

Statement of Investment Principles – Defined Benefit Section of the John Lewis Partnership Pensions Trust (September 2026)

Introduction

- 1 This Statement of Investment Principles (“SIP”) sets out the principles governing investments for the John Lewis Partnership Trust for Pensions (the “Scheme”), and has been prepared by or on behalf of the Board of the John Lewis Partnership Pensions Trust (the “Trustee”). This SIP has been prepared 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 Trustee will review this SIP at least every three years and without delay after any significant change in investment policy. Before preparing or revising this SIP, the Trustee will obtain and considers written advice from the Trust’s Investment Consultant for the Defined Benefit Section (Mercer), and will consult with the John Lewis Partnership (the “Partnership” or the “Sponsor”).
- 3 The Trustee is responsible for the Trust’s investment strategy and ensuring that it is recorded in this SIP. The Trustee delegates responsibility for implementing and monitoring the investment strategy to its Defined Benefit Sub-Committee (the “DBC”). The DBC may engage with other investment advisers and the appointed Outsourced Chief Investment Officer (the “OCIO Provider”) to assist with the management of the investment arrangements and related advice.
- 4 This document sets out the Trustee’s high-level investment principles for the Defined Benefit (“DB”) section of the Scheme. A separate document covers the principles for the Defined Contribution section of the Scheme. Details of asset allocation and implementation arrangements are matters for the DBC and may vary over time.

Objectives

- 5 The Trustee aims to invest the assets of the Trust prudently to ensure that the benefits promised to members are provided.
- 6 The Trustee will pursue an investment strategy that aims to generate an investment return of at least Gilts + 2.0% p.a., within a reasonable tolerance range, and with a risk level commensurate with the strength of the covenant. The target investment return was agreed with the Partnership as part of the 2025 actuarial valuation discussions and formally adopted in September 2026. The target investment return is intended to support the Trustee in achieving full funding on a low dependency basis by 2048.

In seeking to achieve the investment return objective above, the Trustee is mindful of the need to:

- take account of current market conditions when re-positioning the portfolio; and

- limit the risk that the assets will be insufficient to meet the liabilities over the long-term, recognising that the assets are expected to grow through investment returns and any future contributions.

Investment Principles

7 The Trustee has taken advice on an appropriate investment strategy for the Trust. The Trustee seeks to diversify its risk exposures and to manage its investments efficiently and has therefore delegated responsibility for implementing its investment strategy to the DBC.

8 The investment strategy makes use of two key portfolios:

- a diversified range of return-seeking assets, including equities (public and private), investment grade corporate bonds (public and private), other fixed income assets (public and private), property, infrastructure and hedge funds (together, “the Return-Seeking Portfolio”); and
- a range of instruments, including physical bonds, swaps, repos and total return swaps, which are used to match changes in the value of the liabilities arising from movements in interest rate and inflation (together, the “Liability-Matching Portfolio”).

In addition to these investment assets, the Trust has the following additional sources of security over the liabilities:

- The Trust holds an interest in a Pensions Deficit Mitigation Structure (the “Scottish Limited Partnership”), which provides income and additional security to the Trust. The Trust’s interest in the payment stream is backed by real estate assets of the Partnership and is subject to annual valuation by an appropriately qualified person.
- The Trustee has a formal legal guarantee from John Lewis Properties plc, a subsidiary of the principal employer. This gives the Trustee the right to claim against the company if the participating employer, John Lewis plc, fails to pay any amount due.
- The Partnership has provided the Trust with a guarantee from Waitrose Limited covering any pension contributions due but not paid by John Lewis plc.
- The Partnership will pay contingent contributions into the Scheme subject to specified triggers.
- In addition, the Partnership will pay annual contributions up to 2048 into a Low Dependency Protection Fund to provide support if the Scheme has a deficit on the Low Dependency basis at that time.

9 The Trustee will monitor the Scheme’s risk profile and regularly review with its Investment Consultant, Mercer, the OCIO Provider and the Scheme Actuary, the appropriateness of its investment strategy. The balance within and between the Return-Seeking and Liability Matching portfolios will be determined from time-to-time, balancing the aim of achieving the Trust’s objective against the risk of the asset portfolio relative to the Trust’s liabilities. The overall level of risk will be consistent with the strength of the covenant which is regularly monitored as set out in paragraph 25 under “Sponsor and solvency risk”.

10 The Trust will hold cash and other money market instruments as appropriate. The Trustee’s policy is to maintain, where possible, sufficient cash and other liquid or readily realisable assets to meet foreseeable cash-flow requirements, including benefit and other payment obligations due in the short-term, without disrupting the Trust’s overall investments.

- 11 The Trustee does not intentionally invest in Employer Related Investments (“ERI”), defined in section 40 of the Pensions Act 1995 and Regulations made under it. There may be rare occasions when the Trust is involved in ERI; for example, where the Sponsor is the tenant in a property owned by the Trust. All such transactions are carried out by the Trust’s property manager on an open-market basis. The Trustee monitors the level of ERI exposure annually.

Investment Strategy

- 12 The Trustee formally reviewed the investment strategy in March 2026 with advice from its Investment Consultant. Further information on the agreed strategy is set out below.
- As set out in paragraph 8, the Trust allocates to a Return-Seeking Portfolio and a Liability Matching Portfolio. The Trust will invest in a range of sub-asset classes and mandates within these portfolios to achieve the target investment return. The allocations between the Return-Seeking Portfolio and the Liability Matching Portfolio may change over time based on a variety of factors, including return expectations and market conditions.
 - The most recent strategic review focused on how to achieve the target investment return of at least Gilts + 2.0% p.a. over the long term. This resulted in an agreed long-term investment strategy that allocates 46.5% to the Liability Matching Portfolio and 53.5% to the Return-Seeking Portfolio. This allocation cannot be achieved in the near term because of the liquidity characteristics of the current portfolio. The allocation to different sub-asset classes will ultimately be determined by the most efficient way to achieve the return target of at least Gilts + 2.0% p.a..
 - It is expected to take several years to transition to the long-term investment strategy. During this period, the Trustee will continue to review the appropriateness of the strategy and consider any refinements required.
 - The Liability Matching Portfolio aims to approximately hedge at least 100% of the interest rate and inflation exposure of the Trust’s funded Technical Provisions liabilities. The hedge ratio is measured and monitored regularly on both the Technical Provisions and Low Dependency basis, bases with a view to ensuring it remains appropriate.
 - The target investment return will be driven by the Trust’s asset allocation, which will change over time, and by market conditions. The Trustee has implemented a framework for monitoring the expected return of the Trust’s investment strategy against a target of at least Gilts + 2.0% p.a.. Under the framework, if the Trust’s expected return diverges from the target return beyond defined tolerance limits, action may be required. Any action, and the timescales associated, will aim to strike a balance between maintaining the target return and running the portfolio efficiently. The timescales associated with rebalancing actions will also be affected by constraints within the portfolio, including collateral constraints within the Liability Matching Portfolio and liquidity within the Return-Seeking Portfolio.

Investment Management

- 13 In accordance with the Financial Services and Markets Act 2000, the Trustee sets general investment policy, but delegates responsibility for selecting specific investments to its appointed investment managers. The Trustee has appointed Russell Investments (“Russell”) to act as the OCIO Provider for the DB Section. Russell has responsibility for oversight and implementation of specific elements of the Trust’s DB investment strategy, and where appropriate, for the selection and appointment of investment managers. The investment managers are expected to have the skills and expertise necessary to manage the investments of the Trust competently.
- 14 The Trustee is not involved in the investment managers’ day-to-day operations and does not directly seek to influence the attainment of their return objectives. The Trustee maintains

processes to ensure that performance is assessed regularly against measurable objectives for each manager, consistent with the achievement of the Trust's long-term objectives and an acceptable level of risk.

When deciding whether to make any new investments, the Trustee will obtain written advice from its investment advisers. The Trustee's policy is to review its investments and obtain written advice from its Investment Consultant at regular intervals.

- 15 The custody of the Trust's directly held investments, other than property assets, is handled by the Trust's global custodian. Investments held through pooled funds are subject to the custody arrangements of those funds. The global custodian provides safekeeping of the Trust's assets held by it and performs administrative duties.

Title deeds relating to property assets and certificates for pooled property vehicles are held for safekeeping by the Trustee's property solicitors.

Responsible Investment ("RI")

- 16 The Trustee formally reviewed its RI beliefs during 2023/24, and as a result, 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 three years, or more frequently if required.

In summary:

- The Trustee's fiduciary duty is to ensure that benefits can be paid as they fall due.
- The Trustee invests the assets responsibly to deliver financial performance while considering Environmental, Social and Governance ("ESG") issues. The Trustee considers these factors where they are financially material and could affect the value or future performance of an investment over the Trust's investment time horizon.
- The Trustee may also take non-financial matters, including the views of members and beneficiaries, into account where it considers this appropriate and consistent with its fiduciary duties. The views of the Partnership may be sought and considered where relevant.
- The Trustee believes climate change is a systemic risk to the global economy and to the investments of the Trust. The Trustee has therefore agreed to target net zero emissions across its investment portfolio by no later than 2050. The Trustee will continue to develop its strategy and implementation plan to achieve this objective.
- The Trustee is a signatory to the Principles for Responsible Investment (PRI). Being a PRI signatory allows the Trust to demonstrate publicly its commitment to incorporating ESG factors into its investment decision making and ownership practices.

Investment Manager Monitoring and Engagement

- 17 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 their perceived likelihood of achieving the expected return and risk characteristics required for the specific asset class / strategy sought.
 - Before investing, the Trustee obtains and considers proper written advice from its investment advisers as to whether the investment is satisfactory, having regard to the need for suitable and appropriately diversified investments. 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 assessment considers the manager’s idea generation, portfolio construction, implementation and business management, in the context of the particular investment fund in which the Trust invests. The advisers’ manager research ratings assist the Trustee with due diligence and challenge of managers, which are used in decisions on the selection, retention and termination of manager appointments.
 - If the investment objective of a particular fund changes, the Trustee will review whether the appointment remains appropriate and consistent with the Trustee’s wider investment objectives.
 - Some appointments use active management approaches, and those managers are incentivised through remuneration, including 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 and mandates as appropriate.
 - For segregated mandates, the investment management agreements set out criteria requiring the relevant managers to comply with the Trustee’s specific investment requirements.
 - 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 that align with the overall investment strategy.
- 18 Incentivising investment managers to make decisions based on assessments of the medium to long-term financial and non-financial performance of an issuer, and to engage with issuers to improve their performance over that period:
- The Trustee will consider the investment advisers’ assessment of how investment managers embed ESG considerations in their investment process. In addition, the Trustee will request information about each 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 investment managers on their voting records and engagement activity. The DBC will meet with investment managers as and when required at DBC meetings.
 - The Trustee delegates all voting and engagement activities to its investment managers. Where appropriate, the Trustee will question managers’ voting decisions if it deems them inconsistent with the investment fund’s objectives and 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, it will consider replacing the manager.
- 19 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 so that concerns can be identified promptly. The Trustee reviews relative performance against a suitable benchmark and against the manager's stated target performance over the relevant period, on a net of fees basis.
- The Trustee has performance-related fees in place with a number of the Trust's managers which directly link performance to remuneration.

20 Monitoring portfolio turnover costs incurred by investment managers:

- The Trustee reviews how active investment managers have changed their portfolios' positions over time. The Trustee will engage with a manager if portfolio turnover is deemed higher than expected, having regard to the manager's investment style and the specified portfolio turnover range in the investment guidelines or prospectus. Portfolio turnover is also considered by the Investment Consultant and forms part of its research meetings with managers.

21 The duration of the arrangements with investment managers:

- The Trustee is a long-term investor and does not expect to change the investment arrangements frequently.
- Some of the Trust's investments have no set duration for the manager appointments. The Trustee will retain an investment manager unless:
 - There is a strategic change to the overall strategy which means that the Trust no longer requires exposure to that asset class or manager; or
 - The manager appointment has been reviewed and the Trustee has decided to terminate it.
- Some of the Trustee's investments are in limited partnerships, particularly private equity and private credit assets. In these cases, the Trust is normally invested for the stated life of the particular fund, which may be subject to extension.

Risk

- 22 The key risk faced by the Trust is that it is unable to provide in full the benefits provided for in the Trust Deed. This risk arises if the Trust is unable to achieve the expected investment returns (see paragraph 6) and the Partnership is unable to pay sufficient additional contributions to cover the shortfall.
- 23 The Trustee reviews, on a quarterly basis, the funding level of the Trust, both on the technical provisions and the low dependency basis. This analysis uses the Scheme Actuary's asset-liability model to project the Trust's funding level. Other measures are also considered on both bases, including Value at Risk confidence level ("VAR 95%").
- 24 A full investment strategy review, including asset-liability modelling, is undertaken alongside the triennial actuarial valuation or following a significant change to the benefit structure of the Trust, a significant deterioration in the funding level of the Trust or a material deterioration of the covenant. This enables the Trustee to assess the likelihood of the investment strategy meeting the Trust's investment objectives and the downside risks to the strategy.
- 25 The Trustee also recognises of the following risks involved in the investment of the Trust's assets:

- Deficit risk:
 - is measured through a qualitative and quantitative assessment of the expected development of the liabilities relative to the current and alternative investment policies; and
 - is managed through the selection and regular review of the investment policy, taking account of the actual development of liabilities and financial support provided by the Partnership.
- Manager and market risk:
 - is measured by the expected deviation of the return relative to the benchmark set;
 - is managed by limiting exposure to any one investment manager, consideration of the appropriate amount of the Trust to allocate to each active portfolio and monitoring returns against the relevant benchmark and the continuing strength of each managers' investment process. The Trust diversifies its investments across a range of asset classes, industry sectors and geographical regions; and
 - counterparty risk is addressed through the investment manager guidelines.
- Liquidity risk:
 - is measured by monitoring the level of the Trust's cash-flow requirements over a specified period; and
 - is managed by holding an appropriate level of liquid assets.
- Currency risk:
 - is measured by the level of exposure to non-sterling denominated assets; and
 - is managed through a currency hedging overlay, which reduces the impact of exchange rate movements on the Trust's asset value. The appropriate level of currency hedging is reviewed regularly by the DBC and considered alongside other key risks set out in this document.
- Interest rate and inflation risk:
 - is measured by comparing the likely movement in the Trust's liabilities and assets arising from movements in inflation and interest rates; and
 - is managed by allocating a proportion of the Trust's assets to a Liability Matching Portfolio which is designed to reduce the Trust's exposure to the risk of adverse movements in inflation and interest rates. The Trustee regularly reviews the split of the Trust's portfolio between the Return-Seeking Portfolio and the Liability Matching Portfolio.
- Hedging Risk
 - is measured by monitoring the level of leveraged hedging undertaken, the level of collateral held, the concentration of the hedging risk exposure with individual counterparties and the credit quality of those counterparties; and
 - is managed by requiring collateralisation and by limiting the choice of investments.
- Longevity risk:

- is measured through the actuarial assumptions concerning mortality, which are reviewed triennially, and has been reduced in the following ways:
 - for service after April 2008 through a risk-sharing mechanism, the Life Expectancy Adjustment Factor ('LEAF'); and
 - for service after April 2016, the retirement age is linked to the State Pension Age.
- Sponsor and solvency risk:
 - the Trustee monitors the Sponsor's covenant by means of a bi-annual internal review and a triennial external review which is timed to coincide with the actuarial valuation. Additional monitoring of the Partnership's trading and other commercial activities takes place on an ongoing basis;
 - the funding and investment strategies and policies are set by reference to the triennial covenant assessment which measures the strength of the balance sheet and the affordability of the required contributions. The funding level of the Trust is monitored on a daily basis, on a technical provisions basis, and is considered formally each quarter by the DBC. In addition, the Trustee considers these risks when undertaking triennial or interim strategy reviews; and
 - the Trust benefits from additional security described in paragraph 8.
- Political risk:
 - is measured by the concentration of investments in any one market and the potential effect of political intervention on investment values; and
 - is managed by regular reviews of the actual investments relative to policy and through the level of diversification within the existing policy.
- Reputational risk:
 - the Trustee recognises the importance the Sponsor attaches to this risk and works closely with the Sponsor to ensure that the reputational risks associated with the investment portfolio are monitored and managed.
- Operational risk:
 - is addressed through the establishment and maintenance of policies, monitoring and compliance processes and systems. The Trustee maintains a risk register which is reviewed quarterly by the Admin, Audit and Risk Committee which reports to the Trustee Board.
- Custodian risk:
 - is addressed through the custody agreement and regular monitoring of the custodial arrangements. Restrictions are applied to who can authorise transfers of cash and the accounts to which transfers can be made.

Further Information

The Annual Report and Accounts for the Trust are published in the third quarter of each year and are available on the Partner intranet. The latest SIP and annual implementation statement are available free of charge on the Scheme's public website at [\[insert link\]](#). For further information on the Trust's investment strategy, please contact the Trustee Services team at trustee.services@johnlewis.co.uk.