

Chair's DC Governance Statement, covering 1 April 2024 to 31 March 2025

1. Introduction and members' summary

The **John Lewis Partnership Trust for Pensions** (the "Scheme") is an occupational pension scheme which has an open defined contribution ("DC") section providing DC benefits to members. A DC pension scheme is where employee and employer contributions are paid into it; members are invested in the default investment strategy, or choose their own investments, and bear the investment risk.

Some members also have Additional Voluntary Contributions ("AVCs") in the Scheme. AVCs are voluntary contributions above the level matched by John Lewis Partnership plc ("the Partnership"), but may also be linked to historic benefits invested separately from the main DC section. This Statement only covers the DC section and the Scheme's AVCs, however we note that some members within the Scheme do also hold defined benefit ("DB") benefits.

The John Lewis Partnership Pensions Trust ("the Trustee", "we") is responsible for the overall management of the Scheme, including the DC section, to which this Statement refers. This Statement is in respect of the period 1 April 2024 to 31 March 2025 ("the Scheme year"), and contains the following:

- the design and oversight of the default investment strategy (i.e. where contributions are invested for members that do not wish to choose their own investments, which accounts for approximately 96% of the membership);
- processing of core financial transactions (i.e. administration of the Scheme, such as investment of contributions);
- the charges and transaction costs borne by members for the default investment strategy and any other investment option members can select or have assets in;
- an illustration of the cumulative impact of these costs and charges over time on a member's pension savings;
- net returns of the investment options;
- A Value for Members Assessment: how the value members obtain from the Scheme is assessed; and

- Trustee knowledge and understanding: how the Trustee Directors meet the requirement to maintain appropriate knowledge and understanding of DC pensions.

The key points that we would like members reading this Statement to take away are:

- We regularly monitor the investment arrangements, and we are satisfied that the default investment strategy and other investment options remain suitable for the membership.
- The administrator of the Scheme's DC benefits changed during the year and further information is provided within section 3 of this Statement. The administrator has processed core financial transactions promptly and accurately to an acceptable level during the Scheme year, and we remain comfortable with the administrator's performance.
- Fees can have an impact on the value of your pension savings and the impact is greater the more time passes. Fees for the investment options are set out in this Statement, and we remain comfortable that these fees are reasonable given the circumstances of the Scheme and represent value for the benefits members obtain.
- We undertake training and receive advice as appropriate so that we have sufficient knowledge and understanding to look after your benefits effectively.

2. Default investment arrangements

The Scheme is used as a Qualifying Scheme for automatic enrolment purposes. This means that it is used as a pension savings scheme for employees who are eligible for automatic enrolment into a pension scheme.

We have made available a range of investment options for members. Members who join the Scheme and who do not choose an investment option are placed into the JLP Lifecycle, being the default investment strategy. We recognise that most members do not make active investment decisions and instead invest in the JLP Lifecycle. The JLP Lifecycle is a lifestyle strategy, which means that members' assets are automatically moved between different investment funds as they approach their target retirement age ("TRA"), to manage the risk profile and volatility of the strategy. We do this as we aim to reduce the risk of members experiencing significant losses to their pension savings when they are getting close to their TRA.

We are responsible for investment governance, which includes setting and monitoring the investment strategy for the JLP Lifecycle.

Details of the objectives and our policies regarding the JLP Lifecycle are set out in a document called the ‘Statement of Investment Principles’ (“SIP”). The Scheme’s SIP covering the JLP Lifecycle is attached to this Statement as an Appendix.

The strategy of the JLP Lifecycle is reviewed in detail at least every three years and the last review began in April 2024 with the review concluding in September 2024. The Trustee is currently in the process of implementing the recommendations arising from the review. The performance and strategy of the JLP Lifecycle were reviewed to check whether investment returns (after deduction of charges and costs) have been consistent with the aims and objectives of the JLP Lifecycle as stated in the SIP, and to check that it continues to be suitable and appropriate given the Scheme’s risk profiles and membership.

The majority of members currently take their Scheme benefits as cash at retirement. We are therefore satisfied that, for the majority of members, the cash target remains appropriate for the JLP Lifecycle. The Trustee reviewed the JLP Lifecycle over the Scheme year and concluded the following changes:

- **Growth Phase Enhancements:** Improve equity diversification to further reduce concentration risk and change the management approach for emerging market equity from passive to active, with the aim of improving member outcomes.
- **Pre-retirement Phase Adjustment:** Changes will be implemented in the JLP Cash Fund, which is one of the building blocks in the later phases of the JLP Lifecycle, to provide a return that better keeps pace with inflation, without introducing significant additional risk.
- **Responsible Investing:** Deeper integration of environmental, social and corporate governance (“ESG”) considerations across all Lifecycle phases reflecting a commitment to responsible investing.
- **Lifecycle Transition:** The point at which members transition into the Consolidation phase will be moved from 15 years prior to a member’s TRA to ten years prior to their TRA, and the Pre-retirement phase will commence five years (previously seven years) prior to TRA.
- **Income Drawdown Pathway:** An alternative default Lifecycle strategy will be introduced, specifically designed to align with the needs of those members considering income drawdown as their retirement option, acknowledging the various choices available for accessing pensions savings at retirement.

In addition to triennial strategy reviews we also review the performance of the JLP Lifecycle arrangement against its objectives on a quarterly basis. This review includes performance analysis to check that the risk and return levels meet expectations. Our reviews over the Scheme year concluded that the JLP

Lifecycle arrangement was performing as expected and consistently with the aims and objectives as stated in the SIP.

Asset allocation breakdown

The following table shows the asset allocation of the JLP Lifecycle, for members of different ages (ages 25, 45, 55 and 68) as at 31 March 2025, in line with the Department for Work and Pensions (“DWP”) guidance “Disclosure and Explain asset allocation performance-based fees and the charge cap”.

JLP Lifecycle (Default Investment Strategy)*

| Asset class | Allocation 25 y/o % | Allocation 45 y/o % | Allocation 55 y/o % | Allocation at retirement % |
|--------------------------------------|------------------------|------------------------|------------------------|-------------------------------|
| Cash | 0.0 | 0.0 | 0.2 | 100.0 |
| Corporate bonds (UK and overseas) | 0.0 | 0.0 | 5.4 | 0.0 |
| UK government bonds | 0.0 | 0.0 | 1.2 | 0.0 |
| Overseas government bonds | 0.0 | 0.0 | 2.8 | 0.0 |
| Listed equities** | 100.0 | 100.0 | 85.6 | 0.0 |
| Private equity | 0.0 | 0.0 | 0.4 | 0.0 |
| Property | 0.0 | 0.0 | 0.8 | 0.0 |
| Private debt | 0.0 | 0.0 | 0.4 | 0.0 |
| Emerging market debt | 0.0 | 0.0 | 1.7 | 0.0 |
| Other | 0.0 | 0.0 | 1.5 | 0.0 |

*The above allocations assume a TRA of 68.

**The listed equities allocation includes shares in listed infrastructure, Global Real Estate Investment Trusts, private equity companies and timberland companies.

3. Processing of core financial transactions

The processing of core financial transactions is carried out by the administrators of the Scheme. Core financial transactions include (but are not limited to): the investment of contributions, processing of transfers in and out of the Scheme, transfers of assets between different investments within the Scheme, and payments to members/beneficiaries.

Legal & General (“L&G”) was the principal Scheme Administrator for DC benefits during the Scheme year, except for the following scenarios:

- Members invested in the Prudential With Profits Fund or other legacy AVC Funds, which were administered in-house by Pension Operations until 2 February 2025 and by XPS Group plc (“XPS”) from 3 February 2025; and
- Members who also hold DB benefits (“dual-benefit members”) and transferred both their DB and DC benefits out of the Scheme or had payments made to them or beneficiaries including DB benefits, which were administered in-house by Pension Operations until 2 February 2025 and by XPS from 3 February 2025.

The Scheme has service level agreements (“SLA”) in place with all administrators, covering the accuracy and timeliness of work such as: investing contributions, switching investment options, providing quotations, paying benefits, issuing annual statements, and responding to member enquiries.

To monitor compliance, the Trustee receives quarterly reporting from all administrators, has access to L&G’s “My Scheme Intelligence” platform, and receives monthly SLA reporting from XPS. Any issues identified are raised promptly with the administrators and followed through to resolution.

For L&G, the key processes adopted to help it meet the SLA include:

- Work management systems with built-in quality controls and sampling;
- Validation requirements on contribution and data files before submission;
- Monthly oversight of controls by a “Risk and Controls Committee” overseen by senior managements;
- Independent audit review through L&G Group Internal Audit; and
- Assurance provided through the AAF report.

Based on our review processes, we are satisfied that L&G operated appropriate procedures and controls during the Scheme year, with 99.5% of cases completed within SLA, there have been no material administration issues, and all core

financial transactions were processed promptly and accurately over the period covered by this Statement.

For Pension Operations, processes included work management systems with built-in checking and provision of quarterly compliance certificates to the Trustee. For the period up to 2 February 2025, Pension Operations operated appropriate procedures and controls, with 98.0% of cases completed within SLA, with no material administration issues, and core financial transactions were processed promptly and accurately.

For XPS, which took over administration of dual-benefit DC transactions and legacy AVCs from 3 February 2025, reporting against SLAs began immediately, although there was no contractual requirement for targets to be enforced during the first three months of service.

Service during this initial period fell below the levels ultimately expected, but the Trustee closely monitored performance and engaged with XPS to address issues as they arose. From May 2025, SLA targets became enforceable, and the Trustee is satisfied that appropriate procedures and controls are now in place, including task logging systems, daily monitoring of bank accounts, and payment authorisation processes supported by controls described in its AAF report.

Overall, the Trustee is satisfied that there have been no material issues and that core financial transactions relating to DC or AVC benefits have been processed promptly and accurately to an acceptable level during the Scheme year.

Data quality

At least annually a review of common data (being the data needed by the Scheme to calculate members’ benefits, such as date of birth) is completed to ensure that the records for all members are accurate and up to date. L&G completed this for all members entitled to DC benefits in September 2024 and showed common data was present for 100% of membership data.

4. Member-borne charges and transaction costs

We are required to set out the on-going charges incurred by members over the period covered by this Statement, which are annual fund management charges plus additional fund expenses, such as custody costs, but excluding transaction costs; this is also known as the total expense ratio (“TER”). The TER is borne by the members and is reflected in the unit price of the funds.

The stated charges are shown as a per annum (“pa”) figure and include any administration charges, since members incur these, with the exception of the DC benefits invested with Prudential and AVCs as members invested in these funds only pay for the investment charges.

We are also required to disclose transaction cost figures. In the context of this Statement, the transaction costs shown are those incurred when the Scheme’s fund managers buy and sell assets within investment funds, but are exclusive of any costs incurred when members invest in and switch between funds. The TER and transaction costs are the only costs borne by members.

The charges have been supplied by L&G who are the Scheme’s platform provider. When preparing this section of the Statement we have taken account of the relevant statutory guidance. Under the prescribed way in which transaction costs have been calculated it is possible for figures to be negative, where market movements are favourable between the time a trade is placed and it is executed. Any negative figures are shown as provided in the tables, but for the costs and charges illustrations zero is used where a transaction cost is negative, to give a more realistic projection (i.e. we would not expect transaction costs to be negative over the long term).

Default investment arrangements

The default investment strategy is the JLP Lifecycle. The JLP Lifecycle has been set up as a lifestyle approach, which means that members’ savings are automatically moved between different investment funds as they approach their TRA, to manage the risk profile and volatility of the strategy. This means that the level of charges and transaction costs will vary depending on how close members are to their TRA and in which funds they are invested.

For the period covered by this Statement, annualised charges and transaction costs are set out in the following table.

JLP Lifecycle charges and transaction costs (% per annum)

| Years to target retirement age | TER | Transaction costs |
|--------------------------------|------|-------------------|
| 20 or more years to retirement | 0.24 | 0.04 |
| 15 years to retirement | 0.24 | 0.04 |
| 10 years to retirement | 0.39 | 0.12 |
| 5 years to retirement | 0.34 | 0.08 |
| At retirement | 0.22 | 0.00 |

The JLP Lifecycle arrangement does not have any performance based fees associated with it.

Self-select and AVC options

In addition to the JLP Lifecycle, members also have the option to invest in several other self-select funds. The level of annual charges for each self-select fund (including those used in the JLP Lifecycle) and the transaction costs over the period covered by this Statement are set out in the following table. The underlying funds used within the JLP Lifecycle are shown in **bold**.

Self-select fund charges and transaction costs (% per annum)

| Fund name | TER | Transaction costs |
|---|------|-------------------|
| JLP Cash Fund | 0.22 | 0.00 |
| JLP Global Equity Fund | 0.24 | 0.04 |
| JLP Annuity Protection Fund | 0.27 | 0.00 |
| JLP Ethical Equity Fund | 0.40 | 0.01 |
| JLP Shariah Equity Fund | 0.45 | 0.00 |
| JLP Diversified Growth Fund | 0.49 | 0.17 |
| JLP Cautious Diversified Growth Fund ¹ | 0.44 | 0.25 |

¹The JLP Cautious Diversified Growth Fund was closed to new investment in October 2023 but remained available to those members who had previously selected it prior to this date.

DC benefits invested with Prudential and AVC fund charges and transaction costs (% per annum)

| Fund name | TER | Transaction costs |
|---|------|-------------------|
| Aviva FP With-Profits Sub-Fund | 0.52 | 0.09 |
| Aviva Deposit Account ² | N/A | N/A |
| Phoenix London Life Traditional With-Profits Fund | 1.50 | 0.07 |
| Prudential With-Profits Fund ³ | 0.78 | 0.13 |

²Upon reaching their normal retirement date members’ in the Aviva FP With-Profits Sub-Fund are moved to a deposit account. There are no continuing charges being applied to these policies.

³This fund is not offered as a self-select fund for all members (and is not currently offered to new members) as the Prudential With-Profits Fund closed to new business in September 2017. The term TER does not apply. There is an implicit scheme annual management charge of 0.47% p.a. which is made through the declared bonus deducted as part of the bonus rate calculation. There are other charges and expenses of 0.31% p.a. and transaction costs that are paid for by the fund and therefore impact on the investment return.

Illustration of charges and transaction costs

The following tables set out an illustration of the impact of charges and transaction costs on the projection of an example member's pension savings. In preparing this illustration, we had regard to the relevant statutory guidance.

New joiner

Projected pension pot in today's money

| Years invested | JLP Lifecycle | | JLP Cautious Diversified Growth Fund | | JLP Diversified Growth Fund | | JLP Cash Fund | |
|----------------|---------------|-------------|--------------------------------------|-------------|-----------------------------|-------------|---------------|-------------|
| | Before costs | After costs | Before costs | After costs | Before costs | After costs | Before costs | After costs |
| 1 | £1,600 | £1,600 | £1,500 | £1,500 | £1,500 | £1,500 | £1,500 | £1,500 |
| 3 | £4,800 | £4,800 | £4,700 | £4,600 | £4,700 | £4,700 | £4,600 | £4,500 |
| 5 | £8,300 | £8,300 | £7,900 | £7,800 | £7,900 | £7,800 | £7,600 | £7,500 |
| 10 | £18,300 | £18,000 | £16,500 | £15,800 | £16,500 | £16,000 | £14,900 | £14,800 |
| 15 | £30,000 | £29,400 | £25,700 | £24,200 | £25,700 | £24,500 | £22,100 | £21,700 |
| 20 | £44,000 | £42,800 | £35,600 | £32,800 | £35,600 | £33,500 | £29,100 | £28,500 |
| 25 | £60,600 | £58,400 | £46,300 | £41,800 | £46,300 | £42,800 | £36,000 | £35,000 |
| 30 | £80,400 | £76,800 | £57,900 | £51,100 | £57,900 | £52,600 | £42,600 | £41,300 |
| 35 | £103,800 | £98,300 | £70,300 | £60,700 | £70,300 | £62,800 | £49,100 | £47,300 |
| 40 | £127,200 | £118,700 | £83,700 | £70,600 | £83,700 | £73,400 | £55,500 | £53,100 |
| 45 | £148,800 | £136,400 | £98,100 | £80,900 | £98,100 | £84,600 | £61,600 | £58,800 |
| 50 | £158,600 | £143,900 | £113,600 | £91,500 | £113,600 | £96,300 | £67,700 | £64,200 |

Median active member

Projected pension pot in today's money

| Years invested | JLP Lifecycle | | JLP Cautious Diversified Growth Fund | | JLP Diversified Growth Fund | | JLP Cash Fund | |
|----------------|---------------|-------------|--------------------------------------|-------------|-----------------------------|-------------|---------------|-------------|
| | Before costs | After costs | Before costs | After costs | Before costs | After costs | Before costs | After costs |
| 1 | £20,500 | £20,400 | £20,100 | £20,000 | £20,100 | £20,000 | £19,800 | £19,700 |
| 3 | £29,900 | £29,700 | £28,500 | £28,000 | £28,500 | £28,100 | £27,200 | £27,100 |
| 5 | £40,000 | £39,600 | £37,200 | £36,100 | £37,200 | £36,400 | £34,600 | £34,300 |
| 10 | £68,400 | £67,200 | £60,000 | £56,900 | £60,000 | £57,600 | £52,700 | £51,900 |
| 15 | £102,200 | £99,600 | £84,500 | £78,500 | £84,500 | £79,900 | £70,300 | £68,900 |
| 20 | £137,700 | £132,300 | £111,000 | £100,800 | £111,000 | £103,100 | £87,500 | £85,400 |
| 25 | £172,500 | £163,100 | £139,500 | £123,900 | £139,500 | £127,400 | £104,300 | £101,200 |
| 28 | £187,700 | £176,500 | £157,700 | £138,200 | £157,700 | £142,500 | £114,200 | £110,400 |

Median deferred member

Projected pension pot in today's money

| Years invested | JLP Lifecycle | | JLP Cautious Diversified Growth Fund | | JLP Diversified Growth Fund | | JLP Cash Fund | |
|-------------------|-----------------|----------------|---|----------------|--------------------------------|----------------|-----------------|----------------|
| | Before costs | After costs | Before costs | After costs | Before costs | After costs | Before costs | After costs |
| 1 | £6,200 | £6,200 | £6,100 | £6,000 | £6,100 | £6,100 | £6,000 | £6,000 |
| 3 | £6,700 | £6,600 | £6,300 | £6,100 | £6,300 | £6,200 | £5,900 | £5,900 |
| 5 | £7,100 | £7,000 | £6,500 | £6,200 | £6,500 | £6,300 | £5,900 | £5,800 |
| 10 | £8,500 | £8,200 | £7,000 | £6,400 | £7,000 | £6,600 | £5,700 | £5,600 |
| 15 | £10,100 | £9,700 | £7,500 | £6,700 | £7,500 | £6,900 | £5,600 | £5,400 |
| 20 | £11,500 | £10,900 | £8,100 | £6,900 | £8,100 | £7,200 | £5,400 | £5,200 |
| 25 | £12,800 | £11,800 | £8,700 | £7,100 | £8,700 | £7,500 | £5,300 | £5,000 |
| 28 | £13,000 | £11,900 | £9,100 | £7,300 | £9,100 | £7,700 | £5,200 | £4,900 |

- The “before costs” figures represent the savings projection assuming an investment return with no deduction of member-borne charges or transaction costs. The “after costs” figures represent the savings projection using the same assumed investment return but after deducting member-borne charges and an allowance for transaction costs.
- The transaction cost figures used in the illustration are those provided by the managers and are an average (up to 5 years), subject to a floor of zero (so the illustration does not assume a negative cost over the long term). For the JLP Lifecycle we have used the average of the transaction costs for the underlying funds.
- The illustration is shown for the JLP Lifecycle, as well as two funds from the Scheme’s self-select fund range. The two self-select funds shown in the illustration are:
 - the fund with highest annual member borne costs (TER plus Scheme year transaction costs) – this is the JLP Cautious Diversified Growth Fund (which is soft-closed but those members who had previously selected it prior to its closure were invested during the Scheme year). We have also included the JLP Diversified Growth Fund as the fund with second highest costs which all members are able to invest in.
 - the fund with lowest annual member borne costs – this is the JLP Cash Fund.
- We have modelled outcomes for three example members: a new joiner, the median active member and median deferred member. Detail on the assumptions used for each example member is shown below.

| | New joiner | Median active member | Median deferred member |
|-----------------------|------------|----------------------|------------------------|
| Age | 18 | 40 | 40 |
| Years to retirement* | 50 | 28 | 28 |
| Starting pot size | £0 | £16,000 | £6,000 |
| Starting salary | £17,000 | £24,000 | £0 |
| Total contributions** | 9% | 16% | 0% |

*Assuming 68 as the Scheme’s Normal Pension Age.

** A member is automatically enrolled into the Scheme paying a 4.5% contribution, and receives a 4.5% Partnership contribution. The Partnership matches Partner contributions up to 8%. The Partnership also pays an additional 4% after three years of service, as per the Scheme’s waiting period rules, which has not been included within these assumptions.

Notes

- Values shown are estimates and are not guaranteed. The illustration does not indicate the likely variance and volatility in the possible outcomes from each fund. The numbers shown in the illustration are rounded to the nearest £100 for simplicity.
- Projected pension pot values are shown in today’s terms, and do not need to be reduced further for the effect of future inflation. The long term annual inflation assumption used is 2.5%.
- Annual salary growth is assumed to be 2.5%. Salaries could be expected to increase above inflation to reflect members becoming more experienced and being promoted. However, the projections assume salaries increase in line with inflation to allow for prudence in the projected values.
- The projected annual returns used are as follows:
 - JLP Lifecycle: 3.5% above inflation for the initial years, gradually reducing to a return of 0.5% below inflation at the ending point of the lifestyle.
 - JLP Cautious Diversified Growth Fund: 1.5% above inflation
 - JLP Diversified Growth Fund: 1.5% above inflation
 - JLP Cash Fund: 0.5% below inflation
- No allowance for active management outperformance has been made.

5. Investment returns

This section shows the annual return, after the deduction of member-borne charges and transaction costs, for all investment options in which member assets were invested during the Scheme year, over periods to 31 March 2025. We have had regard to the statutory guidance in preparing this section.

The With-Profits fund returns stated are that of the underlying investments, which are the only figures that can be quoted. With Profits Funds are designed to smooth the returns members receive over their investment term and underlying investment returns are not the only factor determining the return members receive.

For the JLP Lifecycle, returns are shown over the Scheme year for a member aged 28, 48 and 58 at the start of the period over which the returns are shown. This assumes a TRA of 68.

JLP Lifecycle net returns over periods to 31 March 2025

| Age of member at the start of the period | 1 year (%) | 5 years (% pa) |
|--|------------|----------------|
| 25 | 5.6 | 13.4 |
| 45 | 5.6 | 13.4 |
| 55 | 5.2 | 10.5 |

Self-select fund net returns over periods to 31 March 2025

| Fund name | 1 year (%) | 5 years (% pa) |
|---|------------|----------------|
| JLP Cash Fund | 5.0 | 2.4 |
| JLP Global Equity Fund | 5.6 | 13.5 |
| JLP Annuity Protection Fund | -2.8 | -5.2 |
| JLP Ethical Equity Fund | 4.2 | 15.6 |
| JLP Shariah Equity Fund | 3.5 | 16.1 |
| JLP Diversified Growth Fund | 4.1 | 5.5 |
| JLP Cautious Diversified Growth Fund ¹ | 3.2 | 3.4 |

¹The JLP Cautious Diversified Growth Fund was closed to new investments in October 2023 but remained available to those members who had previously selected it prior to this date.

DC benefits invested with Prudential and AVC fund net returns over periods to 31 March 2025

| Fund name | 1 year (%) | 5 years (% pa) |
|---|------------|----------------|
| Aviva FP With-Profits Sub-Fund ² | | |
| Aviva Deposit Account ³ | 5.0 | |
| Phoenix Life With-Profits Fund ⁴ | -1.3 | -2.4 |
| Prudential With-Profits Fund | 6.7 | 6.7 |

²At the time of preparing this Statement Aviva has not provided net returns data. The Trustee has requested this information and will continue to liaise with them to obtain this for future reporting.

³Upon reaching their normal retirement date members' in the Aviva FP With-Profits Sub-Fund are moved to a deposit account and earn interest at an appropriate rate (this is calculated as the Bank of England base rate plus 1%). 5 year returns were not available.

⁴Returns are shown for the 2024 calendar year as the latest available data.

6. Value for members assessment

We are required to assess every year the extent to which member borne charges and transaction costs represent good value for members and to explain that assessment. There is no legal definition of 'good value' which means that determining this is subjective. Our general policy in relation to value for member considerations is set out below.

We review all member-borne charges (including transaction costs where available) annually, with the aim of ensuring that members are obtaining value for money given the circumstances of the Scheme. The date of the last review was 17 September 2025. We note that value for money does not necessarily mean the lowest fee, and the overall quality of the service received has also been considered in this assessment. Our investment advisers have confirmed that the fund charges are competitive for the types of fund available to members.

Our assessment included a review of the performance of the Scheme's investment funds (after all charges and transaction costs) against their investment objectives. The returns on the investment funds members can choose during the period covered by this Statement have been consistent with their stated investment objectives, given the market conditions.

In carrying out the assessment, we also consider the other benefits members receive from the Scheme, which include:

- our oversight and governance, including ensuring the Scheme is compliant with relevant legislation, and holding regular meetings to monitor the Scheme and address any material issues that may impact members;

- the design of the JLP Lifecycle and how this reflects the interests of the membership as a whole;
- the range of investment options and strategies;
- the quality of communications delivered to members;
- the quality of support services, such as the L&G Scheme microsite where members can access L&G fund information online; and
- the efficiency of administration processes and the extent to which the administrator met or exceeded its service level standards.

This summary sets out the Trustee's assessment and the high-level rationale behind it.

- **Costs and charges** – The charges borne by members (excluding transaction costs) are broadly competitive across both the JLP Lifecycle and the self-select investment range.
- **JLP Lifecycle investment strategy** – The JLP Lifecycle remains appropriate for the majority of the Scheme's membership. Performance has been in line with our expectations given the context of market performance over recent periods.
- **Self-select investment range** – The self-select investment range available to members is concise, covering key asset classes. The fund names are clear and there is no duplication within the fund range.
- **Administration** – L&G's service levels were very good over the Scheme year.
- **Governance** – The Trustee is committed to the DC section of the Scheme and ensures governance is of a high standard. The composition of the Trustee Board, including independent trustees, provides diverse thinking and broad knowledge.
- **Communications** – In addition to standard communications, a DC Newsletter was issued over the Scheme year as a bespoke communication.
- **At-retirement support** – The member guide clearly explains the options available to members for taking benefits.
- **Scheme design** – The Partnership and Trustee's commitment to the Scheme is strong and demonstrated in the Scheme design, contribution structure and employment of the Trustee Services team.

As detailed in the earlier section covering the processing of core financial transactions, we are comfortable with the quality and efficiency of the administration processes performed by Legal & General during the Scheme year.

We believe that the transaction costs provide value for members as the ability to transact forms an integral part of the investment approaches and expect this to lead to greater investment returns net of costs over time.

Overall, we believe that members of the Scheme are receiving good value for money for the charges and cost that they incur, for the reasons set out in this section. We aim to improve value for members in future by taking the following steps:

- considering broadening the self-select fund-range available to members, including the launch of alternative lifestyle strategies;
- reviewing the charges borne by members across the JLP Lifecycle and self-select fund ranges, and for administration services;
- exploring further member communication opportunities;
- reviewing the Scheme's at-retirement support for Partners;
- continuing to monitor service levels and identifying trends in any complaints; and
- continuing to monitor the Scheme design to measure retirement adequacy.

7. Financial security of pension assets

This section describes our understanding of the protections that generally apply to members' assets, should the DC platform provider, or a fund manager, experience financial difficulties. However, this is a complex area which is untested in practice and a future situation may lead to an unexpected outcome.

There are several safeguards designed to reduce the risk of default by a DC platform provider, or a fund manager used by it, and potential protections that apply should this happen:

- There is internal oversight carried out by the provider and fund managers. This comprises several elements such as independent internal audits, as well as the work conducted by compliance and risk functions.
- There is external oversight, carried out by the relevant regulatory bodies, whose role it is to ensure that the provider and fund managers discharge their financial liabilities in a responsible manner.

- A custodian will normally be appointed for pooled investment funds. The custodian's primary function is the safekeeping of assets. In practice this means keeping investors' funds legally separate from the provider's / fund manager's own monies, so they may not be used for meeting creditors' demands not relating to the investment funds.

8. Trustee knowledge and understanding

We are required to maintain appropriate levels of knowledge and understanding to run the Scheme effectively. We have measures in place to comply with the legal and regulatory requirements regarding knowledge and understanding of relevant matters, including investment, pension and trust law. Details of how the knowledge and understanding requirements have been met during the period covered by this Statement are set out below.

With the help of our advisers, our Trustee Directors proactively review and address their training needs to ensure compliance with Trustee Knowledge and Understanding requirements and effective scheme governance. During the period covered by this Statement, we received training on a range of topics, including the following:

- Scheme AVCs, including the Prudential With-Profits Fund, delivered by our investment consultants;
- Investment asset classes, delivered by our investment consultants;
- Factor investing, delivered by the Trustee Services team; and
- Legal duties of trustees, delivered by our legal advisers.

Additionally, we receive regular updates on topical pension issues from our advisers.

We are familiar with and have access to copies of the Scheme's governing documentation and documentation setting out our policies, including the Trust Deed & Rules and SIP (which sets out the policies on investment matters). In particular, we refer to the Trust Deed and Rules as part of considering and deciding to make any changes to the Scheme, and the SIP is formally reviewed triennially, or as part of making any change to the Scheme's investments. Further, we believe that we have sufficient knowledge and understanding of the law relating to pensions and trusts and of the relevant principles relating to the funding and investment of occupational pension schemes to fulfil our duties.

All the Trustee Directors have completed the Pensions Regulator's ("TPR") Trustee Toolkit (an online learning programme, designed to help trustees of

pension schemes meet the minimum level of knowledge and understanding required by law). Other training relates to topical items or specific issues under consideration during the Scheme year.

A training log and risk register are maintained in line with best practice and the training programme is reviewed annually to ensure it is up to date. Additionally, the Scheme has in place a structured induction process for new Trustee Directors. A Trustee Induction Pack is issued to all new Trustee Directors on joining which details key policies and the structure of the Scheme. Trustee Directors are required to complete TPR's toolkit within 6 months of joining the Trustee Board and are booked onto the PLSA Trusteeship training programme (Parts 1 & 2). Other training is provided as requested or when it becomes available.

There are four independent Trustee Directors on the Board, who are appointed by the Partnership. One of the independent Trustee Directors, Venetia Trayhurn (acting through Falcon Trustees LLP), chairs the DC Committee ("DCC"). Venetia has 9 years' experience as a professional trustee and chairs two other pension schemes. Of the remaining Trustee Directors, four are member-elected and one is also appointed by the Partnership. Over the Scheme year, two new Trustee Directors were appointed (Carl Lee in July 2024 (filling the vacancy left following Juliette Barnett's resignation) and Robert Thomas (acting through The Law Debenture Pension Trust Corporation P.L.C) in October 2024).

An evaluation of the performance and effectiveness of the Trustee Board as a whole was carried out during the Scheme year. Each Trustee Director was asked to complete the Trustee Effectiveness Questionnaire as a 'self-review survey' and effectiveness scores were calculated. The most recent review was in July 2024, which concluded that overall effectiveness scores were relatively high. The review highlighted areas of focus, covering the following:

- Consider the articulation of the Board's objectives and priorities and review these at each meeting.
- Discuss whether the balance of responsibility could be divided more fairly amongst Trustee Directors.
- Create a succession plan for key roles.
- Look for ways to improve diversity on the Trustee Board.
- Undertake an assessment of the Board's knowledge and understanding.
- Review time spent on reports versus strategic discussions.

The Trustee has appointed suitably qualified and experienced actuaries, legal advisers, investment consultants and benefit consultants to provide advice on the operation of the Scheme in accordance with its Trust Deed and Rules, legislation and regulatory guidance. The Trustee reviews the effectiveness of its advisers on an ongoing basis and periodically reviews the appointment of its advisers.

In February 2025, the Trustee appointed CMS Cameron McKenna Nabarro Olswang LLP ("CMS") as the Scheme's legal adviser, replacing Sacker & Partners LLP. After the Scheme year end, in May 2025, the Trustee appointed Lane Clark and Peacock ("LCP") as its new DC investment and governance advisers, replacing Hymans Robertson.

Considering our knowledge and experience and the specialist advice received from the appointed professional advisors (e.g. investment consultants, legal advisers), we believe that we are well placed to exercise our functions as Trustee of the Scheme properly and effectively.

10 October 2025

Date: _____

Signed by the Chair of the Trustee of the John Lewis Partnership Trust for Pensions

Appendix - Statement of Investment Principles

Statement of Investment Principles for Defined Contribution Section – John Lewis Partnership Pensions Trust (September 2024)

Introduction

- 1 This Statement of Investment Principles ('SIP') sets out the principles governing investments for the John Lewis Partnership Trust for Pensions (the 'Trust' or the 'Scheme'), made by or for the Board of the John Lewis Partnership Pensions Trust (the 'Trustee'). This SIP is drafted in accordance with the requirements of Section 35 of the Pensions Act 1995, as amended by the Pensions Act 2004 and regulations made under it.
- 2 The Trust is a Registered Pension Scheme for the purposes of the Finance Act 2004.
- 3 The Trustee will review this SIP at least every three years and without delay after any significant change in investment policy. Before finalising this SIP, the Trustee has taken written advice from the Trust's Investment Consultant for the Defined Contribution Section (Hymans Robertson), which is regulated by the Financial Conduct Authority ('FCA'), and has consulted with the employer, the John Lewis Partnership (the 'Partnership').
- 4 The Trustee is responsible for the Trust's investment strategy and for ensuring that it is recorded in the SIP. The Trustee delegates responsibility for the implementation and monitoring of the investment strategy to its Defined Contribution and Communication Sub-Committee ('DCC'). The DCC may engage with other investment advisers to assist in the Trust's selection of investment managers.
- 5 This document focuses on the high-level principles of the Trustee and considers matters relating to the Defined Contribution ('DC') section of the Scheme only. A separate document covers the principles for the Defined Benefit section of the Scheme. The details of the asset allocation and the implementation arrangements are matters for the DCC and will vary over time. The DCC will prepare and maintain a separate document, the Investment Policy Implementation Document, which sets out further details on how the principles have been implemented. That document does not form a part of the SIP.
- 6 The DC section provides for benefits to be accrued on a money purchase basis, with the value of members' funds being determined by the value of accumulated contributions adjusted for investment returns net of charges.
- 7 In selecting appropriate investments, the Trustee is aware of the need to provide a default investment strategy and a range of self-select investment options, which broadly satisfy the risk profiles of all members, given that members' benefits will be directly determined by the value of the underlying investments.
- 8 The Trustee last completed a review of its DC investment arrangements in December 2021 and a review is ongoing within 2024.

Objectives

- 9 The Trustee's aim is to design a default investment strategy that will be suitable for the majority of members, in particular those members who are unwilling, or feel unable, to make investment choices.
- 10 The Trustee also aims to provide a range of other self-select investment options for members who wish to have a higher level of control over their savings and/or feel the default investment strategy does not meet their requirements and/or appetite for risk.

Investment Principles

- 11 The Trustee determines the default investment strategy based upon the following investment beliefs:
 - Taking relatively high investment risk (for example by investing in equities) when members are far from their selected retirement date, is expected to be rewarded in the long term, with these investments expected to produce the best long-term returns.
 - When members are closer to their selected retirement date (i.e. between around 15 years and 7 years from retirement), there remains a need to generate meaningful returns (i.e. above the rate of inflation).
 - In the pre-retirement phase (i.e. from around 7 years from a member's selected retirement date), there remains a need to generate returns above the rate of inflation. However, the asset mix at the point of retirement should reflect what members are expected to do at the point of retirement (e.g. take all of their pension as cash, draw their pension down flexibly etc.).

The full list of the Trustee's Investment Beliefs in relation to the default investment strategy and self-select range can be found [here](#).

- 12 The Trustee has taken advice in determining an appropriate investment strategy for the DC section of the Trust, and has established:
 - A default investment strategy known as the JLP Lifecycle; and
 - A range of seven self-select investment options.
- 13 Certain legacy DC members invest in the Prudential With-Profits Fund. There are a number of other legacy additional voluntary contribution options to which some members still pay contributions, with Prudential, Aviva (ex. Friends Provident), Aviva (ex. Sun Life) and Phoenix (ex. London Life). Members who do not currently contribute to those options are not able to start doing so.

Further detail about the default investment strategy, self-select options and additional voluntary contributions is provided in sections 17 to 21.

- 14 The Trustee expects the long-term return on the investment options that invest predominantly in equities to exceed price inflation and general salary growth. The long-term returns on the bond and cash options are expected to be lower while experiencing less volatility than that of the predominantly equity options. The diversified growth funds options, which invest in, but are not limited to, a mixture of equities, bonds, property and commodities, are still expected to provide excess returns over inflation, but the returns are expected to be more consistent, with fewer fluctuations than the predominantly equity investment options. However, the return is likely to be lower over the long-term when compared to the predominantly equity options. Cash funds will provide protection against changes in short-term capital values and may be appropriate for members who are approaching retirement and want to take some or all of their pension savings

as cash when they retire.

- 15 The Trustee has delegated responsibility for the implementation and monitoring of the chosen investment strategy to the DCC.
- 16 The investment managers have discretion over the timing of realisation of investments of the Scheme within the portfolios that they manage, and in considerations relating to the liquidity of investments. The Trustee's policy is to invest in funds that offer daily dealing to enable members to readily realise and change their investments.

Default Investment Strategy

JLP Lifecycle

- 17 When devising the phases and the mix of investment funds in the JLP Lifecycle, the Trustee has taken into account the expected returns on the different asset classes as summarised above in paragraph 14. In addition, the JLP Lifecycle and the DC section overall have consistency in approach in terms of the policies for the realisation of investments, the investment risks considered (including the ways they are measured and managed), financially material considerations and the extent to which non-financial matters are taken into account in the selection, retention and realisation of investments.
- 18 The JLP Lifecycle has three different "phases" based on the time remaining until members reach their Target Retirement Age ('TRA'): the "Growth Phase"; the "Consolidation Phase"; and the "Pre-Retirement Phase". The mix of investment funds automatically switches depending upon the design of each phase. The default investment strategy balances between different kinds of investments (including use of both active and passive strategies) to seek to ensure that the expected amount of risk (and commensurately the expected return) is appropriate given the age of the member and their expected retirement date.
 - The Growth Phase (more than 15 years until TRA): The aim over these years is to achieve good long-term growth in excess of inflation. In the Growth Phase all contributions are invested in the JLP Global Equity Fund.
 - The Consolidation Phase (between 15 and 7 years until TRA): The aim is to provide continued growth, but at a lower risk, by gradually switching investments from higher risk assets (JLP Global Equity Fund) to lower risk assets (JLP Diversified Growth Fund). The proportion of pension savings invested in the JLP Diversified Growth Fund gradually increases until members are ten years from TRA when 40% of their DC section savings will be invested in the JLP Global Equity Fund and 60% invested in the JLP Diversified Growth Fund. This proportion remains fixed, until members are seven years from their TRA.
 - The Pre-Retirement Phase (fewer than seven years to TRA): The aim is to provide some continued growth but increasing certainty of the value of members' pension savings by gradually switching investments into the money market fund (JLP Cash Fund), until all savings are invested in the money market fund when members reach their TRA.
- 19 This default investment strategy has been designed to be in what the Trustee believes to be the best interests of the majority of the members who do not make an active decision to invest in one of the self-select options. This view is based on the demographics of the DC section's membership (e.g. age profile and pot sizes) and the likely way members will access their savings at retirement based on this analysis. The Trustee will continue to review this over time, at least triennially, or after significant changes to the DC section's demographics, if sooner.

Self-select investment options

The DC section offers the following investment funds for members who wish to have a higher level of control over their savings and/or who feel the default investment strategy does not meet their requirements and/or appetite for risk. If members self-select, they can combine the investment funds in any proportion in order to determine the balance between different kinds of investments. Each of the available funds is considered to be diversified across an appropriate number of underlying holdings / issuers. Each of the available investment funds will consider environmental, social and governance (ESG) factors to differing extents. As per the table that follows, ESG considerations are specifically incorporated into the stated investment objective of some investment funds. Further detail on the Trustee's policy in relation to ESG factors can be found in sections 24 and 27 that follow.

| White Label Fund Name | Benchmark | Objective |
|------------------------------------|--|---|
| JLP Global Equity Fund | 60% FTSE All World Index (100% GBP Hedged); 20% MSCI World Value + Quality + Low Volatility Custom Diversified Multi-Factor Index (Unhedged); 10% MSCI Emerging Markets Index (Unhedged); 10% MSCI World Small Cap ex Selected Securities Index (Unhedged) | <ul style="list-style-type: none"> Aims to provide long-term investment growth by passively tracking the performance of a blend of global equity indices |
| JLP Diversified Growth Fund | 33% 3-Month SONIA + 5% per annum, 67% 1-Month SONIA + 4% per annum | <ul style="list-style-type: none"> Aims to provide long-term investment growth through exposure to a diversified range of asset classes |
| JLP Cash Fund | Sterling Overnight Index Average ('SONIA') | <ul style="list-style-type: none"> Aims to provide capital security and income by lending money to companies and governments over short periods of time (the target weighted average of the time to repayment of the loans from the fund is 60 days) Low-risk offering a correspondingly low return |
| JLP Annuity Protection Fund | FTSE UK Adjusted Annuity Composite | <ul style="list-style-type: none"> Aims to provide diversified exposure to assets that reflect the investment underlying a typical traditional annuity product, incorporating Environmental, Social and Governance considerations as part of the investment strategy Offers some protection against annuity price fluctuation |
| JLP Cautious | 3-Month SONIA + | <ul style="list-style-type: none"> Aims to achieve a total return, in the form of capital |

| White Label Fund Name | Benchmark | Objective |
|--------------------------|---|---|
| Diversified Growth Fund* | 3.5% per annum over the long term (5 consecutive years) | <p>growth and income returns, over the long term whilst providing some protection against its value moving sharply down in changing investment conditions.</p> <ul style="list-style-type: none"> The objective will be implemented through strategic allocations to multiple asset classes Targets 7% volatility over a market cycle |
| JLP Ethical Equity Fund | FTSE4 Good Global Equity Index (50% GBP Hedged) | <ul style="list-style-type: none"> Aims to provide long term investment growth by passively tracking the performance of the FTSE4 Good Global Equity Index to within +/-0.5% per annum for two years out of three |
| JLP Shariah Equity Fund | Dow Jones Islamic Titans 100 Index (Unhedged) | <ul style="list-style-type: none"> Aims to create long-term investment growth by investing to a diversified portfolio of companies from around the world that are compliant with Islamic Shariah principles and seeks to match the performance of the Dow Jones Islamic Titans 100 Index. |

Funds shown in bold are used in the default investment strategy.

*The Cautious Diversified Growth Fund has been soft-closed, meaning that members can no longer self-select into this fund, but members currently invested can continue to pay contributions into the fund.

- 20 Certain members of the Scheme are able to continue contributing to the Prudential With Profits fund. This is not an option available to new joiners or anyone who does not already contribute to this fund. The fund is invested in a diversified portfolio of UK and overseas shares, bonds, property and cash which aims to achieve long-term real returns. Investment returns are passed to members through bonuses which are intended to smooth the peaks and troughs of equity markets.

Additional Voluntary Contributions

- 21 Certain members can make additional voluntary contributions via the Prudential With-Profits Fund, and via legacy options with Aviva (ex. Friends Provident), Aviva (ex. Sun Life) and Phoenix (ex. London Life). These funds are not an available option for new joiners or anyone who does not already contribute to these funds. All these funds are With Profits funds. Both Aviva policies include guaranteed annuity rates at retirement, whilst the Phoenix policy includes a guaranteed cash option and guaranteed annuity rates. There are no guarantees with the Prudential With-Profits fund.

Investment Management

- 22 In accordance with the Financial Services and Markets Act 2000, the Trustee sets the general investment policy, but delegates the responsibility for selection of specific investments to its appointed investment managers. The investment managers are expected to possess the skills and expertise necessary to manage the investments of the Trust competently. The funds used by the DC section are accessed through an investment platform provided by Legal & General.
- 23 The Trustee is not involved in the investment managers' day-to-day operations and does not directly seek to influence attainment of their return objectives. The Trustee maintains processes to ensure that performance is assessed on a regular basis against measurable objectives for each manager, consistent with the achievement of the Trust's long-term objectives, and an acceptable level of risk.

Responsible Investment (“RI”)

- 24 The Trustee formally reviewed its RI beliefs over 2023-4, and as a result of this exercise documented a formal RI policy that covers both the DB and DC Sections of the Trust. The RI policy can be found [here](#). The Trustee’s RI policy will be reviewed at least every year, or without delay after any material change to the approach of the Trust’s broader investment arrangements.

In summary:

- The Trustee selects investment strategies responsibly to deliver financial performance for members in a way that considers Environmental, Social and Governance (“ESG”) issues. The Trustee considers these factors to represent material financial risks that can have an impact on the long-term performance of DC investment funds.
- In relation to the member options, the Trustee will consider whether it is appropriate and the extent to which it should take into account member views during each review of the DC investment options, which takes place at least every three years.

Investment Manager Monitoring and Engagement

- 25 The policy in relation to the Trustee’s arrangements with its investment managers is set out below in sections 26-30.

- 26 Incentivising investment managers to align their investment strategy and decisions with the Trustee’s policies:

- The Trust’s investment managers are appointed based on their capabilities and, therefore, their perceived likelihood of achieving the expected return and risk characteristics required for the specific asset class / strategy sought.
- The Trustee looks to its investment advisers for their forward-looking assessment of a manager’s ability to outperform over a full market cycle. This view is based on the advisers’ assessment of the manager’s idea generation, portfolio construction, implementation and business management, in relation to the particular investment fund in which the Trust invests. The advisers’ manager research ratings assist the Trustee with the due diligence and questioning of managers, which are used in decisions around selection, retention and realisation of manager appointments.
- If the investment objective of a particular fund changes, the Trustee will review the fund appointment to ensure it remains appropriate and consistent with the Trustee’s wider investment objectives.
- Some appointments are for active management approaches and those managers are incentivised through remuneration (including some via performance related fees) and performance targets (an appointment will be reviewed following periods of sustained underperformance). The Trustee will review the appropriateness of using actively managed funds on an ad-hoc basis.
- As the Trustee also invests in pooled investment vehicles it accepts that it has no ability to specify the risk profile and return targets beyond those applying to the particular investment vehicle, and therefore selects those vehicles on that basis and to align with the overall investment strategy.

- 27 Incentivising the investment managers to make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer, and to engage with issuers in order to improve their performance in the medium to long-term:

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- The Trustee will consider the investment advisers' assessment of how the investment managers embed ESG into their investment process. In addition, the Trustee will request information about an investment manager's ESG policies and how the manager's responsible investment philosophy aligns with the Trustee's responsible investment policy. This includes the investment manager's policy on voting and engagement.
- The Trustee may challenge the decisions made by the investment managers on their voting history and engagement activity. In addition, the DCC will meet with the investment managers as and when required at DCC meetings.
- The Trustee delegates all voting and engagement activities to the investment managers. When required the Trustee will question managers' voting decisions if it deems them out of line with the investment fund's objectives or the objectives / policies of the Trust. Further information on the Trustee's approach to voting and engagement is set out in its RI Policy.
- The investment managers are aware that their continued appointment is based on their success in delivering the mandate for which they have been appointed. If the Trustee is dissatisfied, then they will look to replace the manager.

28 Aligning the evaluation of the investment managers' performance and the remuneration for investment management services with the Trustee's policies:

- The Trustee's focus is on longer-term performance, but shorter-term performance is monitored to ensure any concerns can be identified in a timely manner. The Trustee reviews both absolute and relative performance (net of fees) against a portfolio or underlying investment manager's benchmark on a quarterly basis, including assessments of both shorter and longer time horizons.
- The remuneration for investment managers used by the Trust is based on assets under management; the levels of these fees are reviewed annually to ensure they continue to represent value for members. If performance is not satisfactory, the Trustee may request further action be taken, including a review of fees.

29 Monitoring portfolio turnover costs incurred by the investment managers:

- Portfolio turnover costs for each of the funds are reviewed on an annual basis as part of the annual value for members' assessment. The ability to assess the appropriateness of these costs is currently limited by the availability of data and the lack of industry-wide benchmarks. The Trustee will monitor industry developments in how to assess these costs and incorporate this in future value for members' assessment. Importantly, performance is reviewed net of portfolio turnover costs.

30 The duration of the arrangements with the investment managers:

- The Trustee is a long-term investor and is not looking to change the investment arrangements on a frequent basis.
- No manager appointment has a set duration.
- The Trustee is responsible for the selection, appointment, monitoring and removal of the investment managers.
- The available self-select fund range and default investment strategy are reviewed on at least a triennial basis. A manager's appointment may be terminated if it is no longer considered to be optimal nor have a place in the default investment strategy or self-select fund range.

Risk

- 31 The Trustee recognises the key risk is that members will have insufficient retirement income relative to their expectations. The Trustee considered this risk when setting the investment options and strategy for the Trust. This risk provides the context for the Trustee's approach, although it is not within the Trustee's power to mitigate that risk beyond developing and monitoring its investment approach.
- 32 The Trustee considers the following sources of risk in designing the investment options:
- **Inflation risk:** The risk that the investment return over members working lives does not keep pace with inflation. It is measured by considering the real returns (i.e. return above inflation) of the funds, with positive values indicating returns that have kept pace with inflation. The Trustee manages this risk by providing members with a range of funds, across various asset classes, with the majority expected to at least keep pace with inflation in the long term. Members are also able to set their own investment allocations, in line with their risk tolerances.
 - **Conversion risk:** The risk that relative market movements in the years just prior to retirement lead to a substantial reduction in the cash lump sum secured. It is measured by considering the returns of the funds used within the switching phase of the lifecycle strategy. Lifecycle strategies and the suitability of the default investment strategy are reviewed at least triennially. It is managed by offering a lifecycle strategy that automatically switches member assets as they approach retirement into investments that are expected to be less volatile relative to how the Trustee expects the majority of members will access their pension savings. The lifecycle strategy increases the proportion of assets that more closely match the expected retirement destination as members approach retirement. This aims to reduce the risk of a substantial fall in the purchasing power of their accumulated savings near retirement.
 - **Opportunity cost risk:** The risk that members end up with insufficient funds at retirement with which to secure a reasonable income through not having taken enough risk whilst the opportunity was available. It is measured by considering the returns of the funds used within the switching phase of the lifecycle strategy. It is managed by offering a range of funds which members can use to invest in line with their risk tolerances and also by reviewing the suitability of the lifecycle strategy at least triennially.
 - **Manager risk:** The risk that the chosen investment manager underperforms the benchmark against which the investment manager is assessed. This is measured by the Trustee monitoring the performance of the investment funds on a quarterly basis. It is managed by the Trustee providing members with a range of funds, across various asset classes. Members are able to set their own investment strategy in line with their risk tolerances. In addition, the Trustee monitors any significant issues with the fund managers that may impact their ability to meet the performance targets set by the Trustee.
 - **Capital risk:** The risk that the monetary value of members' funds falls. It is measured by considering the returns and risks of the funds offered to members. Consideration is also given to the time period remaining for members to recoup any capital value losses in the run up to their target retirement date when designing the lifecycle strategy. It is managed by offering a lifecycle strategy that automatically switches member assets as they approach retirement into investments that are expected to be less volatile relative to how the Trustee expects the majority of members will access their pension savings.
 - **Suitability risk:** The risk of the default investment strategy being unsuitable for the requirements of some members. The Trustee recognises that there is a risk that the default investment strategy is not suitable for all members but aims to manage this risk by offering a default investment strategy that is suitable for the majority of members and regularly reviewing its ongoing appropriateness. A range of self-select funds are also offered should the default investment strategy not be suitable for some members.

- **Operational risk:** The risk of fraud, poor advice or acts of negligence. The Trustee has sought to minimise such risk by ensuring that all advisers and third-party service providers are suitably qualified and experienced, and that suitable liability and compensation clauses are included in all contracts for professional services received. From an investment perspective, this risk is measured by considering the ratings of investment strategies from the investment advisers and monitoring these on an ongoing basis. It is partially managed by incorporating the ratings into the regular review process and carrying out periodic reviews of the managers' operational credentials. Due to the complex and interrelated nature of these risks, the Trustee considers these risks in a qualitative rather than quantitative manner as part of each formal strategy review. The Trustee's policy is to review the range of funds offered and the suitability of the default investment strategy, and its performance, at least every three years, or earlier if there is a significant change in either the investment policy or demographic of the relevant members.
- **Environmental, Social and Governance (ESG) risks** – the extent to which ESG issues are not reflected in asset prices and/or not considered in investment decision making leading to underperformance relative to expectations.
- **Climate risk** - The extent to which climate change causes a material deterioration in asset values as a consequence of factors including, but not limited to: policy change, physical impacts and the expected transition to a low-carbon economy.

- 33 The risks identified above are considered by the Trustee to be 'financially material considerations'. The Trustee believes the appropriate time horizon within which to assess these considerations should be viewed by the Trustee at a member level – that is by devising a default strategy and a range of self-select options that have an appropriate risk profile for members at different ages and lengths of time to retirement.

Private Markets

- 34 The Trustee acknowledges the evolution of the investment landscape for DC schemes, which has more recently improved the feasibility of incorporating less liquid assets (these are assets which cannot easily or quickly be sold or exchanged for cash) into the Scheme's default investment strategy. These developments present the potential for diversification and enhanced returns within the Schemes' investment strategy. However, the Trustee recognises that the decision to invest in illiquid assets requires careful consideration. The Scheme does not have a standalone allocation to illiquid assets although has a small amount of exposure via the JLP Diversified Growth Fund. The Trustee is mindful of the inherent challenges and risk associated with illiquid investments, emphasising the need for a thorough evaluation before committing assets to such strategies. The Trustee sets clear criteria for prospective entry into the illiquid asset market. The Trustee must be satisfied that any illiquid strategy which is used in the Scheme had been developed sufficiently to give the Trustee comfort that it can be used effectively for our members. The Trustee maintains a steadfast commitment to prioritising the best interests of the Scheme's members. The decision-making framework is centered on prudence, diligence and a fiduciary responsibility to ensure that any investment into illiquid assets aligns with the Scheme's overarching goal and obligations.

Further Information

- 35 The Annual Report and Accounts for the Trust are published in the third quarter of each year and are available on the Partner intranet. For more information on the Trust's investment strategy please contact Trustee Services team at trustee.services@johnlewis.co.uk.