

Statement of Investment Principles for Defined Contribution Section – John Lewis Partnership Trust for Pensions (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 ‘Trust’ or the ‘Scheme’), and has been prepared by or on behalf of the Board of the Trust (the ‘Trustee’). This SIP has been prepared in accordance with 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 or the demographic profile of relevant members. Before preparing or revising this SIP, the Trustee will obtain and consider written advice from the Trust’s Investment Consultant for the Defined Contribution Section (Lane Clark & Peacock LLP (“LCP”)), who we believe to be suitably qualified and experienced to provide such advice. The advice considered the suitability of investments including the need for diversification given the circumstances of the Scheme and the principles contained in this SIP 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 this SIP. The Trustee delegates responsibility for implementing and monitoring the investment strategy to its Defined Contribution and Communication Sub-Committee (“DCC”). The DCC may engage with other investment advisers to assist with the Trust’s selection of investment managers.
- 5 This document sets out the Trustee’s high-level principles for 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 may vary over time.
- 6 The DC section provides for benefits to be accrued on a money purchase basis, with the value of members’ funds being determined by contributions paid, plus investment returns, less any applicable charges.
- 7 In selecting appropriate investments, the Trustee is aware of the need to provide default investment strategies and a range of self-select investment options, which broadly satisfy the risk profiles of members, given that members’ benefits will be directly determined by the value of the underlying investments.

Objectives

- 8 The Trustee's aim is to design default investment strategies that will be suitable for the majority of members, particularly those who do not make their own investment choices.
- 9 The Trustee also aims to provide a range of self-select investment options for members who wish to have a higher level of control over their savings and/or feel the default investment strategies do not meet their requirements or risk appetite.
- 10 For additional voluntary contributions (AVCs) within the Scheme, the Trustee aims to make available a suitable range of investment options to meet members' risk and return objectives, for this cohort of members.

Investment Principles

- 11 The Trustee determines the default investment strategies having regard to the following investment beliefs:
 - When members are far from retirement, taking greater investment risk (for example through equities) is expected to deliver higher long-term returns.
 - As members approach retirement (around 10 years and five years from retirement), investment risk should be gradually reduced and further diversified, while continuing to target returns above inflation.
 - In the pre-retirement phase (around 5 years from retirement), investment risk should be reduced further to protect members' pot values, while retaining some growth potential. The final asset allocation should reflect how members are expected to access their benefits.
- 12 The Trustee has taken advice in determining an appropriate investment strategy for the DC section of the Trust, and has established:
 - Two default investment strategies known as the JLP Cash Pathway and the JLP Flexible Income Pathway; and
 - A range of nine self-select investment options designed to provide sufficient choice across asset classes and risk profiles.
- 13 Certain legacy DC members invest in the Prudential With-Profits Fund. There are other legacy AVC 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 cannot start doing so.

Further detail about the default investment strategies, self-select options and AVCs is provided in the sections below.
- 14 The Trustee expects the long-term return on investment options that invest predominantly in equities to exceed inflation. The long-term returns on bond and cash options are expected to be lower and less volatile. The diversified growth fund is expected to provide returns above inflation with less volatility, but lower long-term returns, than predominantly equity options. Cash funds may be appropriate for members who are approaching retirement and want to take some or all of their pension savings as cash.
- 15 The investment managers have discretion over the timing of realisation of the Scheme's investments

within the portfolios that they manage. 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 Strategies

JLP Cash Pathway and JLP Flexible Income Pathway

- 16 The Default Investment Strategy for new members is the JLP Cash Pathway.
- 17 The Trustee has adopted a member segmentation approach, recognising that members may have different retirement objectives and levels of flexibility depending on their projected retirement savings. The Trustee therefore makes available both the JLP Cash Pathway and JLP Flexible Income Pathway. When devising the phases and the mix of investment funds in the Pathways, the Trustee has taken into account the expected returns on the different asset classes as summarised above in paragraph 12.
- 18 In addition, the JLP Lifecycle Pathways 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.
- 19 Both Default Pathways have 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 strategies invest in different kinds of investments (including both active and passive strategies) to provide an appropriate balance of risk and return given the age of the member and their expected retirement date. The JLP Cash Pathway and JLP Flexible Income Pathway are identical until 5 years to retirement, at which point their allocations begin to differ to reflect the different needs and associated investment strategies required to deliver each target.
- 20 The Trustee recognises that members may use their pension pots differently in retirement and therefore the Trustee has implemented a "switching mechanism". All members start in the JLP Cash Pathway and L&G projects each member's pension pot annually and moves members to the JLP Flexible Income Pathway where their projected pot at retirement exceeds £30,000 and their current pot is at least £7,500. This is intended to provide members with an appropriate level of investment risk as retirement approaches that better reflects how they are likely to access their savings. The aims of each phase of the Pathways are as follows:
 - The Growth Phase (more than 10 years until TRA): The aim is to achieve long-term growth above inflation. In the Growth Phase all contributions are invested in the JLP Growth Fund.
 - The Consolidation Phase (between 10 and 5 years until TRA): The aim is to provide continued growth, with lower risk, by gradually switching investments from higher risk assets (JLP Growth Fund) to lower risk assets (JLP Approaching Retirement Fund). The proportion of pension savings invested in the JLP Approaching Retirement Fund gradually increases until members are five years from TRA when 100% of their DC section savings will be invested in the Fund.
 - The Pre-Retirement Phase (fewer than five years to TRA): For the JLP Cash Pathway, the aim is to significantly reduce investment risk to protect the value of members' pension pots as they approach their retirement date, by gradually switching investments from JLP Approaching Retirement Fund to JLP Cash at Retirement Fund. For the JLP Flexible Income Pathway, the aim is to reduce investment risk while allowing members' savings the opportunity to grow, by gradually switching investments

from JLP Approaching Retirement Fund to JLP Flexible Income in Retirement Fund.

- 21 The Default Pathways have been designed to be in line with what the Trustee believes to be the best interests of the majority of 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. The Trustee will continue to review this over time, at least triennially, or after significant changes to the DC section's demographics, if sooner.

The following table shows the funds used within the Default Pathways.

White Label Fund Name	Benchmark	Objective
JLP Growth Fund	24% MSCI World Value + Momentum + Quality + Low Volatility Custom Diversified Multi-Factor Index (100% GBP hedged); 16% MSCI World Value + Momentum + Quality + Low Volatility Custom Diversified Multi-Factor Index (unhedged); 23.3% Solactive L&G ESG Developed ex UK Index (100% GBP hedged); 15.5% Solactive L&G ESG Developed ex UK Index (unhedged); 1.2% Solactive L&G ESG UK Index; 10% MSCI Emerging Markets Index (unhedged); 4% MSCI World Small Cap ex Selected Securities Index (unhedged); 6% MSCI World Small Cap ex Selected Securities Index (100% GBP hedged)	Aims to grow members' pension over the long term by investing in a wide range of companies worldwide, incorporating Environmental, Social and Governance ("ESG") considerations as part of the investment strategy.
JLP Approaching Retirement Fund	50% JLP Growth Fund benchmark; 30% 1-Month Sterling Overnight Index Average ("SONIA") + 4% per annum; 15% SONIA + 3% per annum; 5% Bloomberg Global Corporates 1-5 Years Index (100% GBP hedged)	- Aims to continue growing members' pension savings, but with less risk than the JLP Growth Fund. - The Fund invests across a wide range of assets, incorporating ESG considerations as part of the investment strategy.
JLP Cash at Retirement Fund	40% SONIA; 40% Bloomberg Global Corporates 1-5 Years Index (100% GBP hedged); 20% SONIA + 3% per annum	- Aims to significantly reduce investment risk to protect the value of members' pension pots as they approach their retirement date. - The Fund focuses on low-risk investments, such as cash-like investments and short-term loans to high-quality companies, incorporating ESG considerations as part of the investment strategy.

White Label Fund Name	Benchmark	Objective
JLP Flexible Income in Retirement Fund	30% JLP Growth Fund benchmark; 30% 1-Month SONIA + 4% per annum; 30% SONIA + 3% per annum; 10% Bloomberg Global Corporates 1-5 Years Index (100% GBP hedged)	- Aims to reduce investment risk while still allowing members' savings the opportunity to grow. - The Fund keeps a balanced mix of "growth" assets (like shares) and "steady" assets (like loans to companies), incorporating ESG considerations as part of the investment strategy.

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 strategies do not meet their requirements and/or appetite for risk. If members self-select, they can combine the investment funds in any proportion to determine the balance between different kinds of investments. ESG considerations are specifically incorporated into the stated investment objective of some funds. Further detail on the Trustee's policy in relation to ESG factors can be found below.

White Label Fund Name	Benchmark	Objective
JLP Global Equity Fund	(The same as JLP Growth Fund benchmark) 24% MSCI World Value + Momentum + Quality + Low Volatility Custom Diversified Multi-Factor Index (100% GBP hedged); 16% MSCI World Value + Momentum + Quality + Low Volatility Custom Diversified Multi-Factor Index (unhedged); 23.3% Solactive L&G ESG Developed ex UK Index (100% GBP hedged); 15.5% Solactive L&G ESG Developed ex UK Index (unhedged); 1.2% Solactive L&G ESG UK Index; 10% MSCI Emerging Markets Index (unhedged); 4% MSCI World Small Cap ex Selected Securities Index (unhedged); 6% MSCI World Small Cap ex Selected Securities Index (100% GBP hedged)	Aims to grow members' pension over the long term by investing in a wide range of companies worldwide, incorporating ESG considerations as part of the investment strategy.
JLP Diversified Growth Fund	1-Month SONIA + 4% per annum	Aims to grow members' pension over the long term but with less risk than 100% equities through exposure to a diversified range of asset classes, incorporating ESG considerations.

White Label Fund Name	Benchmark	Objective
JLP Cash Fund	SONIA	- Aims to provide capital security and cash interest by lending money to companies and governments over short periods of time. - Low-risk offering a correspondingly low return.
JLP Annuity Protection Fund	FTSE UK Adjusted Annuity Composite	- Aims to provide a diversified range of assets that broadly reflect the investments underlying a typical traditional annuity product, incorporating ESG considerations. - Offers some protection against changes in annuity prices.
JLP (For Good) Global Equity Fund	60% FTSE4Good Global Equity Index (100% GBP hedged); 40% FTSE4Good Global Equity Index (unhedged)	Aims to grow members' pension over the long term by investing in a wide range of companies worldwide, incorporating ESG considerations as part of the investment strategy.
JLP Emerging Market Equity Fund	MSCI Emerging Markets Index (unhedged)	Aims to grow members' pension over the long term by investing in a wide range of companies based in countries with developing economies, incorporating ESG considerations.
JLP Shariah Equity Fund	S&P Global 1200 Shariah Select Index	Aims to grow members' pension over the long term by investing in a wide range of companies worldwide that are compliant with Islamic Shariah principles.
JLP Multi Asset Credit Fund	SONIA + 3% per annum	Aims to grow members' pension over the long term by primarily lending money to a wide range of companies and governments worldwide, incorporating ESG considerations as part of the investment strategy.
JLP Short Duration Credit Fund	Bloomberg Global Corporates 1-5 Years Index (100% GBP hedged)	Aims to provide stability and modest growth by lending money to high-quality, reliable companies for short periods of time, incorporating ESG considerations.

Additional Voluntary Contributions

- 22 Certain members can make AVCs 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 available options to new joiners or anyone who does not already contribute to these 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. The Prudential Fund invests in a diversified portfolio of UK and overseas shares, bonds, property and cash and aims to achieve long-term real returns. Investment returns are passed to members through bonuses which are intended to smooth investment performance.

Investment Management

- 23 In accordance with the Financial Services and Markets Act 2000, the Trustee sets the general investment policy, but delegates responsibility for selecting specific investments to its appointed investment managers. The investment managers are expected to have 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.
- 24 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 on a regular basis against measurable objectives for each manager, consistent with the Trust's long-term objectives and acceptable level of risk.

Responsible Investment (“RI”)

- 25 The Trustee formally reviewed its RI beliefs during 2023/4, 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 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 matters that are purely non-financial in nature, (eg matters relating to ethical and other views of members and beneficiaries, rather than considerations of financial risk and return) in the selection, retention, and realisation of investments, the Trustee will consider whether it is appropriate and the extent to which it should take them into account as part of each review of the DC investment options, which takes place at least every three years.
- Within the self-select fund range the Trustee recognises that some members may wish for ethical matters to be considered in their investments and therefore has made available the JLP (For Good) Global Equity Fund as an investment option to members.

Investment Manager Monitoring and Engagement

- 26 The policy in relation to the Trustee's arrangements with its investment managers is set out below.
- 27 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.
 - Before investing in any manner, 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 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 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.
- 28 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:
- 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 records 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 its investment managers. Where appropriate, the Trustee will question managers' voting decisions if it deems them inconsistent with the investment fund's objectives or the 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, then it will consider replacing the manager.
- 29 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 absolute and relative performance against a suitable benchmark and the manager's stated target performance on a net of fees basis.
 - 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.
- 30 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. Importantly, performance is reviewed net of portfolio turnover costs.
- 31 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 strategies are reviewed on at least a triennial basis. A manager's appointment may be terminated if it is no longer considered to be optimal or no longer has a place in the default investment strategies or self-select fund range.

Risk

- 32 The Trustee recognises that 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.
- 33 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 through the design of the default investment strategies and the range of self-select funds available to members.

- **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 through the design of the default investment strategies, which reduce investment risk as members approach retirement and reflect how members are expected to access their benefits.
- **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 managed through the design and review of the default investment strategies and the range of self-select funds available to members.
- **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. The Trustee manages this risk through its selection and ongoing monitoring of investment managers.
- **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 default strategies. It is managed through the design of the default investment strategies.
- **Suitability risk:** The risk of the default investment strategies being unsuitable for the requirements of some members. The Trustee recognises that the default investment strategies may not be suitable for all members. This risk is managed through regular review of the default strategies and by providing a range of self-select funds.
- **Operational risk:** The risk of fraud, poor advice or acts of negligence. The Trustee manages this risk through the selection and ongoing monitoring of its advisers, service providers and investment managers.
- **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. The Trustee manages this risk through the selection and ongoing monitoring of its investment managers.
- **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. The Trustee manages this risk through the selection and ongoing monitoring of its investment managers.

- 34 The risks identified above are considered by the Trustee to be 'financially material considerations'. The Trustee assesses these considerations over an appropriate time horizon at member level, reflecting members' ages and time to retirement in the design of the default investment strategies and self-select options.

Illiquid assets

- 35 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 strategies. The Trustee recognises that investment in illiquid assets may provide diversification and enhanced returns, but requires careful consideration.

- 36 The Trustee's policy is to have exposure to funds which may invest in illiquid assets within the default strategies and the JLP Diversified Growth Fund. The Trustee believes that illiquid assets offer members a potentially greater level of diversification and hence better risk management in the overall asset allocation. The Trustee also believes that long-term net risk-adjusted investment returns of the default strategies may be improved by investing in illiquid assets. The Scheme has a small amount of exposure to illiquid assets via one of the underlying funds within the JLP Diversified Growth Fund. As such, members who invest in the JLP Diversified Growth Fund through the self-select range, and in the default strategies aged between 58 and 68, assuming a target retirement age of 68, will hold an investment in illiquid assets. The investment is held via a collective investment scheme that currently invests in private equity, property, infrastructure and private debt; however, as the underlying fund is managed by an external manager, the allocation and type of illiquid assets may change over time.
- 37 The Trustee recognises the additional risks and challenges associated with illiquid investments and will consider these carefully when determining whether such investments are appropriate, having regard to members' best interests.
- 38 The Trustee is likely to explore the appropriateness of a further allocation to illiquid assets as part of the next investment strategy review.

Further Information

- 39 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 more information on the Trust's investment strategy please contact the Trustee Services team at trustee.services@johnlewis.co.uk.