John Lewis Partnership Pensions Trust ("the Trust") – Defined Benefit ("DB") Section

Annual Implementation Statement – Year ending 31 March 2024

1. Introduction

This statement sets out how, and the extent to which, the Statement of Investment Principles ("SIP") produced by the Trustee has been followed during the year to 31 March 2024 (the "Trust Year"). This statement has been produced in accordance with The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018, as amended, and the Department of Work and Pensions' statutory guidance on reporting on stewardship in the implementation statement dated 17 June 2022.

The Trust has both a DB Section and a Defined Contribution ("DC") Section. This statement covers only the DB Section and provides more detail than is currently required by regulation, for DB schemes, to align our report with the requirements for the DC Section. This approach was considered beneficial, both for the Trustee in assessing how its policies under the SIP have been followed more broadly for the DB Section, and to show consistent levels of information for members who may have an interest in the management of both sections of the Trust. A separate statement has been prepared for the DC section.

The table later in the document sets out how, and the extent to which, the policies in the DB Section of the SIP have been followed.

2. Trust Governance

2.1. The Trustee Board

During the course of the year there were some changes to the membership of the Trustee Board. Venetia Trayhurn was appointed as Trustee Chair from August 2023, replacing Sarah Bates who retired from the Board in July 2023. During the Trust Year, David Bennett, Bridget Houghton, and Juliette Barnett were appointed by the Partnership as Trustees following the departure of Sam Shaerf, Anna Tee, and Ian Maybury, who all stepped down. Juliette Barnett subsequently resigned during the Trust Year, in March 2024.

The Trustee Board has Sub-Committees in place with each Sub-Committee given a particular area of focus (for example, Defined Benefit or Defined Contribution matters). Terms of reference are in place for each Sub-Committee. David Bennett was appointed as Chair of the Defined Benefit Sub-Committee (DBC) and Bridget Houghton was appointed as a member in November 2023 and January 2024, respectively.

The Trustee Board is supported in its activities by the in-house Trustee Services team at the Partnership. Anthony Moriarty joined the Partnership in July 2023 as the Head of Trustee Services. From an investment perspective Anthony was supported by Imtayaz Ahmed and Simon Lai as Pensions Investment Managers over the Scheme Year.

2.2. Trustee knowledge and understanding

During the Scheme Year, the Trustee received training on a number of investment issues, which included ESG and sustainability considerations. The Trustee also carried out an ESG Beliefs survey to better understand the views of the Trust's key stakeholders. Following this survey the Trustee has established a set of responsible investment beliefs, which have been set out in a standalone document since the end of the Scheme Year, building on the high-level principles described in Section 19 of the SIP.

2.3. Holding advisers and managers to account

The Trustee recognises the need to hold investment managers, advisers and consultants to account.

In December 2019, the Trustee put in place investment objectives for its DB Investment Consultant, Mercer, and Investment Advisers, Aksia and Hamilton Lane. Their performance relative to these objectives is reviewed on a regular basis. The objectives may be revised at any time but will be reviewed at least every three years and after any significant change to the Trust's investment strategy and objectives, as appropriate.

These objectives are in place to ensure the Trustee is receiving the support and advice it needs to meet its investment objectives. The objectives set covered both short and long-term objectives across strategy, monitoring, compliance and regulation, client servicing and relationship management, and member engagement and communications.

3. Statement of Investment Principles

3.1. Investment Objectives of the Trust

The Trustee aims to invest the assets of the Trust prudently with the objective of ensuring that the benefits promised to members are provided as they fall due. The funding plan is predicated on achieving an investment return over and above the return from government bonds. Beyond this, the Trustee aims to target full funding on a low dependency basis (also based on a return above government bonds) by 2034. The Trustee will pursue an investment strategy which aims to generate an investment return in excess of these returns (currently targeting gilts + 1.8% p.a. as agreed with the Sponsoring Employer), with a risk level commensurate with the strength of the covenant.

It is recognised that the investment return on the Trust's assets will be driven by the Trust's asset allocation (which will move over time) and market conditions. The Trustee has implemented a framework for monitoring the expected return of the Trust's investment strategy, with a view to maintaining the level of investment return closely in line with the target level over time.

3.2. Review of the SIP

The statement is based on, and should be read in conjunction with, the SIP dated March 2024 effective as at the end of the reporting period. The SIPs that were in force for each period of the Trust Year are noted below.

Effective Date	Period Covered
November 2022	March 2023 – May 2023
June 2023	June 2023 – August 2023
September 2023	September 2023 – February 2024
March 2024	March 2024

As required by legislation, the Trustee has consulted with the Partnership in the production of all versions of the SIP that were in force over the year.

The SIP is publicly available and can be accessed via this link:

https://www.johnlewispartnership.co.uk/meta/jlp-trust-for-pensions.html.

3.3. Assessment of how the policies in the SIP have been followed for the year to 31 March 2024

The information provided in the following section highlights the work undertaken by the Trustee during the Trust year to 31 March 2024 and sets out how this work followed the Trustee's policies in the SIP.

In summary, it is the Trustee's view that the policies in the SIP have been followed during the Trust year to 31 March 2024.

Strategic Asset Allocation

	Policy	Location in SIP	How the policy has been met over the year to 31 March 2024
1	**Kind of investments to be held**	Sections 7 – 13	There have been no material changes to the kinds of investments held by the Trust over the Trust Year. The Trustee made significant changes to investment arrangements during the prior year to re-collateralise the Liability Driven Investment (LDI) Portfolio following the gilt market crisis in Q3/4 2022. As a result of these changes, the Trust's assets consisted of an LDI portfolio and an illiquid private markets portfolio, which cannot be readily traded.
2	**The balance between different kinds of investments**		During the Trust Year the Trustee has instructed additional sales of these private market assets, which will return capital to the Trust over time. Since the end of the Trust Year the Trustee has agreed a long-term investment strategy which it intends to move to over the coming years as this capital is returned. The arrangements in place will continue to be consistent with the policies in the SIP. As at 31 March 2024 the level of protection against interest rates and inflation was 79% of the Trust's Gilts+0.5% liabilities, which is a marginal increase relative to the prior year.
3	**Risks, including the ways in which risks are to be measured and managed**	Sections 26 - 30	As detailed in the risk section of the SIP, the Trustee considers both quantitative and qualitative measures of risk when deciding investment policies, strategic asset allocation, the choice of investment managers, their funds and respective asset classes. The Trustee reviewed the measurement of a number of these risks on a quarterly basis during the year as part of their regular investment performance, risk and funding monitoring. Wider, more strategic risks were also considered by the Trustee throughout the years, as discussions continued regarding the composition of the Trust's long-term investment strategy. The Trustee also received ad-hoc updates from its DB Investment Consultant and the Pensions Investment Manager as and when required over the course of the year.

4	**Expected Return on Investments**	Sections 6, 26 and 30	Investment performance was reviewed by the Trustee on a quarterly basis – this included the risk and return characteristics of the investment manager strategies used by the Trust. Individual managers were specifically monitored against their respective aims and objectives as well as being compared to peer group risk and return metrics. In consultation with the Partnership as part of the agreement for the 2022 actuarial valuation, the Trustee has agreed to target and maintain an investment strategy with an expected return of Gilts + 1.8% p.a.. The Trustee has agreed a monitoring framework which defines the parameters around which the Trustee is required to rebalance the investment strategy to maintain this expected return, should it move outside of a set tolerance range at the point of assessment. The Trustee will review the expected return on the investments on a quarterly basis and will take action in line with the framework if required.

Investment Mandates

	Policy	Location in SIP	How the policy has been met over the year to 31 March 2024.
5	**Securing compliance with the legal requirements about choosing investments**	Sections 2 – 4	The Trust's DB Investment Consultant attended all DB Sub-Committee ("DBC") meetings during the year, providing updates on fund performance and, where required, the appropriateness of the investments used by the Trust. The DBC has delegated responsibility for the ongoing monitoring of fund performance for the DB section, supported by the Pensions Investment Manager and the DB Investment Consultant. The Trustee received investment advice in relation to all strategic decisions that were taken during the year. Over the year, new investments were made into a variety of cash funds as part of the management of the Trust's cash buffer to ensure benefit payments can be made; section 36 (suitability) advice was provided as part of this.
6	**Realisation of Investments**	Sections 10 – 11	The Trust's investments as at the year-end consist of an LDI portfolio and an illiquid private markets portfolio, which cannot be readily traded. The Trust also maintains a cash buffer held outside the main investment strategy that is used to ensure benefit payments can be met as they fall due. The current investment arrangements are as a

			result of the gilt market crisis in Q3/4 2022, which forced the Trustee into sales of its liquid assets for the purpose of re-collateralising its LDI portfolio. The Trustee is working with its DB Investment Consultant to design a strategy with increased liquidity that will be implemented over time as the illiquid private market assets return capital to the Trust. In general, the investment managers have discretion in the timing of the realisations of investments within those strategies and in considerations relating to the liquidity of those investments within the mandate guidelines that have been agreed. As noted above, the Trustee maintains a minimum cash buffer to cover the cash requirements of the Trust. At the Trust year-end, c. 9% of assets are currently being held in a range of liquidity funds. The threshold was monitored and maintained by the Pensions Investment Manager, with the Trustee receiving quarterly updates on the cash balance during DBC meetings throughout the Trust Year.
7	**Financial and non-financial considerations and how those considerations are taken into account in the selection, retention and realisation of investments**	Sections 19 and 30	The Trustee views the key investment risks identified in Paragraph 30 of the SIP to be financially material. A number of the key investment risks identified in the SIP were measured and managed as part of discussions at DBC meetings. These included, but were not limited to, interest rate and inflation risk, currency hedging risk and liquidity risk. In addition to these key investment risks, the Trustee continued to consider more idiosyncratic risks (e.g. collateral sufficiency risk) during the Trust Year, both as part of ongoing monitoring and broader discussions on the investment strategy. The Trustee monitors investment managers' absolute and relative performance against appropriate benchmarks on a quarterly basis. This assessment evaluates both short-term and long-term performance. It is recognised that the Trust is a long-term investor. As such, the Trustee does not intend to make regular to changes to the investment strategy, unless circumstances permit. Section 19 of the SIP sets out the Trustee's belief that ESG and climate change can affect the long-term performance and sustainability of the Trust's investments. In keeping with this, the Trustee believes that the management of ESG risks can assist it in fulfilling its investment duties.

The Trustee formally considers the climate risk associated with its investments on an annual basis in the preparation of its Taskforce for Climate-Related Financial Disclosures (TCFD) report, in line with statutory requirements. The Trustee has set climate-related targets in line with these requirements, against which it monitors its investments. If one of its investment managers is not evidencing progress in this regard, the Trustee may consider its appointment. It should be noted that the climate-related risk is considered in the context of the other investment risks associated with the Trust's investments.

The Trust's second TCFD report covering the year ending 31 March 2023 was published during the Scheme Year. In this report the Trustee considered how climate related risks and opportunities are measured, monitored and managed in the Trust. The Trustee also reported on Scope 3 emissions, where available, for the first time, in accordance with statutory requirements.

The full report can be found here:

John Lewis TCFD Y2 Draft report (johnlewispartnership.co.uk)

As part of the quarterly reporting process, the Trustee monitors the extent to which each underlying fund integrates ESG considerations into its investment decision making process by reviewing the ESG rating assigned to each fund by our investment advisors. The Trustee believes that active ownership can enhance the value of the Trust's underlying portfolio and help manage risks. In September 2018, the Trustee became a signatory to the PRI. The Trustee reviews its stewardship policy annually to ensure that it continues to hold its investment managers to account on voting and engagement. The Trustee uses the results of the review to engage with the Trust's managers.

In line with the Statement of Investment Principles, non-financial matters have not been taken into consideration in respect of the DB Section's investments during the Trust Year.

Monitoring the Investment Managers

	Policy	Location in SIP	How the policy has been met over the year to 31 March 2024
8	**Incentivising investment managers to align their investment strategy and decisions with the Trustee's policies**	Section 21	The Trustee is comfortable that the contractual arrangements in place with the Trust's investment managers continue to incentivise the managers to make decisions based on medium to long-term financial and non-financial performance. When reviewing and monitoring the Trust's DB investment managers, the Trustee takes into consideration the DB Investment Consultant's research ratings. The Trustee has also been assisted by the Trustee Services team in the assessment of the continued appointment of the Trust's investment managers.
9	**Incentivising the asset manager 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**	Section 22	The Trustee monitored the performance of the Plan's investments throughout the year. Where a manager is deemed to be underperforming, the Trustee may ask the Pensions Investment Manager to carry out a detailed assessment of the rationale for the investment manager's performance. The Trustee may also request a formal review from the Investment Manager. If following review it is deemed that the investment manager no longer warrants a place within the Trust's portfolio, the Trustee will look to replace the investment manager (to the extent possible bearing in mind the liquidity of the mandates). During the course of the year the Trustee agreed to redeem from the segregated PGIM Property mandate. The decision was not based on performance, but was a strategic decision based on the Trustee's view of the appropriateness of property as part of the long-term investment strategy.
10	**Aligning the evaluation of the investment managers' performance and the remuneration for investment management services with the Trustee's policies**	Section 23	When considering investment performance, the Trustee primarily focuses on long-term performance given the Trust's expected investment time horizon. Shorter-term performance will also be taken into consideration as appropriate. The Trustee continues to monitor the performance of the Trust's investment managers. The Trustee is satisfied that investment managers' short-term performance incentives will not impact long-term goals. In particular, none of the funds have short-dated performance fees in place which could encourage managers to make short-term

			investment decisions to hit their short -term profit targets at the expense of longer-term performance.
11	**Monitoring portfolio turnover costs incurred by the investment managers**	Section 24	The Trustee monitors the net of fees performance of its investment managers, relative to their respective targets, and therefore considers the impact of ongoing costs on long-term performance. Should these costs exceed expectations, the Trustee may engage with its investment managers. The Trustee may choose explicitly to monitor portfolio turnover costs in the future. However, the Pensions Investment Manager will use the portfolio turnover cost data provided by the managers when carrying out regular review meetings with the Trust's investment managers as part of wider due diligence.
12	**The duration of the arrangement with the investment manager**	Section 25	The Trustee is a long-term investor which will not look to make frequent changes to the investment arrangements. The Trust's investment managers are however aware that their continued appointment is based on their success in delivering the mandate they have been appointed to manage. There are no set durations for the investment manager funds used by the Trust, with the exception of the closed ended funds that the Trust invests in which will typically return capital over an agreed lifetime.

ESG, Stewardship and Climate Change

	Policy	Location in SIP	How the policy has been met over the year to 31 March 2024
13	**Undertaking engagement activities in respect of the investments** (including the methods by which, and the circumstances under which, trustee would monitor and engage with relevant persons about relevant matters)	Section 19	The Trustee incorporates into the SIP details on responsible investment, which covers ESG factors, stewardship, climate change and sustainable investing. The Trustee keeps the policies under regular review, with the SIP subject to review at least annually or following any material changes to the Trust's investment arrangements. Post year-end, the Trustee has produced a standalone responsible investment policy, which will be maintained separately to the SIP and includes further detail on the Trustee's approach to investing responsibly, including the decision to target 'net zero' carbon emissions by 2050 (subject to further work to establish a plan to achieve this).

			The Trustee increasingly considers how ESG, climate change and stewardship are integrated within investment processes in monitoring existing managers. The Trustee considers the DB Investment Consultant's ESG ratings in its assessment of its DB investment managers. The Trustee's policy is that a change in ESG rating (or lack of ESG rating) does not mean that the investment manager will be removed automatically. Where managers may not be rated or highly rated from an ESG perspective, the Trustee has discussed the reasons with the DB Investment Consultant. Managers are expected to provide a summary of their ESG and stewardship policies and to comment on these issues as part of any meeting with the Trustee or its in-house team or advisers. The Trustee also surveys its investment managers on an annual basis with regards to ESG issues, alongside the data collection process for the TCFD reporting process. The Trustee recognises that where the Trust invests in pooled funds it is the investment manager which will engage with investee companies on behalf of its investors, and that the Trustee does not have direct control over the nature of these engagements.

Voting Disclosures

	Policy	Location in SIP	How the policy has been met over the year to 31 March 2024
14	**The exercise of the rights (including voting rights) attaching to the investments**	Section 22	As set out in the SIP, appointed investment managers have full discretion in evaluating ESG factors, including climate change considerations, exercising voting rights and meeting the stewardship obligations attached to the Trust's investments in accordance with their own corporate governance policies, and current best practice, including the UK Stewardship Code. The Trustee believes that responsible share ownership and seeking the best long-term value for investment in shares requires active exercise of voting rights. The Trustee has delegated its voting rights to the investment managers. Where applicable, the Trustee expects the Trust's investment managers to exercise its voting

	rights attaching to shares or securities and to take account of current best practice including the UK Corporate Governance Code and the UK Stewardship Code. The managers are authorised to exercise discretion to vote as they see fit, but in doing so should reflect the best interests of the Trust (or, where the Trustee invests through a pooled fund, the best interests of investors in the pooled fund, including the Trust). The Trustee does not use the direct services of a proxy voter, although the investment managers may employ the services of proxy voters in exercising their voting rights on behalf of the Trustee. At the year-end, the Trust did not have any material exposure to assets that had voting rights associated with them. The Trustee has asked that its investment managers provide examples of their engagement activity to demonstrate alignment with its stewardship priorities, some of which are included in the next section. The Trustee is satisfied on the basis of reporting that the managers' approach to engagement was aligned with the Trustee's policies during the period.

Voting and Engagement Activity

The Trustee has established stewardship priorities in line with the requirements of the Guidance released by the Department for Work and Pensions (DWP) in July 2022. These stewardship priorities are as follows:

- **Environmental**: Climate change - low-carbon transition and physical damages resilience. Nature and biodiversity (added as an engagement priority over the Scheme Year).
- **Social**: Human rights - modern slavery, pay & safety in workforce and supply chains, and abuses in conflict zones
- **Governance**: Diversity, Equity and Inclusion (DEI) - inclusive & diverse decision making

As noted above, the Trustee agreed to add Nature & Biodiversity as a stewardship priority over the Scheme Year. This was a result of training on topical ESG issues and the exercise to refresh the Trustee's beliefs. Further training has been provided to the Trustee on this important issue since the end of the Scheme Year.

Voting Activity during the Trust year

The DWP requirements require the Trustee to report on what it considers to be the "most significant" votes carried out by its investment managers in accordance with the Trustee's stewardship priorities. To ensure the disclosures are manageable and meaningful, when determining what it considers to be a "most significant vote", the Trustee has agreed to apply a filter based on size when disclosing significant votes. The Trustee has chosen to focus specifically on stocks that represent the largest holdings in a particular portfolio, to ensure that the votes being classified as significant represent a meaningful portion of the relevant portfolio.

At the year-end, the Trust did not maintain an allocation to assets with associated voting rights. There were some residual holdings in legacy equity holdings (< 0.1% of DB Section assets), however these have been excluded from this analysis on materiality grounds. As such, there is no voting activity to report on during the Trust Year. It is anticipated that the Trust will be allocating to liquid investment mandates over the near term that have voting rights associated with them, and as such expect to report on voting activity in relation to the Trust's engagement priorities over the period.

Engagement Activity during the Trust Year

In the absence of voting activity over the Trust Year, we have set out overleaf examples of engagement/active management activity completed within the Private Market portfolios that relate to each of the Trust's high-level stewardship priorities.

Climate: Ancala engages with energy supplier on climate-transition planning

Ancala has been working and supporting the Islands Energy Group (IEG) with the creation of a decarbonisation and transition plan. IEG has been working on the development of their net zero targets (Scope 1, 2 and 3), which the company set for 2050.

The company is exploring possible solutions for the decarbonisation of the gas they supply, methods to limit and reduce methane and fuel leaks associated with the network and activities for the decarbonisation of business travel, buildings, IT systems, employee commuting, amongst others.

Ancala's role has been to challenge, support and approve at board level all the different work streams, studies and plans that have been required, as well as making introductions to other portfolio companies and stakeholders that can assist in achieving the goals. This work includes scrutinising proposals and associated cost models, alongside revising and advising on the proposed roadmap.

Social: Abrdn continues to prioritise human rights issues in engagements

Abrdn monitors violations of United Nations Global Compact (UNGC) Principles across all underlying assets using annual surveys. In addition, there are ongoing Know Your Client (KYC) reviews to assess every counterparty's record with regard to any violations and controversies of UNGC and Organisation for Economic Co-Operation and Development (OECD) guidelines, as well as checks against good governance practices.

Governance: Cheyne assesses all counterparties for good governance activity

Cheyne expects all counterparties have been assessed to be of sound financial strength, with a strong track record and robust governance practices. They also expect to see the maintenance of robust and up-to-date policies relating (but not limited) to Diversity, Equity and Inclusion (DE&I). This includes the publishing and making publicly available a Gender Pay Gap report, where applicable.