388m at January 2023. An increase in the value of liability driven investments has been more than offset by lower values for the remaining assets.

Differences between the actuarial valuation and accounting valuation

The actuarial valuation will almost always be different compared with the accounting valuation, mainly due to the use of different assumptions to value the liabilities. The discount rate used for the accounting valuation is prescribed by the accounting standard and assumes that pension assets are invested in high quality (AA) corporate bond yields of an appropriate term. The actuarial discount rate is determined based on assumptions set by the Trustee following consultation with the Partnership and Scheme Actuary, and takes into account the scheme's actual investment strategy, expected evolution of the investment strategy (the journey plan) and the Trustee's view of the Partnership's covenant.

Whilst the accounting valuation is useful for comparing pension schemes across different businesses, it does not take into account the scheme's actual investment strategy, often producing a higher value of liabilities than the technical provisions valuation, and therefore it is of less use for scheme funding purposes. It is the actuarial valuation, not the accounting valuation, that is used to judge the cash contributions from the Partnership to the scheme.

Investment strategy

The Pensions Trustee's investment strategy is consulted upon with the Partnership. The investment strategy is designed to ensure the scheme can pay members' benefits as they fall due, while also targeting full funding on a low dependency basis. 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.

The Pensions Trustee continues to manage scheme risks carefully and appropriately. It has a hedge in the form of a liability matching strategy designed to protect against movements in interest rates and inflation on the actuarial basis. At 31 March 2024 the hedge was at 78% of low dependency liabilities, which has been maintained since this target ratio was set at 31 March 2023. This is the equivalent to c.95% of technical provisions liabilities, a fall from 100% at 31 March 2023, due to changes in market conditions (i.e. the yield curve). The pension scheme remains liquid and well funded.

Notes to the consolidated financial statements (continued)
6.1 RETIREMENT BENEFITS (CONTINUED)

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 (subject to a cap) 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 strategy as detailed in note 6.5 (the liability matching scheme is designed to hedge the actuarial liabilities and not the accounting measurement of liabilities);
- Changes in the discount rate used to value pension liabilities: a lower discount rate will lead to higher liabilities. On an actuarial basis, changes in the technical provision liabilities due to changes in the discount rate are broadly offset by the Trustees' liability matching strategy as detailed above. On an accounting basis, if the change in the discount rate is driven solely by an increase in credit spreads (and not gilt movements which is what the liability matching strategy hedges) then there will not be an offsetting impact on the assets for accounting purposes;
- 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 deficit (surplus) will increase (reduce). This is offset in part by the Trustee's investment strategy of holding a diversified portfolio of assets as detailed in note 6.5;
- Falls in asset values not being matched by similar falls in the value of liabilities: a fall in plan assets will lead to an increase (reduction) in the deficit (surplus). This is offset in part by the Trustee's investment strategy of holding a diversified portfolio of assets as detailed in note 6.5;
- 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 increasing (decreasing) the scheme's deficit (surplus). This is mitigated in part by the benefit design including 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)
6.2 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 27 January 2024. The following financial assumptions have been used to value the obligation:

	2024	2023
Discount rate	**5.28%**	4.65%
Future Retail Price Index inflation	**2.85%**	3.00%
Future Consumer Price Index inflation	**2.50%**	2.60%
Increase in pensions – in payment		
Pre-April 1997	**1.81%**	1.85%
April 1997-April 2016	**2.73%**	2.85%
Post-April 2016	**1.81%**	1.85%
Increase in pensions – deferred	**2.50%**	2.60%

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 16 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 change in estimate has increased the discount rate by 0.1% at 27 January 2024, resulting in a £42m increase to the defined benefit pension obligation this year.

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 UK government bond market implied rate of 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 0.3% has been applied until 2030, increasing to 0.4% beyond this date. A long-term gap of 1.0% between RPI and CPI has been applied until 2030, reducing to 0.1% beyond this date. Following actuarial advice, the criteria used to determine the inflation risk premium has been updated during the year resulting in an £18m increase to the defined benefit pension obligation this year.

Demographic assumptions
The post-retirement mortality assumptions used in valuing the pension liabilities were based on the S3 (2023: S3) series standard tables. Based on scheme experience, the probability of death at each age was multiplied by 112% for males and 95% for females who were non-pensioners and 103% for males and 92% for females who were pensioners (2023: 118% for males and 100% for females who were non-pensioners and 109% for males and 97% for females who were pensioners). 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 2022 improvements model with a smoothing parameter of 7.0 (2023: CMI 2021, smoothing parameter of 7.0) subject to a long-term trend of 1.25%.

The average life expectancies assumed were as follows:

		2024		2023
	Male	**Female**	Male	Female
Average life expectancy for a 65 year old (in years)	**21.3**	**24.0**	21.3	24.0
Average life expectancy at age 65, for a 50 year old (in years)	**21.5**	**24.9**	21.6	24.9

Notes to the consolidated financial statements (continued)
6.3 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.

Amounts recognised in the balance sheet	**2024 £m**	2023 £m
Defined benefit obligation for funded arrangements	**(4,017)**	(4,476)
Total value of scheme assets	**3,743**	4,388
Total funded defined benefit liability at end of year	**(274)**	(88)
Defined benefit obligation for unfunded arrangements	**(13)**	(14)
Defined benefit liability at end of year (net)	**(287)**	(102)

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.*

Amounts recognised in the income statement	**2024 £m**	2023 £m
Contribution expense[1]	**(115)**	(114)
Administrative expenses – funded by the pension scheme	**(4)**	(9)
Administrative expenses – funded by the employer	**(15)**	(14)
Total operating expense	**(134)**	(137)
Net interest on net defined benefit liability	**(5)**	11
Total pension charge	**(139)**	(126)

[1] Includes Partnership contributions to the defined contribution section of the pension scheme of £114m (2023: £113m), together with cash supplements in respect of certain Partners in lieu of future pension accrual of £1m (2023: £1m).

Notes to the consolidated financial statements (continued)
6.4 RECONCILIATION OF RETIREMENT BENEFITS

Amounts recognised in equity	2024 £m	2023 £m
Return on plan assets greater than interest income	**(657)**	(2,812)
Remeasurements:		
– gain from changes in financial assumptions	**483**	2,633
– gain/(loss) from changes in demographic assumptions	**40**	(70)
– experience loss	**(57)**	(351)
Total loss recognised in equity	**(191)**	(600)

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 6.5.

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 6.3, 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).*

Reconciliation of net defined benefit (liability)/asset	2024 £m	2023 £m
Net defined benefit (liability)/asset at beginning of year	**(102)**	474
Pension (charge)/credit	**(9)**	2
Contributions	**15**	22
Total losses recognised in equity	**(191)**	(600)
Net defined benefit liability at end of year	**(287)**	(102)

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:
- *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.

Notes to the consolidated financial statements (continued)
6.4 RECONCILIATION OF RETIREMENT BENEFITS (CONTINUED)

Reconciliation of defined benefit obligation	**2024** **£m**	2023 £m
Defined benefit obligation at beginning of year	**(4,490)**	(6,752)
Interest on pension liabilities	**(204)**	(153)
Remeasurements:		
– gain from changes in financial assumptions	**483**	2,633
– gain/(loss) from changes in demographic assumptions	**40**	(70)
– experience losses	**(57)**	(351)
Benefits paid	**198**	203
Defined benefit obligation at end of year	**(4,030)**	(4,490)

The scheme liabilities are 54.8% (2023: 55.2%) in respect of deferred scheme participants and 45.2% (2023: 44.8%) in respect of retirees.

The weighted average duration of the scheme liabilities at the end of the year is 16 years (2023: 17 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.

Reconciliation of value of assets	**2024** **£m**	2023 £m
Value of assets at the beginning of year	**4,388**	7,226
Interest income on assets	**199**	164
Return on plan assets greater than interest income	**(657)**	(2,812)
Benefits paid	**(198)**	(203)
Administrative expenses paid	**(4)**	(9)
Contributions	**15**	22
Value of assets at the end of year	**3,743**	4,388

Notes to the consolidated financial statements (continued)
6.5 ANALYSIS OF ASSETS

				2024				2023
	Quoted £m	**Unquoted £m**	**Total £m**	**Total %**	Quoted £m	Unquoted £m	Total £m	Total %
Equities								
UK	-	-	-	-	-	-	-	-
Rest of the world	-	-	-	-	-	-	-	-
Bonds								
Government – Rest of the world	-	-	-	-	-	-	-	-
Corporates – UK	-	-	-	-	-	-	-	-
Corporates – Rest of the world	-	-	-	-	-	-	-	-
Property								
UK	-	**542**	**542**	**14.5%**	-	594	594	13.5%
Alternative assets								
Liability driven investments	-	**1,872**	**1,872**	**50.0%**	-	1,631	1,631	37.2%
Hedge funds	-	**139**	**139**	**3.7%**	-	254	254	5.8%
Private equity	-	**367**	**367**	**9.8%**	-	477	477	10.9%
Other alternative assets	-	**510**	**510**	**13.6%**	-	602	602	13.7%
Cash and other	**313**	**-**	**313**	**8.4%**	830	-	830	18.9%
Total market value of assets	**313**	**3,430**	**3,743**	**100.0%**	830	3,558	4,388	100.0%

Equities and bonds which are traded on active markets are included at the quoted price, which is normally the bid price. Level 3 assets are investments where a market quotable price is not available. The fair values of these assets are derived in accordance with IFRS 13 and provided by the relevant fund manager. Final audited year end valuations for some of these assets are not available until after the Partnership's annual financial statements have been signed.

Freehold properties are stated at fair value as determined by CBRE Ltd, who are Royal Institution of Chartered Surveyors (RICS) Registered Valuers. Valuations included in the financial statements are valued as at 31 December 2023 in accordance with the current edition of the RICS Valuation – Professional Standards Global and UK, and Financial Reporting Standard 102. The valuer's 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 are based. The fair value of the indirect property assets is based on the most recent available fund valuation at 31 December 2023 adjusted for cash flows to year end.

Hedge funds, private equity funds, private credit funds, insurance linked funds and infrastructure funds are valued at fair value by the investment managers or their third party agents, having regard to professional valuations, asset values and other appropriate financial information. For private equity funds, private credit funds and infrastructure funds, fair values are based on the most recently available quarterly valuations adjusted where relevant for cash flows to year end. This is 31 December 2023 for all funds. Hedge funds and insurance linked funds are valued monthly including at the end of January. Various different valuation methods and assumptions are utilised by the fund managers as appropriate for the underlying investment including discounted cash flows, enterprise value, cost plus accrued interest and external pricing. Where internal cash flow modelling has been performed, significant assumptions will include discount rate and expected cash flows. The sensitivity of significant assumptions to the valuation of level 3 assets has not been disclosed as the diversified nature of the portfolio and the wide range of different assumptions adopted by each fund manager make disclosure impractical.

Notes to the consolidated financial statements (continued)

6.5 ANALYSIS OF ASSETS (CONTINUED)

Due to the complex nature of valuing the quarterly priced assets, which includes private equity funds, private credit funds, infrastructure funds and property, no estimate has been used from 31 December 2023 to determine the year end valuation for these assets to 27 January 2024 as any valuation difference is not expected to be material.

Assets sold after the year end and prior to signing of the financial statements are stated at the realised value within 'cash and other'.

Financial instruments including derivatives are valued in accordance with note 1.1.5.

Liability driven investments are invested through a unit-linked insurance policy and include UK government bond and cash equivalent assets valued at £2,553m (2023: £1,974m) and associated repurchase agreements and swaps valued at £(681)m (2023: £(343)m). This is part of the Trustee's interest rate and inflation hedging strategy (liability matching strategy).

Other alternative assets include investments in infrastructure funds of £172m (2023: £248m) and private debt £337m (2023: £352m).

Property assets include segregated property portfolio valued at £432m (2023: £475m) and property assets held in private investment companies valued at £110m (2023: £89m).

Cash and other includes cash deposits of £299m (2023: £329m), pending cash for unsettled transactions of £nil (2023: £488m), forward foreign exchange contracts £nil (2023: £11m) and other items valued at £14m (2023: £2m).

Actual return on assets	**2024 £m**	2023 £m
Interest income on assets	**200**	164
Return on plan assets greater than interest income	**(657)**	(2,812)
Actual return on assets	**(457)**	(2,648)

6.6 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 also based on consumer price inflation indices:

	£m	**% change**
Defined benefit obligation as at 27 January 2024	(4,030)	
Sensitivity of:		
– 0.1% pts increase to discount rate[1]	(61)	(1.5%)
– 1.0% pts increase to discount rate[1]	(544)	(13.5%)
– 0.1% pts increase to retail price inflation	16	0.4%
– 0.1% pts increase to consumer price inflation	21	0.5%
– a one-year increase in life expectancy	109	2.7%

[1] The discount rate and inflation sensitivities do not allow for the impact of the liability matching strategy, which is designed to hedge interest rate (based on movements in gilts) and inflation risks related to the pension scheme's liabilities (as measured on the actuarial basis). It is not feasible to disclose the sensitivity of the liability matching strategy to movements in IAS 19 assumptions as the liability matching strategy has been put in place by the Pension Trustee to match the actuarial liability not the IAS 19 liability to which the sensitivities disclosed above relate.

Notes to the consolidated financial statements (continued)

6.7 OTHER ARRANGEMENTS

JLP Scottish Limited Partnership

On 30 January 2010, the Partnership entered into an arrangement with the 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 an original market value of £151m from other Partnership companies in 2010. 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, from 2010. 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 £1m to £100m. 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 deficit position presented in these consolidated accounts does not reflect the £80m (2023: £70m) 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 £760m 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. The pension scheme would be entitled to claim against either or both of John Lewis Properties plc and Waitrose Limited under these arrangements.

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 Partnership's capital management strategy is to maintain a prudent capital structure, seeking to maintain 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 (2023: £420m). This facility matures in October 2026. In addition to these facilities, the Partnership had listed bonds at the year end totalling £600m (2023: £600m), with £300m due to mature in 2025 and the remaining £300m due to mature in 2034. The bonds have fixed coupons. The Partnership repaid a £50m bank loan at maturity in December 2023. During the year, the Partnership entered into a new syndicate loan with its banking partners for £131m which matures in December 2026. The loan has 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. 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	(733)	(743)	(312)	-	(431)
Interest payments on borrowings	-	(188)	(42)	(23)	(123)
Lease liabilities[1]	(1,849)	(2,885)	(226)	(213)	(2,446)
Trade and other payables	(1,376)	(1,376)	(1,376)	-	-
Derivative financial liabilities					
Derivative contracts – receipts	-	385	327	58	-
Derivative contracts – payments	-	(400)	(341)	(59)	-
At 27 January 2024	**(3,958)**	**(5,207)**	**(1,970)**	**(237)**	**(3,000)**

[1] The lease liabilities due two years and beyond can be further broken down as £(588)m 2-5 years, £(789)m 5-10 years, £(494)m 10-15 years and £(575)m 15 years and beyond.

Notes to the consolidated financial statements (continued)
7.1 MANAGEMENT OF FINANCIAL RISKS (CONTINUED)
7.1.2 LIQUIDITY RISK (CONTINUED)

	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	(655)	(667)	(67)	(300)	(300)
Interest payments on borrowings	-	(189)	(32)	(31)	(126)
Lease liabilities	(1,903)	(2,955)	(222)	(216)	(2,517)
Trade and other payables	(1,432)	(1,432)	(1,432)	-	
Derivative financial liabilities					
Derivative contracts – receipts	-	440	363	77	-
Derivative contracts – payments	-	(438)	(357)	(81)	-
At 28 January 2023	**(3,990)**	**(5,241)**	**(1,747)**	**(551)**	**(2,943)**

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.

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 (67% fixed) 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 £100m (2023: £100m) of fixed rate debt, hedging the 2025 £300m bond, 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.

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 £378m (2023: £422m) had been entered into, to hedge purchases in foreign currencies which will mature over the next 24 months.

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:

	2024 £m	2023 £m
Trade and other receivables	**125**	126
Short-term investments	**260**	-
Cash and cash equivalents	**1,028**	1,038
Derivative financial instruments	**2**	13
	1,415	1,177

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 £6m (2023: £5m) had been entered into, to hedge future purchases of diesel.

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 other provisions and market variables on the carrying value of pension, which are included in notes 5.6 and 6.6.

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 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;
- All derivative financial instruments designated as hedges are assumed to be fully effective.

		2024		2023
	Income statement +/- £m	**Equity +/- £m**	Income statement +/- £m	Equity +/- £m
UK interest rates +/- 1% (2023: +/- 1%)	**6**	**-**	9	-
US Dollar exchange rate (GBP/USD) +/- 10% (2023: +/- 10%)	**-**	**21**	-	24
Euro exchange rate (GBP/EUR) +/- 10% (2023: +/- 10%)	**-**	**12**	-	13

Notes to the consolidated financial statements (continued)

7.2 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.

7.2.1 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.

Currency analysis	**Floating rate £m**	**Non-interest bearing £m**	**Total £m**
Sterling financial assets	1,190	97	1,287
Other financial assets	1	-	1
At 27 January 2024	**1,191**	**97**	**1,288**
Sterling financial assets	945	93	1,038
Other financial assets	-	-	-
At 28 January 2023	945	93	1,038

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 credit and debit card transactions not yet settled.

7.2.2 ANALYSIS OF FINANCIAL LIABILITIES

Short-term trade payables are excluded from this analysis on the basis that they are all non-interest bearing.

Currency analysis	**Fixed rate £m**	**Floating rate £m**	**Total £m**
All Sterling			
At 27 January 2024	**(2,348)**	**(240)**	**(2,588)**
At 28 January 2023	(2,401)	(164)	(2,565)

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.

Share capital	**2024** **Issued and fully paid** **£m**	2023 Issued and fully paid £m
Equity		
Deferred ordinary shares		
612,000 of £1 each	**1**	1

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 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 direct and indirect 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 3.5.

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 2.9.3.

During the year the Partnership provided administrative support services to charities related to the Partnership. The estimated value of these support services is £175,000 (2023: £167,000). The Partnership also made donations totalling £1m (2023: £1m) to the John Lewis Partnership Foundation.

8.3 SUBSEQUENT EVENTS

PURPOSE
Events that take place after the balance sheet date of 27 January 2024 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.

In March 2024, we announced our proposal to close the Waitrose Enfield Customer Fulfilment Centre resulting in 545 Partners entering a period of consultation. All 545 roles are at proposed risk of redundancy.

COMPANY FINANCIAL STATEMENTS

COMPANY BALANCE SHEET as at 27 January 2024

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

Notes		2024	2023
		£m	£m
	Current assets		
	Trade and other receivables	**1**	1
	Non-current assets		
11	Investments	**113**	115
	Total assets	**114**	116
	Current liabilities		
13	Trade and other payables	**(1)**	-
	Non-current liabilities		
12	Borrowings	**(104)**	(104)
	Total liabilities	**(105)**	(104)
	Net assets	**9**	12
	Equity		
14	Share capital	**1**	1
	Capital redemption reserve	**5**	5
	Retained earnings	**3**	6
	Total equity	**9**	12

The financial statements on pages 154 to 159 were approved by the Board of Directors on 7 May 2024 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
7 May 2024

Registered number 00238937

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

COMPANY STATEMENT OF CHANGES IN EQUITY for the 52 week period ended 27 January 2024

Notes		Share capital	Capital redemption reserve	Retained earnings	Total equity
		£m	£m	£m	£m
	Balance at 29 January 2022	1	5	13	19
10	Profit for the year and total comprehensive income	-	-	(7)	(7)
	Balance at 28 January 2023	1	5	6	12
10	Loss for the year and total comprehensive income	-	-	(3)	(3)

Balance at 27 January 2024	1	5	3	9

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 in compliance with UK-adopted IFRS and in conformity with the requirements of the Companies Act 2006. 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 1.1.4 to the Partnership's consolidated financial statements.

Basis of preparation

The separate financial statements of the Company are drawn up in accordance with UK-adopted IFRS and in conformity with the requirements of the Companies Act 2006. 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 52 week period ended 27 January 2024, 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 to the Partnership's consolidated financial statements. 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. Investments are reviewed for evidence of a trigger for potential impairment at least annually or whenever events or circumstances indicate that the value on the balance sheet may not be recoverable.

10 PROFIT AND LOSS OF THE COMPANY FOR THE 52 WEEK PERIOD

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 £3m loss (2023: £7m loss).

Details of auditor's remuneration are provided in note 2.7 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 27 January 2024:

Investments	Subsidiary		Other	
	Shares in John Lewis plc	Loan to John Lewis plc	Shares in John Lewis Partnership Trust Limited	Total
	£m	£m	£m	£m
At 28 January 2023	11	104	-	115
Movements	-	(2)	-	(2)
At 27 January 2024	**11**	**102**	**-**	**113**

The intercompany loan from the Company to John Lewis plc is non-interest bearing with no specific repayment terms, principally in relation to the Share Investment Plan and other intercompany balances.

12 BORROWINGS

PURPOSE

Borrowings consist of long-term loans from funds managed by John Lewis Partnership Trust Limited in respect of Share Incentive Plan shares, which are allocated to Partners who are entitled to a dividend.

Borrowings	2024 £m	2023 £m
Non-current:		
Loans from Partnership companies	**(104)**	(104)
	(104)	(104)

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.

Trade and other payables	2024 £m	2023 £m
Other payables	**(1)**	-

All of the Company's trade and other payables are current. The carrying amount of trade and other payables approximates to fair value.

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.

Share capital	**2024** Issued and fully paid £m	2023 Issued and fully paid £m
Equity		
Deferred ordinary shares		
612,000 of £1 each	**1**	1

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 27 January 2024 are disclosed below.

The Company's two direct 100% owned subsidiaries as at 27 January 2024 were:

Name	Principal activity	Country of incorporation	Class of share	Percentage shareholdings
John Lewis Partnership BTR Limited	Holding company	England & Wales[1]	Ordinary	100%
John Lewis plc	Retailing and corporate services	England & Wales[1]	Ordinary	100%

[1] The address of the registered office is 171 Victoria Street, London SWIE 5NN.

John Lewis Partnership BTR Limited is a holding company set up in connection with a new venture with abrdn for our build to rent property business but there are no material transactions this year.

The whole of the ordinary share capital of the subsidiary undertakings of John Lewis plc and John Lewis Partnership BTR Limited as shown below and on the next page are held within the Partnership. Except where noted, all of these subsidiary undertakings operate wholly or mainly in the United Kingdom.

Subsidiary and related undertakings of John Lewis Partnership BTR Limited:

Name	Principal activity	Country of incorporation	Class of share	Percentage shareholdings
BTR (Operating) Limited	Property management company	England & Wales[1]	Ordinary	100%
John Lewis Partnership BTR (Bromley Development) Limited	Property holding company	England & Wales[1]	Ordinary	100%
John Lewis Partnership BTR (Reading Development) Limited	Property holding company	England & Wales[1]	Ordinary	100%
John Lewis Partnership BTR (West Ealing Development) Limited	Property holding company	England & Wales[1]	Ordinary	100%

[1] The address of the registered office is 171 Victoria Street, London SWIE 5NN.

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[(i)]	Investment holding undertaking	Scotland[5]	Partnership interest	100%
JLP Scottish Partnership[(ii)]	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 SWIE 5NN.
[3] The address of the registered office is Lancaster House, Nunn Mills Road, Northampton NN1 5GE.
[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.
[(i)] John Lewis Partnership Pensions Trust and JLP Scotland Limited are the Limited Partners. John Lewis plc is the General Partner.
[(ii)] 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 Annual Report and Partnership and Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Partnership and Company financial statements for each financial year. Under that law they have elected to prepare the Partnership financial statements in accordance with UK-adopted international accounting standards (UK-adopted IFRS) and have elected to prepare the Company financial statements on the same basis.

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 Company and of their profit or loss for that period. In preparing each of the Partnership and Company financial statements, the Directors are required to: michel

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable, relevant and reliable;
- For the Partnership and Company financial statements, state whether they have been prepared in accordance with UK-adopted international accounting standards (UK-adopted IFRS);
- Assess the Partnership and 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 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 Company's transactions and disclose with reasonable accuracy at any time the financial position of the 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.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report and a Directors' Report that comply with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Partnership'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
7 May 2024

FIVE YEAR FINANCIAL RECORD for the 52 week period ended 27 January 2024

Income statement	2024 £m	2023 £m	2022 £m	2021 £m	2020 £m
Revenue					
Waitrose	**7,137**	6,750	6,984	7,044	6,373
John Lewis	**3,644**	3,784	3,854	3,728	3,778
	10,781	10,534	10,838	10,772	10,151
Trading operating profit[1]					
Waitrose	**1,064**	894	1,020	1,145	1,063
John Lewis	**689**	676	758	554	734
	1,753	1,570	1,778	1,699	1,797
Operating profit/(loss)	**147**	(160)	118	(360)	308
Net finance costs	**(91)**	(74)	(145)	(157)	(162)
Profit before Partnership Bonus, tax and exceptional items	**42**	(78)	181	131	70
Exceptional items	**14**	(156)	(162)	(648)	107
Partnership Bonus	**-**	-	(46)	-	(31)
As a percentage of eligible pay	**-**	-	3%	-	2%
Profit/(loss) before tax	**56**	(234)	(27)	(517)	146
Taxation	**(15)**	36	(41)	65	(38)
Profit/(loss) for the year	**41**	(198)	(68)	(452)	108
Number of Partners at year end	**70,500**	74,300	78,600	80,900	80,800
Average number of full-time equivalent employees	**49,300**	53,300	56,000	56,800	59,700

[1] 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.

Balance sheet	2024 £m	2023 £m	2022 £m	2021 £m	2020 £m
Non-current assets	**4,547**	4,674	5,362	5,117	5,905
Current assets	**2,233**	2,026	2,423	2,368	1,796
Total assets	**6,780**	6,700	7,785	7,485	7,701
Current liabilities	**(2,162)**	(1,987)	(2,175)	(1,993)	(1,790)
Non-current liabilities	**(2,625)**	(2,609)	(2,862)	(3,568)	(3,352)
Total liabilities	**(4,787)**	(4,596)	(5,037)	(5,561)	(5,142)
Net assets	**1,993**	2,104	2,748	1,924	2,559
Borrowings	**(733)**	(655)	(815)	(904)	(763)
Net debt	**(1,370)**	(1,520)	(1,294)	(1,439)	(1,960)

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.

Adjusted cash flow

Operating profit before Partnership Bonus, exceptional items, depreciation and amortisation, but after lease adjusted interest and tax. This measure is important to assess our Debt ratio.

	2023/24 £m	2022/23 £m
Operating profit/(loss)	**147**	(160)
add back		
Depreciation, amortisation and write-offs	**495**	482
Exceptional items (net)	**(14)**	156
Partnership Bonus	**-**	-
less		
Lease adjusted interest	**(93)**	(102)
Tax excluding tax on exceptional items	**(9)**	21
Adjusted cash flow	**526**	397

Debt ratio

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.

	2023/24 £m	2022/23 £m
Total net debts	**(1,740)**	(1,736)
Adjusted cash flow	**526**	397
Debt ratio	**3.3x**	4.4x

Profit/(loss) before Partnership Bonus, tax and exceptional items (PBTBE/LBTBE)

Profit/(loss) before Partnership Bonus, tax and exceptional items. This measure is important as it allows for a comparison of underlying profit performance.

	2023/24 £m	2022/23 £m
Profit/(loss) before tax, Partnership Bonus and exceptional items	**42**	(78)
Exceptional items	**14**	(156)
Partnership Bonus	**-**	-
Profit/(loss) before tax	**56**	(234)

GLOSSARY (CONTINUED)

Total net debts

The Partnership's borrowings and overdrafts, lease liabilities, derivative financial instruments and IAS 19 pension deficit (net of deferred tax), less any liquid cash, short-term deposits and investments.

	2023/24 £m	2022/23 £m
Borrowings and overdrafts	**(733)**	(655)
Derivative financial instruments	**(14)**	-
Pension deficit (after deferred tax)	**(239)**	(100)
Other liabilities held at amortised cost	**(62)**	-
Lease liabilities	**(1,849)**	(1,903)
Liquid cash, short-term deposits and investments	**1,157**	922
Total net debts	**(1,740)**	(1,736)

Trading operating profit

Trading operating profit (TOP) 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. TOP excludes exceptional items.

2023/24	**Waitrose £m**	**John Lewis £m**	**Partnership £m**
Trading operating profit	**1,064**	**689**	**1,753**
Centrally managed costs incl property			(1,125)
Depreciation and amortisation			(495)
Net finance costs			(91)
PBTBE			**42**
Exceptional items			14
Partnership Bonus			-
Profit before tax			**56**

2022/23	**Waitrose £m**	**John Lewis £m**	**Partnership £m**
Trading operating profit	**894**	**676**	**1,570**
Centrally managed costs incl property			(1,092)
Depreciation and amortisation			(482)
Net finance costs			(74)
LBTBE			**(78)**
Exceptional items			(156)
Partnership Bonus			-
Loss before tax			**(234)**

GLOSSARY (CONTINUED)

Reconciliation of Total trading sales to Revenue

2023/24	Waitrose £m	John Lewis £m	Partnership £m
Total trading sales	**7,661**	**4,765**	**12,426**
Deduct:			
Value added tax	(443)	(772)	(1,215)
Sale or return and other accounting adjustments	(81)	(349)	(430)
Revenue	**7,137**	**3,644**	**10,781**

2022/23	Waitrose £m	John Lewis £m	Partnership £m
Total trading sales	**7,312**	**4,938**	**12,250**
Deduct:			
Value added tax	(425)	(800)	(1,225)
Sale or return and other accounting adjustments	(137)	(354)	(491)
Revenue	**6,750**	**3,784**	**10,534**

Reconciliation of Operating profit/(loss) to PBTBE/LBTBE

	2023/24 £m	2022/23 £m
Operating profit/(loss)	**147**	(160)
Add back:		
Exceptional items	**(14)**	156
Partnership Bonus	**-**	-
Deduct:		
Net finance costs	**(91)**	(74)
Profit/(loss) before Partnership Bonus, tax and exceptional items	**42**	(78)

Reconciliation of Profit/(loss) before tax to PBTBE/LBTBE

	2023/24 £m	2022/23 £m
Profit/(loss) before tax	**56**	(234)
Add back:		
Exceptional items	**(14)**	156
Partnership Bonus	**-**	-
Profit/(loss) before Partnership Bonus, tax and exceptional items	**42**	(78)

GLOSSARY (CONTINUED)

Reconciliation of Total trading sales to Total trading sales like-for-like

			2023/24 £m			2022/23 £m
	Partnership	**Waitrose**	**John Lewis**	Partnership	Waitrose	John Lewis
Total trading sales	**12,426**	**7,661**	**4,765**	12,250	7,312	4,938
Total trading sales like-for-like	**12,426**	**7,661**	**4,765**	12,234	7,296	4,938
Number of shop openings	**-**	**-**	**-**	-	-	-
Number of shop closures	**-**	**-**	**-**	2	2	-

Reconciliation of Cash to Total liquidity

	2023/24 £m	2022/23 £m
Cash and cash equivalents	**1,028**	1,038
Short term investments	**260**	-
Undrawn credit facility	**420**	420
Adjustment for illiquid cash	**(131)**	(116)
Total liquidity	**1,577**	**1,342**

Reconciliation of Centrally managed costs

	2023/24 £m	2022/23 £m
Other operating and administrative expenses	**(1,607)**	(1,731)
Depreciation and amortisation	**495**	482
Exceptional items (net)	**(14)**	156
Share of profit of joint venture (net of tax)	**1**	1
Centrally managed costs	**(1,125)**	(1,092)

GLOSSARY (CONTINUED)

TERM	DEFINITION
Amortisation	An expense recorded to write down intangible assets to their residual values over their useful economic lives (UELs).
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.
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 (UELs).
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.
Financial year	The period of 364 days, or 52 weeks, running from 29 January 2023 to 27 January 2024.
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.

TERM	DEFINITION
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.
Hedging	A risk management strategy that helps to reduce the effects of future financial market movements on the Partnership's assets.
HMRC	His Majesty's Revenue and Customs
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 financial commitments 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 the selling price of a product or service and the cost of its purchase/production.
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.

TERM	DEFINITION
Non-management Partners (NMP)	Level 9 and Level 10 Partners, excluding those in management roles.
Operating profit margin	Operating profit before exceptional items and profit/(loss) on disposal of property as a percentage of revenue.
Partners (members)	The name given to all employees of the John Lewis Partnership.
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 their services at any time while they are 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 building 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.
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.
Short-term investments	Cash placed with financial institutions (such as banks) for a period of between three months and one 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).
Total liquidity	The cash, short term investments and undrawn committed credit facilities we have available to us, which we can use to settle financial commitments as they fall due.
Total trading sales	The full customer sales value, including VAT, that is used to assess ongoing sales performance. It is before adjustments for sales or return sales and other accounting adjustments. A reconciliation between total trading sales and Revenue is provided above.
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 have not yet paid for, and any money we may be owed from customers and suppliers.

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 Company") for the 52 - week period ended 27 January 2024 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, and the related notes, including the accounting policies in note 1 of the consolidated financial statements of the Group (also termed as "the Partnership") and the accounting policies in note 9 of the company financial statements.

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 27 January 2024 and of the Group's profit 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 have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Overview		
Materiality: Group financial statements as a whole	£25 million (2023: £22 million) 0.23% (2023: 0.21%) of Revenue	
Coverage	98% (2023: 98%) of Partnership Revenue	
Key audit matters		**vs 2023**
Recurring risks	Recoverability of the carrying amount of the property, plant and equipment and right-of-use assets	←→
	Defined benefit pension schemes (gross liability and valuation of level 3 assets)	↑
Parent Company recurring risk	Recoverability of parent Company's investment in subsidiary	←→

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 (unchanged from 2023), in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters. 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.

	The risk	Our response
Recoverability of the carrying amount of property, plant and equipment and right-of-use assets **(£4,052 million, 2023: £4,202 million)** Refer to page 57 to 58 (Audit and Risk Committee Report) Page 116 to 117 (accounting policy) and page 118 to 122 (financial disclosures)	**Forecast-based assessment** Under IAS 36 'Impairment of Assets', the Group is required to complete an impairment review of its store portfolio where there are indicators of impairment or impairment reversal. Judgement is required in identifying indicators of impairment charges or reversals and estimation is required in determining the recoverable amount of the Group's store portfolio. 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 reversal of £14 million was recognised, in relation to PPE and ROUAs included in Cash Generating Units ("CGUs") of John Lewis and Waitrose operating segments. There is a risk that the carrying value of related PPE and ROUAs may be higher than the recoverable amount. Where there is an indicator of impairment and a review for impairment is conducted, the recoverable amount is determined based on the higher of 'value-in-use' (VIU) or 'fair value less costs of disposal'. The recoverable amount is calculated at a CGU level and a single store is considered to be a CGU. The recoverable amount of an individual store relies on a number of assumptions, most notably short-term sales growth and profit margin, and specifically for the CGUs within John Lewis operating segment, the online sales allocation, which all involve a high a degree of estimation uncertainty. Auditor judgement is also required to assess whether the allocation of centralised costs to the CGUs is reasonable and to assess whether the CGU's recoverable amount falls within an acceptable range.	**Our procedures included:** We performed the tests below rather than seeking to rely on any of the Partnership's manual controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described. However, we engaged our IT Audit specialists to evaluate the design and implementation and operating effectiveness of relevant IT controls over certain IT systems and layers used in deriving elements of the online sales allocation rates for CGUs within the John Lewis operating segment. **Adequacy of impairment indicators:** Challenging management's assessment based on our knowledge of the business, its operating environment, industry knowledge, current market conditions and other information obtained during the audit. **Model design evaluation and re-performance:** We evaluated the reasonableness of the design of VIU models in line with the requirements of the accounting standard and re-performed the calculations the Directors performed for determining the VIU of each cash generating unit. **Methodology assessment:** We assessed the reasonableness of the methodology and the allocation of online revenue to CGUs within the John Lewis operating segment, after considering relevant macro-economic factors, market practice and various plausible alternatives. We assessed the reasonableness of the allocation of central costs to CGUs within the John Lewis and Waitrose operating segments, after evaluating the nature and/or drivers of these costs and whether they can be allocated reasonably and consistently to CGUs, taking into consideration various plausible alternatives. **Our sector experience:** We evaluated assumptions used, in particular those relating to forecast revenue growth and profit margins for the Waitrose and John Lewis stores.

	The risk	Our response
Recoverability of property, plant and equipment and right-of-use assets (continued)	The effect of these matters is that, as part of our risk assessment, 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.	**Benchmarking assumptions**: We compared the Director's key assumptions to externally derived data in relation to key inputs such as projected economic growth, customer spending behaviours. cost inflation and market inputs used in deriving the forecast revenue growth and online allocation. We also engaged our macro-economics specialists to provide benchmark data for future growth over the next 4 years for the sectors in which John Lewis and Waitrose operate. We compared the forecasts used in the impairment model with the benchmark data. We evaluated multiple scenarios to assess whether changes in assumptions would result in a material adjustment to the impairment reversal. **Sensitivity analysis**: We performed sensitivity analysis to stress-test the impairment calculation to changes in short- term sales growth and profit margins, and specifically for CGUs within John Lewis operating segment, online sales allocation. **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 recoverable amount of PPE and ROUAs. **Our results:** We found the carrying amount of PPE and ROUAs and the related impairment reversal to be acceptable (2023: acceptable).

	The risk	Our response
Defined benefit pension schemes (Gross liability £4,030 million (2023: £4,490 million) and valuation of level 3 assets £1,558 million (2023: £1,927 million) Refer to Page 58 (Audit and Risk Committee Report) Refer to page 138 (accounting policy) and pages 139 to 148 (financial disclosures)	**Subjective valuation** A significant level of estimation is required in order to determine the valuation of the gross pension liability. Small changes in the key assumptions (in particular, discount rates, inflation and mortality rates) can have a material impact on the gross liability. In addition, within the pension asset portfolio there are a number of assets whose valuation requires significant judgement as a result of quoted prices being unavailable (level 3 assets). Certain of these include assets for which a net asset valuation ("NAV") is not readily available	**Our procedures included:** We performed the tests below rather than seeking to rely on any of the Partnership's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described. **Assessing assumptions:** We used our actuarial specialists to challenge the key assumptions used to estimate the defined benefit obligation (in particular, the discount rate, inflation and mortality rates).

	The risk	Our response
	and therefore, additional audit procedures are necessary given the nature of the valuation. The asset class where significant audit effort and judgement was focused were investment properties. Level 3 holdings together represented £1,558 million (2023: £1,927 million) out of which £515 million (2023: £564 million) are investment properties for which a net asset valuation ("NAV") is not readily available. The effect of these matters is that, as part of our risk assessment for audit planning purposes, we determined that the value 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 disclose the sensitivity estimated (note 6.6) by the Partnership.	This involved comparing the assumption to available market data and our expectations based on the scheme profile. **Assessing base data**: We assessed whether the data used in the current year defined benefit obligation valuation is consistent with that prepared at the triennial valuation as at 31 March 2022. We used our actuarial specialists to challenge the methodology used to roll-forward the results of the triennial valuation as at 31 March 2022. Our procedures for level 3 assets included: **Substantive tests of detail**: We assessed historical accuracy of valuations for a sample of assets to help inform whether current valuations were appropriate. Additionally, we obtained direct confirmations from third party fund managers to support the valuation of assets stated in the financial statements. **Methodology choice:** We assessed the valuation methodologies used with reference to the Royal Institute of Chartered Surveyors for property and the International Private Equity and Venture Capital Valuation guidance (IPEV) for private equity funds. For private credit and infrastructure funds we assessed the valuation methodologies adopted for fair value principles consistent with the accounting framework. In addition, for non-NAV price valued assets we performed the following additional procedures: **Our valuation expertise:** For property 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. **Assessing disclosures:** We considered the adequacy of the Partnership's disclosures in respect of the sensitivity of the defined benefit obligation to these assumptions and disclosure of estimation uncertainty over the valuation of level 3 pension assets. **Our results:** We found the valuation of the defined benefit obligation and valuation of level 3 assets to be acceptable (2023: acceptable).

	The risk	Our response
Recoverability of parent Company's investment in subsidiary (£113 million; 2023: £115 million) Refer to Page 155 (accounting policies) and Page 156 (financial disclosures)	**Low risk, high value** The carrying amount of the parent Company's investment in subsidiary balance amounts to £113 million (2023: £115 million). The recoverability of the balance is not at a high risk of significant misstatement or subject to significant judgement. 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.	**Our procedures included:** 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. **Test of details**: We compared the carrying value of the investment in its subsidiary with the net assets of the relevant subsidiary included within the Group consolidation, to identify whether the net asset values of the subsidiary, being an approximation of its minimum recoverable amount, were in excess of the carrying amount. **Assessing subsidiary audits**: Assessing the work performed over its subsidiary and considering the results of the work on the subsidiary's profit and net assets. **Our results** We found that the Company's conclusion that there is no impairment of its investment in subsidiary to be acceptable (2023: acceptable).

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 £25 million (2023: £22 million), determined with reference to a benchmark of Partnership revenue (as disclosed in note 2.1) of which it represents 0.23% (2023: 0.21%). We consider total revenue to be the most appropriate benchmark as it 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 £3.4 million (2023: £3.7 million), determined with reference to a benchmark of Company total assets, of which it represents 3% (2023: 3.2%).

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% (2023: 75%) of materiality for the financial statements as a whole, which equates to £18.7 million (2023: £16.5 million) for the Partnership and £2.55 million (2023: £2.77 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 £1.25 million (2023: £1.0 million), in addition to other identified misstatements that warranted reporting on qualitative grounds. Out of the Partnership's 18 (2023: 18) reporting components, we subjected 5 components (2023: 6) to full scope audits for Partnership purposes and 1 component (2023: 1) was subjected to specified risk-focused audit procedures over property, plant, and equipment. The latter had specific risk related to the recoverability of assets.

The components within the scope of our work accounted for the following percentages: 98% of Partnership revenue (2023: 98%), 85% of Partnership total assets (2023: 85%) and 75% of Partnership profit before tax (2023: 84%). The remaining 2% of Partnership revenue (2023: 2%), 15% of Partnership total assets (2023: 15%) and 25% of Partnership profit before tax (2023: 16%) is represented by 12 reporting components (2023: 11), none of which individually represented more than 2% (2023: 5%) of Partnership revenue and Partnership total assets or more than 8% of (2023: 3%) 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 set the component materialities, which ranged from £3.4 million to £18.8 million (2023: £1.0 million to £19.8 million), having regard to the mix of size and risk profile of the Partnership across the components. The work on all 6 components (2023: 6 of the 7 components) 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.

4. 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").

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; and
- 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 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.

We did not identify any additional fraud risks.

We performed procedures including:

- identifying journal entries to test for all components, except 4 components that were scoped out based on the size relevant to the group based on risk criteria, and comparing the identified entries to supporting documentation. These included those posted by senior management, journals posted or approved by irregular users, journal entries posted to the accounts that are not frequently used, journals posted and approved by the same user, and post close journal entries; and
- 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.

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; General Data Protection Regulation (GDPR) compliance, Employment and social security legislation, including minimum wage and pension auto-enrolment, Tax legislation, Fraud, Bribery and Corruption, Money laundering, Foreign Corrupt Practices Act, Environmental protection legislation, including emissions trading & Climate Change Act 2008, Export control, Consumer Rights Act 2015 and Sale of Goods Act, Distance selling regulations, Market abuse regulation, Food Standards Act, Competition Law and Groceries Supply Code of Practice recognising the nature of the Group'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.

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.

8. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 160, 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. 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 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
8 May 2024

GENERAL INFORMATION

John Lewis Partnership plc is a public company limited by shares, incorporated and registered in England & Wales under company number 00238937.

INDEPENDENT AUDITOR
KPMG LLP

REGISTERED OFFICE
John Lewis Partnership plc, 171 Victoria Street, London, SW1E 5NN

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 Secretariat, 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/jlpartnership
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.