



Tesco PLC Pension Scheme.

Trustee's report and financial statements

For the year ended 31 March 2025
Scheme Registration Number: 10057010

Tesco Pension Trustees Ltd.





Tesco PLC Pension Scheme

Trustee's report and financial statements for the year ended 31 March 2025

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Directors and Advisors

Principal Employer

Tesco PLC

Corporate Trustee

Tesco Pension Trustees Limited

Directors

Appointed by the Principal Employer

K Tindall
A Cheung
S Rigby
E Taylor

Appointed by the Members

M Bagoban
L Booker
G Tuft (resigned on 19 August 2024)
S Kyte (appointed on 1 May 2025)

Independent Directors

R Smith (Chair)
The Law Debenture Pension Trust Corporation PLC
represented by N Winterfrost

Secretary to the Trustee

A de Baat
L Hay

Scheme Administrator

Tesco Stores Limited

Actuary

N Mobbs FIA, Willis Towers Watson

Independent Auditor

Deloitte LLP

Legal Advisors

Eversheds Sutherland LLP

Property Valuer

Cushman & Wakefield
CBRE

Directors and Advisors (continued)

Principal Investment Manager	Tesco Pension Investment Limited (terminated 30 June 2024 – except Direct Property Portfolio which terminated on 31 July 2024) Schroder Investment Management Limited (appointment date 28 June 2024)
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Investment Advisors	Lane Clark & Peacock LLP Albourne Partners Limited
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Investment Managers	BlackRock (terminated 9 August 2024) Insight Investment Legal & General Investment Managers Limited (terminated 2 August 2024)
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Global Investment Custodian and Master Record Keeper	Northern Trust Corporation
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Banker	HSBC Bank plc
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Administrator and Enquiries	The Pensions Team PO Box 567 Welwyn Garden City AL7 9NN Telephone: 0345 070 1113 Email: pensions.dept@tesco.com
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Trustee's Report

How the Scheme is run

The Tesco PLC Pension Scheme ("the scheme") is a defined benefit scheme. It provides pension benefits for employees of Tesco PLC and the other participating employers (as listed below, collectively "the Employer"). The Scheme was closed to future benefit accrual from 21 November 2015.

The Scheme is established under Trust Deed and Rules dated 25 May 1976. The Scheme is registered with HM Revenue and Customs under Chapter 2, Part 4 of the Finance Act 2004. We are aware of no reason why the registration would be withdrawn.

The Scheme is registered with the Pensions Regulator, registration number: 10057010.

Other participating employers

During the year ended 31 March 2025 the other participating employers were:

- Tesco Stores Limited
- One Stop Stores Limited
- Tesco Personal Finance PLC
- Tesco Pension Investment Limited
(cessation of participation 11 October 2024)

As well as attending full Trustee meetings, most of the Trustee Directors are also members of sub-committees, with these meetings normally being held quarterly. During the year ended 31 March 2025, the record of attendance at Trustee meetings was:

		Full Trustee Meeting	OAC*	IRC*	RIC*	Discretions Committee	Additional Meetings
Employer Appointed:	Mr S Rigby	7	N/A	4	N/A	N/A	3
	Mr K Tindall	7	N/A	-	N/A	N/A	2
	Ms A Cheung	7	N/A	N/A	N/A	N/A	2
	Ms E Taylor	7	N/A	N/A	N/A	N/A	2
Member Nominated:	Mr M Bagoban	8	N/A	4	4	N/A	3
	Ms L Booker	8	4	N/A	N/A	2	3
	Mr G Tuft ^a	1	1	0	N/A	0	0
Independent:	Mr R Smith (Chair)	8	4	4	4	N/A	4
	Ms N Winterfrost	7	4	4	4	2	4
Other Committee Members:	Mr A Henley	N/A	N/A	4	3	N/A	N/A
	Mr E Boomla	N/A	4	N/A	N/A	N/A	N/A
	Ms K Majid	N/A	0	N/A	N/A	N/A	N/A
	Ms L Fishman ^b	N/A	1	N/A	N/A	N/A	N/A

* OAC = Operations and Audit Committee; IRC = Investment Risk Committee; RIC = Responsible Investment Committee
^a Mr G Tuft resigned from the Trustee Board, the OAC and the Discretions Committee on 19 August 2024.
^b Ms L Fishman replaced Ms K Majid on the OAC on 5 March 2025.

The Trustee

Tesco Pension Trustee Limited exists only for the purpose of acting as Corporate Trustee of the Scheme. It is referred to as "the Trustee" throughout this report.

The Trustee is responsible for the administration and investment policy of the Scheme. The Directors usually meet at least four times a year to discuss the reports received from the Investment and Risk Committee (IRC), the Operations and Audit Committee (OAC), the Responsible Investment Committee (RIC), the Valuation sub-Committee (VSC), the Discretions Committee, the GMP Working Party and external advisors.

The Scheme rules contain provisions for the appointment and removal of the Directors of the Trustee. Tesco PLC has the power to appoint and remove Trustee Directors, of whom there must be no more than ten and no fewer than two at any time. In line with legislation, one third of the Directors are selected after seeking nominations from members of the Scheme. All employed deferred and pensioner members may nominate candidates. Successful candidates are selected by a panel, including representatives of the Directors, relevant trade unions, and the pensions industry.

Trustee's Report (continued)

The Trustee (continued).

There were four additional meetings during the year:

- a Trustee training day
- an OAC training day
- an IRC training day
- a training session on Structured Equity investments

Virgin Media Disclosure

The Virgin Media Ltd v NTL Pension Trustees II decision, handed down by the High Court on 16 June 2023, considered the implications of Section 37 of the Pension Schemes Act 1993. The decision was that amendments to pension scheme rules made in a certain period and relating to contracted-out benefits will be void if no actuarial confirmation was obtained that the "reference scheme test" continued to be met. The court decision was subject to appeal but was upheld on appeal on 25 July 2024.

The Trustee has consulted with its legal advisers (Eversheds Sutherland) and there are no findings from the work undertaken to date that would require any adjustment to liabilities.

In particular, on 2 September 2025, the Government published draft legislation which would give affected pension schemes the ability to obtain written actuarial confirmation retrospectively that historic benefit changes met the necessary standards. It is expected that further regulations and actuarial guidance will be published in this regard. The Trustee is currently taking legal and actuarial advice on this. In addition, the Trustee is aware that the judgment on at least one further legal case in this area is due to be published later this year.

Financial developments and financial statements

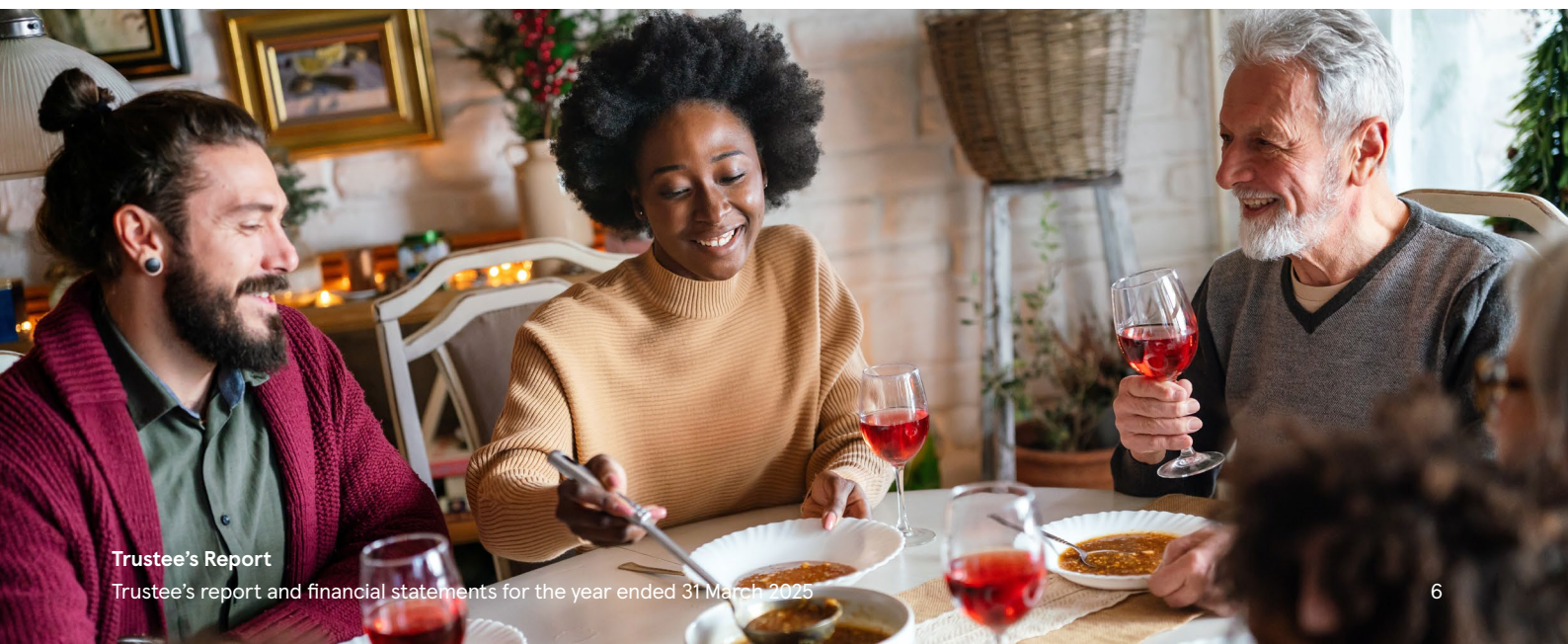
The financial statements included in this annual report are the financial statements required by the Pensions Act 1995. They have been prepared and audited in compliance with regulations made under sections 41(1) and (6) of that Act.

The value of the Scheme assets decreased as a result of market volatility over the year, as noted below. During the year under review, the total net assets of the Scheme decreased to £10.5 billion (2024: £11.9 billion). Over the year the Scheme had a negative cashflow due to outgoing benefits exceeding contributions and investment income.

Market volatility over the year

The year up to 31 March 2025, was characterised by increasing geopolitical uncertainties, persistent inflationary pressures, and the impacts of these factors on economic growth. Financial markets exhibited volatility due to these factors. Stocks generally performed well during the period but were affected by concerns over political changes and more specifically tariff announcements in 2025. Most developed market central banks shifted course, beginning to cut interest rates as inflation approached target levels, down from the highs seen a couple of years earlier. Yields on government bonds fluctuated, reflecting both market sentiment and central bank actions during the period.

The rise in UK government bond yields has reduced the value of the Scheme's liabilities over the year. At the same time, the value of the Scheme's assets (particularly the interest rate and inflation protection within the LDI portfolio) moved in line with market and the decline in the capital value of government bonds. The Scheme remains fully funded at 31 March 2025 and operates a robust and structured collateral ladder.



Statement of Trustee’s Responsibilities

The financial statements, which are prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including the Financial Reporting Standard applicable in the UK (FRS 102), are the responsibility of the Trustee. Pension Scheme regulations require, and the Trustee is responsible for ensuring, that those financial statements:

- show a true and fair view of the financial transactions of the Scheme during the Scheme year and of the amount and disposition at the end of that year of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme year; and
- contain the information specified in the Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including making a statement whether the financial statements have been prepared in accordance with the relevant financial reporting framework applicable to occupational pension schemes.

In discharging the above responsibilities, the Trustee is responsible for selecting suitable accounting policies, to be applied consistently, making any estimates and judgments on a prudent and reasonable basis, and for the preparing of the financial statements on a going concern basis unless it is inappropriate to presume that the Scheme will not be wound up.

The Trustee is also responsible for making available certain other information about the Scheme the form of an annual report.

The Trustee also has a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to them to safeguard the assets of the Scheme and to prevent and detect fraud and other irregularities, including the maintenance of an appropriate system of internal control. The Trustee is responsible for the maintenance and integrity of the corporate and financial information included on the Scheme’s website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Trustees Responsibilities in Respect of Contributions

The Trustee is responsible under pensions legislation for preparing, maintaining, from time-to-time reviewing and (if necessary) revising a Schedule of Contributions, showing the rates of contributions payable to the Scheme by or on behalf of the Employer, as well as the dates on or before which such contributions are to be paid.

The Trustee is also responsible for adopting risk-based processes to monitor whether contributions are made to the Scheme by the Employer in accordance with the Schedule of Contributions. Where breaches of the Schedule occur, the Trustee is required by the Pensions Acts 1995 and 2004 to consider making reports to The Pensions Regulator and the members.

Membership statistics

Deferred pensioners
Pensioners
Leavers yet to choose options & refunds held for untraced leavers

31 March 2025	31 March 2024
232,962	241,014
94,481	90,074
-	2,150

Pension increases

The Scheme increases pensions in payment every year in line with price inflation, up to a maximum of 5% a year. Price inflation for pensions built up before 1 June 2012 is measured by the Retail Prices Index. Price inflation for pensions built up from 1 June 2012 is measured by the Consumer Prices Index. Increases above this may be awarded at the discretion of the Employer. The Scheme increases Guaranteed Minimum Pensions in line with statutory requirements.

In April 2024, pensions in payment in excess of the Guaranteed Minimum Pension that were built up before June 2012 were increased by 3.6%. Pensions in payment built up since June 2012 were increased by 3.0%. The following increases to pensions in payment were provided in earlier years:

Date	Pension built up before June 2012	Pension built up after June 2012
1 April 2023	5.0%	5.0%
1 April 2022	5.0%	5.0%
1 April 2021	1.4%	0.7%
1 April 2020	2.7%	1.8%
1 April 2019	2.5%	1.8%
1 April 2018	4.0%	3.0%
1 April 2017	2.6%	1.8%
1 April 2016	1.3%	0.3%
1 April 2015	1.1%	0.3%
1 April 2014	2.8%	1.9%
1 April 2013	3.3%	2.7%

None of these increases were discretionary.

Pensions in payment on the WM Low & Company Retirement Benefits Scheme basis, paid from the Tesco PLC Pension Scheme, are not increased above the statutory increase on the GMP part of the pension. The Scheme must increase the pensions of members who left the Scheme on or after 1 January 1986 and before retirement in accordance with statutory legislation. This legislation requires full increases to the total pension built up for members who leave on or after 1 January 1991. For any leavers between 1 January 1986 and 1 January 1991 legislation only requires increases to the amount of pension built up from 1 January 1985. The Scheme provides full increases to the whole pension built up for these leavers, and therefore, the Scheme provides increases beyond the basic statutory requirement.

Deferred pensions have been increased in line with statutory requirements for all sections of the Scheme.

Transfer values

Cash equivalents paid during the Scheme year with respect to transfers have been calculated and verified in accordance with current legislation and do not include discretionary benefits.

Administration

The Scheme is administered on behalf of the Trustee by the Pensions Team of Tesco Stores Limited, to which any enquiries should be addressed. The contact details are:

Address: The Pensions Team
PO Box 567
Welwyn Garden City
AL7 9NN

Telephone: 0345 070 1113

Email: pensions.dept@tesco.com

The management and staff involved in running the Scheme (including the Secretary to the Trustee) are employed by Tesco Stores Limited and other related subsidiaries of Tesco PLC. The Scheme bears all costs of investment, Trustee expenses, stationery, postage and other sundry administrative costs.



Investment Report

This section of the report covers:

- The Trustee’s goals for the investments
- How decisions over the investments are taken
- Significant changes made since 31 March 2024
- How investment markets and the Scheme performed
- The performance of individual mandates
- Some additional information about the management of the Scheme’s assets

The Trustee’s goals for the investments

The main objective of the Trustee is to ensure that the Scheme is able to pay the members and their families their promised benefits. To meet this objective, the Trustee invests in a diverse range of investments, balancing risk with expected investment returns.

As the benefits are payable over a long period, the Trustee takes a long-term view when making investments. This means the performance can vary from year to year and, in some years, returns may be negative. A single poor year will not directly affect the ability to meet the longer-term objectives.

How decisions over the investments are taken

The Trustee sets a long-term investment strategy, after obtaining advice from consultants for both long-term and medium-term allocation. The Trustee’s investment strategy is to generate the returns required in the Scheme’s funding plan in a risk-controlled way, by investing in a range of different types of assets.

The Trustee seeks to mitigate a high proportion of the impact that changes to interest and inflation rates may have on the funding position. The Trustee has clear principles around liability hedging, collateral and expected returns, and how to balance them.

The Trustee reviews the investment strategy at least every three years, or when there is any significant change in the circumstances of the Scheme. The Trustee regularly monitors the investments. The Scheme’s broad asset allocation as at 31 March 2025 is; LDI 29%; equities 24%; fixed income 11% (which includes government and corporate bonds); private equity 8%; property (direct and indirect) 8%; private credit 10%; infrastructure equity 6%; and liquidity 4%. The Scheme’s asset allocation does not use target asset allocations per asset class but is determined and managed based on the principles set out within the Statement of Investment Principles. The investment portfolio is therefore considered allocated in accordance with the Statement of Investment Principles.

From 1 April 2024 to 30 June 2024, Tesco Pension Investment Limited (“TPI”) acted as principal investment manager for the Scheme under an Investment Management agreement with the Trustee. From 1 July 2024, Schroders acted as principal investment manager for the Scheme under an OCIO Investment Management agreement with the Trustee (the “OCIO Agreement”). Schroders has been given discretion on the asset allocation going forward, subject to restrictions as outlined in the investment management agreement. The actual asset allocation relative to these restrictions is monitored by the Investment Risk Committee

How have investment markets and the Scheme performed?

The total Scheme returns over 1, 3 and 5 years are shown below. The Scheme LDI is designed to protect the Scheme funding position from changes in interest rates, and so its value has decreased as interest rates have risen. The Scheme’s returns excluding LDI are also shown below, demonstrating the overall positive performance of these assets over the last year.

	Total Scheme	Scheme excl. LDI
1 year	-8.5% pa	5.3% pa
3 year	-16.2% pa	0.2% pa
5 year	-6.2% pa	5.3% pa



Trustee's Report (continued) | Investment Report

How individual asset mandates performed

Equities:

The Scheme's equity investments generated an absolute return of 6.3%. The assets were transitioned into a combination of actively managed portfolios under Schrodgers' management and a range of equity derivatives between July and August 2024. Prior to that, equity investments were largely managed on a passive basis.

Fixed Income:

The Scheme's fixed income investments generated an absolute return of 2.3%.

Direct Property:

The Scheme's direct property investments generated an absolute return of 14.2%.

Indirect Property:

The Scheme's indirect property investments generated an absolute return of -2.6%.

Alternatives:

The Scheme's Alternative assets generated an absolute return of 13.5%.

Private Equity:

The Scheme's Private Equity assets generated an absolute return of 6.6%

Private Credit:

The Scheme's Private Credit assets generated an absolute return of 8.8%

Infrastructure Equity:

The Scheme's Infrastructure Equity assets generated an absolute return of 8.8%

Trustee's Report (continued) | Investment Report

Other disclosures

Question

Answer

Who makes sure the assets are held securely?

Details on individual assets are as follows:

- All listed securities are held with the Scheme's global custodian, Northern Trust.
- All exchange traded derivatives are registered with the Bank of America Merrill Lynch, the Scheme's global clearer.
- Bilaterally traded OTC derivatives are agreements between the Scheme and the individual counterparty. These are collateralised daily.
- Centrally cleared OTC derivatives are held within Individual Segregated Accounts ('ISA's) at Goldman Sachs and Morgan Stanley, the Scheme's clearing brokers for centrally cleared OTC securities.
- Unlisted alternative assets are registered in the name of the Scheme with the administrators of the individual funds.
- Direct property assets are held in the name of the Scheme's appointed property custodian, HSBC Trust Company, on behalf of the Scheme. Title deeds are held with both Bryan Cave Leighton Paisner LLP and Brodies LLP solicitors.
- The majority of investments in pooled funds are registered in the Scheme's name with the fund administrator. The remainder of pooled funds are registered in the nominee name of Northern Trust on behalf of the Scheme.

Could the Trustee sell the assets if it needed to?

At the year-end, £6,915m (66%) of investment assets were quoted on a recognised stock exchange or held in cash or assets readily convertible to cash and are therefore considered to be marketable on a short-term basis. Longer periods may be needed to dispose of:

- Properties which total £876m (8%) consisting of direct property (note 12) and indirect property (note 13).
- Alternative assets which total £2,702m (26%) consisting of private equity, pooled equity funds and hedge funds (note 13).

AVC investments are excluded from the numbers above as these are member specific.

Does the Trustee lend out any of the assets?

Northern Trust manage a stock lending programme for the Scheme which covers all listed equity and fixed income assets held in its custody. Northern Trust fully indemnifies this program from the failure of counterparties to return stock.

Eligible collateral is currently as follows:

- Obligations issued or guaranteed by OECD (Organisation for Economic Cooperation and Development) member states or their local governments, agencies, instrumentalities or authorities. Minimum rating of B+ or higher by at least one NRSRO (Nationally Recognised Statistical Rating Agency) (except for obligations issued or guaranteed by the U.S. Government and U.K. Government)
- Equity issues which are part of indices are approved by the Agent's appropriate risk committee from time to time.
- No cash collateral is used in this program.

How is performance measured?

The performance is measured by calculating the difference in valuation at the start and the end of period after accounting for flows. Performance of the Scheme investments is closely monitored by the Trustee and the principal manager. These performance calculations are cross-checked against reports produced by the managers and third party independent professional advisors.

Where is there more information on the Trustee's investment strategy?

The Trustee has produced a Statement of Investment Principles as a requirement of Section 35 of the Pensions Act 1995 (as updated by the Pensions Act 2004) which is available on request from the Pensions Team.

Extra security for the Scheme

The Scheme has the benefit of a security arrangement over certain Tesco Stores up to a maximum of £775m, which provides extra security to the Scheme if Tesco is in default. The stores that are subject to this security agreement are valued independently assuming vacant possession by Cushman & Wakefield. The Trustee monitors these valuations with assistance from its principal manager.

Responsibility as an investor

The Trustee invests its assets responsibly in delivering its objective to pay the right benefit to members at the right time. The Trustee considers climate change to be a material financial risk to the Scheme and, alongside other environmental, social and governance (ESG) considerations, is likely to influence the risk and return of the Scheme's investments over the long term.

The principal investment manager (TPI up until 30 June 2024, and Schroders from 1 July 2024) and other external fund managers are responsible for the day-to-day management of the Scheme's assets. As the investment of the Scheme's assets is delegated to the Scheme's investment managers, the Trustee expects its managers to consider ESG factors, including climate change, as an integral part of their investment processes. The Trustee recognises that certain elements of responsible investment (for example voting practices) apply more readily to equity investments than other types of assets. Nevertheless, the Trustee expect its principal manager and its other external fund managers to consider its views on responsible investment across the whole portfolio where appropriate and possible.

The Trustee has made a commitment to aim for the Scheme's portfolio of assets to have reached Net Zero carbon emissions by no later than 2050 and continued to monitor its progress towards this aim over the Scheme year. The Trustee has developed a Responsible Investment Policy which sets out how it undertakes ESG activities and sets out its Stewardship and Engagement priorities. This policy was reviewed and updated during the Scheme year. The Trustee has also been busy undertaking various actions in order to meet the requirements of the Pension Scheme Act 2021 in relation to climate change, and climate related risks and opportunities.

A full summary of the actions taken in relation to this Net Zero commitment, and the Pension Scheme Act requirements are detailed further in the Trustee's annual Climate Report [\[link\]](#). This report details how the Trustee has considered and managed climate related risks and opportunities and contains the Trustee's disclosure requirements under the Financial Stability Board's Taskforce on Climate related Financial Disclosures (TCFD). This report does not form part of the annual report.

As shareholders, the Trustee has the right to vote in the annual general meetings of the companies in which the Scheme invests. The Trustee has delegated the responsibility to vote to the fund managers. However, the Trustee can make its own voting decisions if necessary. Further information on voting undertaken over the year is set out in the Scheme's Implementation Statement in the Appendix and full details on the Trustee's approach to Stewardship, including voting and broader engagement across the asset classes it invests in can be found in our Stewardship update report [Tesco Pension Scheme \(closed\) – Stewardship Report](#).

Compliance statement

Scheme advisors

There are written agreements in place between the Trustee and each of the Scheme Advisors listed on page 1 and 2 of this report and also with the Principal Employer.

Scheme investments

The Investment Managers appointed on behalf of the Trustee to manage funds under section 34(4) of the Pensions Act 1995 are appropriately authorised under the Financial Services and Markets Act 2000 to manage investments or are specifically exempted from the requirements of the Act. The investment managers appointed have the appropriate knowledge and experience necessary to manage the particular investments delegated to them.

Tesco Pension Investment Limited was also authorised under the Financial Services and Markets Act 2000.

Trustee's Report (continued)

Money and Pensions Service (MaPS)

Any concern about the Scheme should be referred to Tesco Pension Trustees Limited who will try to resolve the problem as quickly as possible.

MaPS is a body sponsored by the Department for Work and Pensions, established at the beginning of 2019, and also engages with HM Treasury on policy matters relating to financial capability and debt advice. MaPS brought the Money Advice Service, The Pensions Advisory Service and Pension Wise together under the new name, MoneyHelper. MoneyHelper is here to make money and pension choices clearer. It provides impartial help and free to use. MoneyHelper can be contacted through:

Pensions Helpline: 0800 011 3797

Website: moneyhelper.org.uk/en/contact-us

Pensions Ombudsman

In cases where a complaint or dispute cannot be resolved, normally after the intervention of TPAS, an application can be made to the Pensions Ombudsman for him to investigate and determine any complaint or dispute of fact or law involving occupational pension Schemes.

Address: The Pensions Ombudsman
10 South Colonnade
London
E14 4PU

Telephone: 0800 917 4487

Website: pensions-ombudsman.org.uk

The Pensions Regulator

The Pensions Regulator is the regulatory body for work-based pension Schemes in the UK. The Regulator's objectives are to protect savers' money by making schemes and employers comply with their duties, enhance the system through effective market oversight, influencing better practices and support innovation in savers' interests so that new products and services deliver good outcomes

The Regulator does not deal with queries about individuals' pension benefits but can be contacted by anyone that has concerns about the way that the Scheme is being managed.

Address: The Pensions Regulator
Telecom House
123-135 Preston Road
Brighton
BN1 6AF

Telephone: 0345 600 0707

Website: thepensionsregulator.gov.uk

Pension Tracing Service

The Pension Tracing Service is available for members (and their dependants) of previous employers' Schemes who have lost touch with earlier employers and their trustee. To trace a benefit entitlement under a former employer's Scheme, enquiries should be addressed to:

Address: The Pension Tracing Service
The Pension Service
Post Handling Site A
Wolverhampton
WV98 1AF

Telephone: 0800 731 0175

Website: gov.uk/find-pension-contact-details

Internal disputes resolution procedures

A disputes resolution procedure has been agreed by the Trustee to resolve any queries raised by beneficiaries or potential beneficiaries of the Scheme and details of this can be obtained by writing to the contact below.

The Pensions Team, PO Box 567, Welwyn Garden City, AL7 9NN. Telephone: 0345 070 1113.

Signed on behalf of the Tesco Pension Trustees Limited as Trustee of the Tesco PLC Pension Scheme.

Trustee Director: _____

Date: _____

Trustee Director: _____

Date: _____

Report on Actuarial Liabilities

As required by Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' (FRS 102), the Trustee's Report and Financial Statements do not include liabilities in respect of promised retirement benefits.

Under section 222 of the Pensions Act 2004, every Scheme is subject to the Statutory Funding Objective, which is to have sufficient and appropriate assets to cover its technical provisions, which represent the present value of benefits to which members are entitled based on pensionable service to the valuation date. This is assessed using the assumptions agreed between the Trustee and the Employer and set out in the Statement of Funding Principles, which is available to Scheme members on request.

The last full actuarial valuation was performed by Neil Mobbs of Towers Watson Limited as at 31 March 2022. The valuation indicated that, on the basis of contributions being paid at the agreed levels, the Scheme would be able to meet benefits as they fall due, assuming the Scheme continues.

On discontinuance the assets would be insufficient for the Trustee to pay the benefits in full, should they continue to run the Scheme with low-risk investments. The next actuarial valuation is being to be carried out as at 31 March 2025.

A Schedule of Contributions was agreed by the Trustee and certified by the Actuary on 5 January 2023, setting out the contributions payable to the Scheme up until 5 January 2028. The Statutory certificate is given on page 16.

Method

The actuarial method to be used in the calculation of the technical provisions is the Projected Accrued Benefits Method.

Significant actuarial assumptions

The table below summarises the main financial assumptions used to calculate the Scheme's technical provisions:

Financial assumptions as at 31 March 2022

	% pa
Discount rate	2.85
Retail price inflation (RPI)	3.7
Consumer price inflation (CPI)	RPI minus 1.0 from 2030, then RPI minus 0.5
Statutory increases to non GMP pensions in deferment	3.6
Pension increases:	
- Pension earned before 1 June 2012* (RPI up to 5% a year)	3.3
- Pension earned after 31 May 2012 (CPI up to 5% a year)	3.1

**with the exception of GMP earned prior to 6 April 1988 which is non-increasing in payment*

All of the financial assumptions actually use the full gilt yield or inflation curves (as set out in the Statement of Funding Principles dated 5 January 2023). We have shown average "single equivalent" rates above where appropriate.

Report on Actuarial Liabilities (continued)

Demographic assumptions as at 31 March 2022

The main demographic assumptions used to calculate the Scheme's technical provisions are summarised below:

Mortality after retirement

Men	96% of SAPS S3 normal male pensioners heavy for staff 112% of SAPS S3 normal male pensioners light for senior managers
Women	105% of SAPS S3 normal female pensioners heavy for staff 87% of SAPS S3 all female pensioners middle for senior managers

These tables are projected to 2018 with CMI 2020 improvements (core parameters and long-term improvement rate of 1.5% a year) and from 2018 onwards in line with the CMI 2021 improvements with a long-term rate of improvement of 1.5% a year, core smoothing parameters and an initial improvement addition of 0.5% a year for Senior Managers (no additional improvements are included for Staff members).

Allowance for commutation

Members are assumed to commute 75% of the maximum permitted at retirement on the agreed commutation terms.

Valuation as at 31 March 2022

Net assets of the Scheme:	£21,071m
Technical Provisions:	£20,212m ¹
Surplus:	£859m
Funding level:	104.3%

¹Includes recognition of additional return expected from the financial interest the Scheme has in a portfolio of Tesco properties, expected to mature in around 2040, facilitated by the complementary nature of the separate charge on Tesco property (a contingent asset) in the event of insolvency of Tesco.



Actuary's Certificate of Schedule of Contributions

Name of Scheme: Tesco PLC Pension Scheme

Adequacy of rates of contributions

1. I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the Statutory Funding Objective could have been expected on 31 March 2022 to continue to be met during the period for which the Schedule is in force.

Adherence to Statement of Funding Principles

2. I certify that, in my opinion, this Schedule of Contributions is consistent with the Statement of Funding Principles dated 5 January 2023.

The certification of the adequacy of the rates of contributions for the purpose of securing that the Statutory Funding Objective can be expected to be met is not a certification of their adequacy for the purpose of securing the Scheme's liabilities by the purchase of annuities, if the Scheme were to be wound up.

Neil Mobbs
Fellow of the Institute and Faculty of Actuaries
Towers Watson Limited

5 January 2023

Watson House
London Road
Reigate
Surrey
RH2 9PQ



Trustee's Summary of Contributions

This summary of contributions has been prepared by, or on behalf of the Scheme and is the responsibility of the Trustee. It sets out the Employer and any member contributions payable to the Scheme in respect of the period 1 April 2024 to 31 March 2025 at least in accordance with the Schedule of Contribution certified by the Scheme Actuary on 5 January 2023. The Scheme auditor reports on contributions payable under the Schedule in their auditor's statement about Contributions.

Contributions required by the Schedules of Contributions

Employer

Ongoing Scheme expenses

Contributions payable under the Schedule of Contributions as reported on by the Scheme Auditor, and as per the financial statements

£'m

£17.0

£17.0

Signed on behalf of the Tesco Pension Trustees Limited as Trustee of the Tesco PLC Pension Scheme.

Trustee Director: _____

Trustee Director: _____

Date: _____

Date: _____



Independent Auditor's Statement About Contributions to the Trustee of the Tesco PLC Pension Scheme

We have examined the summary of contributions to the Tesco PLC Pension Scheme for the Scheme year ended 31 March 2025 which is set out on page 17.

In our opinion, contributions for the Scheme year ended 31 March 2025, as reported in the summary of contributions and payable under the Schedule of Contributions, have in all material respects been paid at least in accordance with the Schedule of Contributions certified by the Scheme Actuary on 5 January 2023.

Scope of work on statement about contributions

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the attached summary of contributions have in all material respects been paid at least in accordance with the Schedule of Contributions. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Scheme and the timing of those payments under the Schedule of Contributions.

Respective responsibilities of Trustee and the auditor

As explained more fully in the Statement of Trustee's Responsibilities, the Scheme's Trustee is responsible for preparing, and from time to time reviewing and if necessary revising, a Schedule of Contributions and for monitoring whether contributions are made to the Scheme by the employer in accordance with the Schedule of Contributions.

It is our responsibility to provide a statement about contributions paid under the Schedule of Contributions and to report our opinion to you.

Use of our report

This statement is made solely to the Trustee, as a body, in accordance with Regulation 4 of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 made under the Pensions Act 1995. Our work has been undertaken so that we might state to the Trustee those matters we are required to state to them in an auditor's statement about contributions and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Trustee as a body for our work, for this statement, or for the opinion, we have formed.

Deloitte LLP, Statutory Auditor, Birmingham, United Kingdom: _____

Date: _____

Independent Auditor's Report to the Trustee of the Tesco PLC Pension Scheme

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of the Tesco PLC Pension Scheme (the 'Scheme'):

- show a true and fair view of the financial transactions of the Scheme during the year ended 31 March 2025 and of the amount and disposition at that date of its assets and liabilities, other than the liabilities to pay pensions and benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

We have audited the financial statements which comprise:

- the fund account
- the statement of net assets
- the related notes 1 to 30.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Scheme in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Trustee's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Scheme's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Trustee with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Trustee is responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Trustee

As explained more fully in the Statement of Trustee's responsibilities, the Trustee is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustee determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustee is responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustee either intends to liquidate the Scheme or to cease operations, or has no realistic alternative but to do so.

Independent Auditor's Report to the Trustee of the Tesco PLC Pension Scheme (continued)

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [frc.org.uk/auditorsresponsibilities](https://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the Scheme's industry and its control environment, and reviewed the Scheme's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of the Trustee and pension management, their own identification and assessment of the risks of irregularities including those that are specific to the Scheme's business sector.

We obtained an understanding of the legal and regulatory framework that the Scheme operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the Pensions Act 2004, the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 and the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the Scheme's ability to operate or to avoid a material penalty. These included the Scheme's regulatory requirements.

We discussed among the audit engagement team including relevant internal specialists such as pension actuarial, IT, financial instruments and real estate industry specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the misappropriation of investment assets due to the significant size of investment transactions and balances. In response we have:

- obtained an understanding of the relevant controls over investment holdings and transactions;
- agreed investment holdings to independent confirmations; and
- agreed investment and cash reconciliations to independent sales and purchase reports and bank statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of the Trustee and pension management concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of Trustee meetings and reviewing correspondence with the Pensions Regulator.

Use of our report

This report is made solely to the Scheme's Trustee, as a body, in accordance with Regulation 3 of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 made under the Pensions Act 1995. Our audit work has been undertaken so that we might state to the Scheme's Trustee those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scheme's Trustee as a body, for our audit work, for this report, or for the opinions we have formed.

Deloitte LLP, Statutory Auditor, Birmingham, United Kingdom: _____

Date: _____

Fund Account

Year ended 31 March 2025

	Note	2025 £'m	2024 £'m
Contributions and benefits			
Employer contributions	4	17.0	17.0
		<u>17.0</u>	<u>17.0</u>
Benefits paid and payable	5	(435.2)	(398.1)
Payments to and on account of leavers	6	(18.6)	(13.0)
Administrative expenses	7	(9.3)	(10.2)
		<u>(463.1)</u>	<u>(421.3)</u>
Net (withdrawals) from dealings with members		(446.1)	(404.3)
Returns on investments			
Investment income	8	159.5	241.6
Change in market value of investments	9	(1,016.9)	(817.1)
Investment management expenses	10	(49.2)	(44.3)
Net return on investments		(906.6)	(619.8)
Net decrease in the fund during the year		(1,352.7)	(1,024.1)
Net assets of the Scheme			
As at 1 April		<u>11,861.2</u>	<u>12,885.3</u>
As at 31 March		<u>10,508.5</u>	<u>11,861.2</u>

The notes on pages 23 to 39 form part of these financial statements.

Statement of Net Assets (available for benefits)

As at 31 March 2025

	Note	2025 £'m	2024 £'m
Investment assets			
Equities	9	1,420.9	407.6
Bonds	9	8,178.9	7,686.7
Property	12	201.5	328.6
Pooled investment vehicles	13	3,377.6	4,746.7
Derivatives	15	395.0	485.6
AVC investments	17	37.7	40.7
Cash	19	857.6	933.2
Other investment balances	20	419.4	289.2
		14,888.6	14,918.3
Investment liabilities			
Bonds	9	(353.9)	(230.0)
Derivatives	15	(1,025.5)	(1,830.9)
Other investment balances	20	(2,977.3)	(1,001.3)
		(4,356.7)	(3,062.2)
Total investments		10,531.9	11,856.1
Current assets	24	27.8	47.9
Current liabilities	25	(51.2)	(42.8)
Net assets of the Scheme		10,508.5	11,861.2

The notes on pages 23 to 39 form part of these financial statements.

The financial statements summarise the transactions of the Scheme and deal with the net assets at the disposal of the Trustee. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Scheme year. The actuarial position of the Scheme, which takes into account such obligations for the defined benefit section, is dealt with in the Report on Actuarial Liabilities on pages 14 and 15 and these financial statements should be read in conjunction with this Report.

Signed on behalf of the Trustee.

Trustee Director: _____ Trustee Director: _____

Date: _____ Date: _____



Notes to the Financial Statements

1. Basis of preparation

The financial statements have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard 102 (FRS 102) – The Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council and the guidance set out in the Statement of Recommended Practice (SORP) (June 2018).

The financial statements have been prepared on a going concern basis. The Trustees have assessed the scheme's ability to continue as a going concern, taking into account the funding position, available resources, and expected future cash flows, and are satisfied that the scheme has adequate resources to meet its obligations as they fall due.

2. Identification of the financial statements

The Fund is established as a trust under English law. The address for enquiries to the Scheme is included in the Trustee's report.

3. Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated below:

Consolidation

- In accordance with FRS 102 and the SORP, the Trustee is not required to prepare consolidated accounts which includes subsidiary undertakings and has chosen not to do so in these financial statements, because the entities are held for investment purposes only and not as operating subsidiaries. The net assets held within these entities are included in the underlying asset class line to which they relate on the statement of net assets at fair value and a summary of those assets is shown in note 20.

Foreign currencies

- Assets and liabilities in foreign currencies are expressed in Pounds sterling at the exchange rate ruling at the year-end. Income from overseas investments is translated into Pounds sterling at the rate on the date at which it is received.

- Foreign currency transactions are translated into Pounds sterling at the spot exchange rate at the date of the transaction.
- Gains and losses arising on conversion or translation are dealt with as part of the change in market value of investments.

Contributions

- Employer contributions from the employer are accounted for as they fall due under the Schedule of Contributions in force at the time, the Scheme rules and the recommendations of the actuary.

Transfer to and from other schemes

- Transfer values represent the capital sums either receivable in respect of members from other approved pension schemes of previous employers or payable to the approved pension schemes of new employers for members who have left the Scheme. They are accounted for on a cash basis. The liability normally transfers when a payment is made, unless the Trustee of the receiving Scheme have agreed to accept the liability in advance of receiving the funds.
- The Scheme currently only accepts transfer-in payments in exceptional circumstances. These are almost entirely as a result of acquisitions by Tesco PLC. A member with preserved benefits in a Scheme due to be wound up can also ask for a transfer-in.

Benefits payable

- Members can choose whether to take their benefits as only pension or as pension and a cash lump sum. Members whose total benefits in all registered pension schemes are less than £30k may take their pension as a one off lump sum. Pensions and cash sums are accounted for on an accruals basis on the later of date of leaving or retirement and the date on which the member informs the Trustee of their choice.

Other expenses

- Administrative expenses and term insurance policies are accounted for on an accruals basis.

Investment income

- Dividends from equities is accounted for on the date stocks are quoted ex-dividend on an accruals basis.
- Income from bonds is accounted for on an accruals basis.
- Income from pooled funds is automatically reinvested in new units with the exception of income from private equity and indirect property funds, which is received by the Scheme.
- The change in market value of investments during the year comprises all increases and decreases in the

market value of investments held at any time during the year, including profits and losses realised on sales of investments and unrealised changes in market value.

- Income from cash and short-term deposits is accounted for on an accruals basis.
- Rental income is accounted for as earned on an accruals basis.
- Interest in respect of repurchase agreements is accounted for on an accruals basis.
- Interest on cash deposits is accrued on a daily basis.

Other Income

- Income relating to administration and members benefits is accounted on an accrual basis.

Derivatives

- Derivative contracts are valued at fair value. The fair value on the contracts is shown as a separate line within investments in note 15.
- Any changes in the fair value of derivative contracts are included in change in market value where the economic purpose of the contracts relates to assets. Where the economic purpose relates to income the change in fair value is included in investment income in note 8.
- Fair values of futures contracts are determined using exchange prices at the reporting date. The fair value is the unrealised profit or loss at the current bid (asset) or offer (liability) market quoted price of the contract. Amounts due from the broker represent the amounts outstanding in respect of the initial margin (representing collateral on the contracts) and any variation margin which is due to or from the broker. The amounts included in change in market value are the realised gains and losses on closed futures contracts and the unrealised gains and losses on open futures contracts.
- Fair values of exchange-traded options are determined using the exchange price for closing out the option at the reporting date. If a quoted market price is not available on a recognised exchange, the over the counter ("OTC") contract options' fair value is determined by the custodian using generally accepted pricing models such as Black Scholes, where inputs are based on market data at the year-end date.
- The fair value of the interest/inflation rate swaps, currency swaps and total return swaps is calculated using discounted cash flow pricing models based on the current value of future expected net cash flows arising over the swap, taking into account the time value of money, or the market price of comparable instruments at the year-end date, if they are publicly traded. Interest is accrued monthly on a basis consistent with the terms of the contract. The amounts included in change in market value are the realised gains and losses on closed contracts and the

unrealised gains and losses on open contracts. Net receipts or payments on swap contracts are either reported in investment income (where the economic purpose relates to income) or change in market value (where the economic purpose relates to assets).

- The fair value of the forward currency contracts is based on market forward exchange rates at the year-end date and determined as the gain or loss that would arise if the outstanding contract was matched at the year-end with an equal and opposite contract.

Investments

- Listed equities are valued on the basis of the bid price quoted on the relevant stock market.
- Freehold and leasehold property is stated at open market value at the year-end. Valuations have been carried out as at 31 March 2025 by CBRE, Chartered Surveyors, in accordance with the Royal Institution of Chartered Surveyors' Valuation Standards (UK PS 1.1 Valuation for Financial Statements). The valuations take into consideration the current estimate of rental values and market yields. CBRE have recent experience in the locations and class of the investment properties held by the Scheme. No depreciation is provided on freehold buildings or long leasehold properties. .
- Pooled Investment Vehicles
 - Indirect property investments are held as property unit trusts of the pooled investment vehicles. The property unit trusts are valued at the net asset value of the underlying investments, as at 31 March each year.
 - Properties within the Gold unit trusts (note 23) are valued on a reversionary basis in accordance with RICS on the basis of professional advice from Cushman & Wakefield. A special assumption has been made to exclude rental income from this valuation, which represents the substance of the underlying structures.
 - Private equity funds and unlisted equity investments are unquoted and are valued at
- the managers' estimate of fair value based on guidelines issued by the British Venture Capital Association or European Venture Capital Association. Where the manager is unable to provide a valuation as at the Scheme year-end date, the most recent valuation is taken and adjusted for any cash flows which have since taken place.
- Funds of Hedge funds are valued based on the un-audited net assets value of the funds as at 31 March each year as provided by the managers.
- Repurchase agreements – the Scheme continues to recognise and value the securities that are delivered out as collateral and includes them in the financial statements. The cash received is recognised as an asset and the obligation to pay it back is recognised as a payable amount.
- Reverse repurchase agreements are treated as secured lending by the Scheme. The amount lent is included within investments. Collateral received in the form of securities is not recognised in the financial statements. Income arising from reverse repurchase agreements is recognised on an accrual basis within investment income.
- Investment management fees are accounted for on an accruals basis. Acquisition costs are included in the purchase cost of investments.
- Where stock lending has been carried out the securities 'loaned' have been included in the net assets statement to reflect the Scheme's continuing economic interest of a proprietary nature in those securities. The total amount of stock lent at the year-end has been disclosed in note 16, together with a description of the related collateral.



4. Employer contributions

	2025 £'m	2024 £'m
Employer contributions	17.0	17.0
	17.0	17.0

As per the Schedule of Contributions certified by the Scheme Actuary on 5 January 2023, Employer contributions of £17.0m per annum are due in respect of the levies and running costs of the Scheme with effect from 1 October 2022.

5. Benefits paid and payable

	2025 £'m	2024 £'m
Pensions	(306.3)	(277.1)
Commutation and lump sum retirement benefits	(123.7)	(113.4)
Lump sum death benefits	(5.1)	(7.4)
Taxation where lifetime or Annual allowance exceeded	(0.1)	(0.2)
	(435.2)	(398.1)

6. Payments to and on account of leavers

	2025 £'m	2024 £'m
Payments in respect of leavers	(3.8)	(2.4)
Individual transfers out to other schemes	(14.8)	(10.6)
	(18.6)	(13.0)

7. Administrative expenses

	2025 £'m	2024 £'m
Pension Protection Fund Levy	(1.5)	(3.7)
Actuarial fees	(3.3)	(3.1)
Audit fee	(0.0)	(0.2)
Legal and Other professional fees	(4.5)	(3.2)
	(9.3)	(10.2)

Tesco Stores Limited provides administration services to the Scheme; no charge is made for these services.

8. Investment income

	2025 £'m	2024 £'m
Dividends from equities	16.4	2.5
Income from bonds	143.3	115.4
Net income from property*	11.6	18.9
Income from pooled investment vehicles	134.6	155.9
Expense from derivatives	(86.5)	(98.9)
Interest on cash deposits	44.5	47.7
Other Income	1.3	3.5
Income from stock lending	1.0	0.3
Expense on repurchase agreements	(106.7)	(3.7)
	159.5	241.6

* Income from property is the net of £24.6m (2024 £30.5m) income received from tenants, less £13.0m (2024: £11.6m) of expenses, which are directly attributable to specific properties.

9. Reconciliation of investments

	Value at 1 April 2024 £'m	Purchases at cost and derivative payments £'m	Sales proceeds and derivative receipts £'m	Change in market value £'m	Value at 31 March 2025 £'m
Equities	407.6	1,752.8	(774.4)	34.9	1,420.9
Bonds	7,456.7	7,042.1	(5,720.6)	(953.2)	7,825.0
Property	328.6	3.9	(155.3)	24.3	201.5
Pooled investment vehicles	4,746.7	200.8	(1,642.4)	72.5	3,377.6
Derivatives	(1,345.3)	1,675.3	(766.7)	(193.8)	(630.5)
AVC investments	40.7	0.1	(5.7)	2.6	37.7
	11,635.0	10,675	(9,065.1)	(1,012.7)	12,232.2
Cash and cash equivalents	933.2			(4.2)	857.6
Other investment balances	(712.1)			-	(2,557.9)
	11,856.1			(1,016.9)	10,531.9

Further details of property are detailed in note 12 and other investment balances are detailed in note 20. Inter-portfolio transfers are included in purchases/sales respectively.

9. Reconciliation of investments (continued)

Transaction costs

Direct transaction costs are included in the cost of purchases and deducted from sale proceeds. Direct transaction costs include costs charged to the Scheme such as fees, commissions and stamp duty.

Direct transaction costs analysed by main asset class and type of cost are as follows:

	2025		2025	2024
	Fees £'m	Commission £'m	Total £'m	Total £'m
Equities	(0.8)	(0.5)	(1.3)	(0.2)
Total 2025	<u>(0.8)</u>	<u>(0.5)</u>	<u>(1.3)</u>	<u>(0.2)</u>
Total 2024	<u>(0.1)</u>	<u>(0.1)</u>		

In addition to the transaction costs disclosed above, indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles and charges made within those vehicles. These costs are not separately reported.

10. Investment management expenses

	2025 £'m	2024 £'m
Administration, management, and custody (Including in-house investment management costs)	<u>(49.2)</u>	<u>(44.3)</u>

11. Taxation

The Scheme is a registered Pension Scheme under Chapter 2 of Part 4 of the Finance Act 2004 and is therefore exempt from income tax and capital gains tax.

12. Property

	2025 £'m	2024 £'m
UK direct property - freehold	115.3	144.0
UK direct property - leasehold	86.2	184.6
	<u>201.5</u>	<u>328.6</u>

For properties owned and rented to tenants, the Scheme is obligated to maintain and repair these under lease agreements.

13. Pooled investment vehicles

The Scheme's investments in pooled investment vehicles at the year-end comprised:

	2025 £'m	2024 £'m
Indirect Property	675.3	820.0
Private equity	2,693.9	2,785.9
Equity	8.0	1,140.4
Hedge funds	0.4	0.4
	3,377.6	4,746.7

Included in Indirect property pooled funds are:

- An investment in Adelphi Global Real Estate Fund in which the Scheme is the sole investor. As at the Scheme year-end date, the net assets of this fund were £23.6m (2024: £35.8m) of which £23.1m is property investments and £0.6m is cash and cash equivalents. The liabilities were £0.1m (2024: £0.1m).
- An investment in IOGP Limited Partnership in which the Scheme is the sole investor. As at the Scheme year-end date, the net assets of this fund were £81.3m (2024: £77.2m) of which £99.9m is property investments, £3.4m is cash and cash equivalents and £3.1m is other debtors. The liabilities were £25.1m (2024: £25.1m).
- Investments in Gold unit trusts and Jade valued at £189.2m (2024: £244.8m). For further details, see note 23. The interest in Jade was fully realised on 23 May 2024.

For properties which are held indirectly through pooled funds, the obligation to maintain and repair these rests with the entity the Scheme invests in.

Included in Private Equity pooled funds are:

- An investment in Dalmore Infrastructure Investments 33 L.P. in which the Scheme is the sole investor. As at Scheme year-end date, the net assets of this fund were £75.9m (2024: £74.8m).
- An investment in CRC Single Investor Fund XIV, Ltd. in which the Scheme is the sole investor. As at Scheme year-end date, the net assets of this fund were £92.6m (2024: £109.8m).
- An investment in Napier Park Jayco Opportunistic Credit Fund Ltd. in which the Scheme is the sole investor. As at Scheme year-end date, the net assets of this fund were £3.8m (2024: £30.7m).
- An investment in Arjun Alliance UK 2, L.P. in which the Scheme is the sole investor. As at Scheme year-end date, the net assets of this fund were £105.8m (2024: £115.4m).
- An investment in Equitix MA 18 L.P. in which the Scheme is the sole investor. As at Scheme year-end date, the net assets of this fund were £60.3m (2024: £61.0m).
- An investment in ICG Longbow Senior No.3 L.P. in which the Scheme is the sole investor. As at Scheme year-end date, the net assets of this fund were £86.9m (2024: £98.8m).
- An investment in PSC Credit (T) SCSp in which the Scheme is the sole investor. As at Scheme year-end date, the net assets of this fund were £13.5m (2024: £74.4m).
- An investment in Stafford Infrastructure SMA 1 L.P. in which the Scheme is the sole investor. As at Scheme year-end date, the net assets of this fund were £89.1m (2024: £93.3m).
- An investment in Hayfin Direct Lending Fund IV GBP Feeder SCSp in which the Scheme is the sole investor. As at Scheme year-end date, the net assets of this fund were £125.6m (2024: £98.1m).
- An investment in Target Healthcare Partners Limited Partnership in which the Scheme is the sole investor. As at Scheme year-end date, the net assets of this fund were £130.5m (2024: £124.8m).



14. Concentration of Investment Risk

There are no investments (other than UK Government securities) which individually represent more than 5% of the total value of the net assets of the scheme.

15. Derivatives

Objectives and policies

The Trustee has authorised the use of derivatives by the investment managers in accordance with the investment guidelines for each mandate. Investment in derivative instruments is only permitted for the purposes of:

- (a) Contributing to a reduction of risks
- (b) Facilitating efficient portfolio management (including the reduction of cost or the generation of additional capital or income with an acceptable level of risk).

Processes and controls are in place to ensure risk exposures to a single counterparty and to other derivative operations are maintained within acceptable levels. Further details are available in note 22.

The main objectives for the use of derivatives are summarised as follows:

- (i) Protection derivatives may be used as part of the permitted instrument types available to managers to protect (or enhance) active returns, relative to the specified strategic benchmarks; for example, through the use of options and credit default swaps.
- (ii) To modify exposure to asset classes, derivatives are bought or sold to allow the Scheme to change its exposure to a particular market or asset class more quickly than by holding the underlying physical assets. They may also be easier to trade than conventional stocks, particularly in large amounts.
- (iii) Hedging forward currency contracts are used to partially hedge the currency risk relating to overseas investments. This aims to achieve a better match between the fund's assets and the base currency of its future liabilities. Derivatives may also be used for the purpose of hedging risk exposures affecting future Scheme liabilities, for example, through the use of inflation and interest rate swaps.
- (iv) Replication derivatives are used where liquidity or funding for generating a relevant investment exposure is perceived to be more efficient in derivatives, rather than the underlying physical assets.

15. Derivatives (continued)

At the Scheme year-end date, the Scheme had the following derivatives:

	31 March 2025 Assets £'m	31 March 2025 Liabilities £'m	31 March 2024 Assets £'m	31 March 2024 Liabilities £'m
Futures	2.0	(1.0)	15.9	(1.6)
Swaps	356.7	(1,003.1)	462.9	(1,810.7)
Forward FX contracts	19.0	(8.9)	6.8	(18.6)
Options	17.3	(12.5)	0.0	(0.0)
	395.0	(1,025.5)	485.6	(1830.9)

Futures

The Scheme had outstanding exchange traded futures at the year-end as follows:

Nature	Economic exposure £'m	Expires	Asset value £'m	Liability value £'m
UK Fixed Income Futures	(2.3)	Less than 3 months	-	-
Overseas Fixed Income Futures	48.5	Less than 3 months	0.7	(0.1)
UK Equity Futures	9.3	Less than 3 months	-	-
Overseas Equity Futures	206.9	Less than 3 months	1.3	(0.9)
Total 2025	262.4		2.0	(1.0)
Total 2024	460.8		15.9	(1.6)

Swaps

The Scheme had outstanding over the counter ("OTC") derivative swap contracts at the year-end as follows:

Nature	Notional amounts £'m	Expires	Asset value £'m	Liability value £'m
Interest Rate Swaps	3874.3	Up to 20 years	36.0	(399.6)
Interest Rate Swaps	985.6	Above 20 years	67.3	(343.9)
Credit Default Swaps	(25.5)	1-5 years	1.3	-
Equity Index Swaps	1.1	0-1 years	-	(45.2)
Inflation Swaps	3,237.4	Up to 20 years	9.6	(4.8)
Inflation Swaps	621.6	Above 20 years	242.5	(58.1)
Total Return Swaps	1,148.4	0-5 years	-	(151.5)
Total 2025	9,842.9		356.7	(1,003.1)
Total 2024	12,162.8		462.9	(1,810.7)

As at 31 March 2025, the counterparties held collateral of £675.8m (2024: £1,337.8m) in the form of cash and bonds in respect of swaps.

Notes to the Financial Statements

Trustee's report and financial statements for the year ended 31 March 2025

15. Derivatives (continued)

Forward FX contracts

The Scheme had open forward foreign exchange contracts at the year-end as follows:

Settlement date	Currency bought		Currency sold		Asset value £'m	Liability value £'m
	Currency	m	Currency	m		
1-6 Months	EUR	19.5	GBP	(16.5)	-	(0.1)
1-6 Months	GBP	185.3	EUR	(218.8)	1.7	-
1-6 Months	GBP	362.2	USD	(468.2)	-	(0.6)
1-6 Months	OTHER	35.4	USD	(1.0)	-	-
1-6 Months	USD	41.9	GBP	(32.4)	0.1	-
1-6 Months	USD	5.1	OTHER	(8,078.1)	-	(0.1)
0-1 Month	EUR	79.8	GBP	(67.3)	-	(0.4)
0-1 Month	GBP	729.7	EUR	(871.0)	0.4	(0.4)
0-1 Month	GBP	134.0	OTHER	(993.2)	0.2	(0.2)
0-1 Month	GBP	2,504.2	USD	(3,220.1)	16.3	(7.1)
0-1 Month	GBP	37.2	JPY	(7,131.0)	0.2	-
0-1 Month	OTHER	102.7	USD	(3.4)	-	-
0-1 Month	USD	46.0	GBP	(35.6)	0.1	-
0-1 Month	USD	1.5	OTHER	(88.7)	-	-
Total 2025					19	(8.9)
Total 2024					6.8	(18.6)

Other currencies include BRL, CAD, CHF, CNH, INR, IDR, MYR, NOK, PLN, SEK, THB, ZAR, HKD.

Options

The Scheme had outstanding options as at 31 March 2025 as follows:

Nature	Expires	Asset value		Liability value	
		£'m		£'m	
Put Options Equity - Overseas	Over 3 months	0.0		(5.9)	
Call Options Equity - Overseas	Over 3 months	17.3		(6.6)	
Total 31 March 2025		17.3		(12.5)	
Total 31 March 2024		0.9		0.0	

16. Stock lending

The stock lending programme lends certain equity and bond investments. At 31 March 2025, the value of listed equity on loan was £71.6m (2024: £23.2m), bonds of £833.8m (2024: £729.0m) in exchange for which the Scheme held collateral of £982.6m (2024: £1,007.1m). The collateral consists of £818.7m Equities and £163.9m US and European government bonds.

Notes to the Financial Statements

17. AVC investments

AVC investments – UK

2025
£'m

37.7

2024
£'m

40.7

The Trustee hold assets invested separately from the main Defined Benefit Section investments to secure additional benefits on a money purchase basis for those Defined Benefit Section members electing to pay Additional Voluntary Contributions.

AVC investments are held in the following funds at the discretion of the Scheme members:

- Prudential Deposit Fund
- Standard Life Index-Linked Bond Pension Fund
- Standard Life Managed Fund
- Standard Life BlackRock managed HP 50:50 Global Equity Pension Fund
- Standard Life Lifestyle Option
- Standard Life Pension Millennium with Profits Fund

All Scheme members contributing AVCs receive an annual statement of their AVC investment holdings as at 30 June.

18. Subsidiary companies and other interests

The names of the subsidiary undertakings of the Scheme are shown below together with the percentage of equity capital held by the Scheme, the year-end date of the companies and their activities:

Name of company	Percentage of equity capital held directly	Year-end date
TPT Holdco No 1 Limited	100%	24 February
TPI Fund Managers Limited	100%	31 March
Tesco Pension Investment Limited	100%	31 March
Waterside General Partner Limited (dissolved on 16 July 2024)	-	-

The principal activity of TPT Holdco No 1 Limited is to act as a holding company for assets held in Tesco Navona Limited Partnership, Tesco Passaic Limited Partnership and Tesco Blue Limited Partnership, collectively Gold unit trusts.

The principal activity of TPI Fund Managers Limited was to act as the investment manager to TPI Funds Authorised Contractual Scheme, which is now dissolved. TPI Fund Managers Limited is dormant as at 31 March 2025 and will remain dormant for a period totalling three years before undergoing a wind-up process and strike-off with Companies House.

The principal activity of Tesco Pension Investment Limited was to act as investment manager for the Scheme. Following a strategic review of the investment management operating model, the Trustee made the decision to transfer the investment mandate to an Outsourced Chief Investment Office organisation, which substantially took effect on 28 June 2024 and completed on 31 July 2024. Tesco Pension Investment Limited will proceed into a wind-up process as soon as possible.

Waterside General Partner Limited dissolved on 16 July 2024. As such, this entity is no longer a subsidiary as at 31 March 2025.

19. Cash

Cash assets

Pound Sterling

Foreign currency

2025
£'m

271.7

585.9

857.6

2024
£'m

247.4

685.8

933.2

Notes to the Financial Statements

Trustee's report and financial statements for the year ended 31 March 2025



20. Other investment balances

	2025 £'m	2024 £'m
Other investment balances assets		
Amounts due from brokers	14.5	0.1
Accrued income	30.7	43.5
Reverse repurchase agreements	374.2	245.6
	419.4	289.2
Other investment balances liabilities		
Subsidiary companies net liability	(0.0)	(11.0)
Amounts due to brokers	(22.4)	(6.6)
Repurchase agreements	(2,954.9)	(983.7)
	(2,977.3)	(1,001.3)
	(2,557.9)	(712.1)

As at 31 March 2025, the counterparty held collateral of £106.2m (2024: £19.6m) in the form of cash and bonds in respect of repurchase agreements.

21. Fair value determination

The fair value of financial instruments has been estimated using the following fair value hierarchy:

- Level 1: The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) the asset or liability, either directly or indirectly.
- Level 3: Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

The Scheme's investment assets and liabilities have been fair valued using the above hierarchy categories as follows:

As at 31 March 2025				
	Level 1 £'m	Level 2 £'m	Level 3 £'m	Total £'m
Equities	1,420.9	-	-	1,420.9
Bonds	-	7,825.0	-	7,825.0
Property	-	-	201.5	201.5
Pooled investment vehicles	-	8.4	3,369.2	3,377.6
Derivatives	-	(630.5)	-	(630.5)
Other investments	22.8	-	-	22.8
AVC investments	-	-	37.7	37.7
Cash and cash equivalents	857.6	-	-	857.6
Repurchase agreements	-	(2,580.7)	-	(2,580.7)
	2,301.3	4,622.2	3,608.4	10,531.9

Property asset valuations are prepared in accordance with RICS.

Pooled investment vehicles which are traded regularly are generally included in level 2. Pooled investment vehicles which contain unquoted assets such as private equity, infrastructure and private credit are valued with reference to International Private Equity and Venture Capital valuation guidelines (IPEV).

The current, ongoing economic uncertainty means that asset valuation techniques that rely on unobservable inputs are less certain at a time when market transactional activity is lower than normal. Level 3 assets are valued in line with industry standard guidelines and examples include the RICS methodology for property and the IPEV guidelines for Private Equity. At 31 March 2025, direct and pooled property was valued at £877.2m (2024: £1,148.6m). A 10% movement in value would equate to £87.7m (2024: £114.8m).

As at 31 March 2024				
	Level 1 £'m	Level 2 £'m	Level 3 £'m	Total £'m
Equities	407.6	-	-	407.6
Bonds	-	7,456.7	-	7,456.7
Property	-	-	328.6	328.6
Pooled investment vehicles	-	1,140.7	3,606.0	4,746.7
Derivatives	-	(1,345.3)	-	(1,345.3)
Other investments	26.0	-	-	26.0
AVC investments	-	-	40.7	40.7
Cash and cash equivalents	933.2	-	-	933.2
Repurchase agreements*	-	(738.1)	-	(738.1)
	1,366.8	6,514.0	3,975.3	11,856.1

22. Investment risk disclosures

Investment risks

FRS 102 requires the disclosure of information in relation to certain investment risks. These risks are set out by FRS 102 as follows:

Credit risk: this is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Market risk: this comprises currency risk, interest rate risk and other price risk.

Currency risk: : this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates.

Interest rate risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market interest rates.

Other price risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Trustee determines its investment strategy after taking advice from professional investment advisors. The Scheme has exposure to these risks because of the investments it makes in following the investment strategy set out below. The Trustee manages investment risks, including credit risk and market risk, within agreed risk limits which are set taking into account the Scheme's strategic investment objectives. These investment objectives and risk limits are implemented through the investment management agreements in place with the Scheme's investment managers and monitored by the Trustee by regular reviews of the investment portfolio.

Further information on the Trustee's approach to risk management, credit and market risk is set out below. This does not include the legacy insurance policies nor AVC investments as these are not considered significant in relation to the overall investments of the Scheme.

Investment objective

The investment objective is to maintain a portfolio of suitable assets of appropriate liquidity which will generate investment returns to meet, together with future contributions, the benefits of the Scheme payable under the trust deed and rules as they fall due.

The Trustee sets the investment strategy for the Scheme taking into account considerations such as the strength of the Employer covenant, the long-term liabilities of the Scheme and the funding agreed with the Employer.

Credit risk

The Scheme is subject to credit risk because the Scheme directly invests in bonds, over-the-counter ("OTC") derivatives, has cash balances, undertakes stock lending activities and enters into repurchase agreements. The Scheme also invests in pooled investment vehicles and is therefore directly exposed to credit risk in relation to the instruments it holds in the pooled investment vehicles. The Scheme is also indirectly exposed to credit risks arising on some of the financial instruments held by the pooled investment vehicles.

The notes below outline how the risk is managed, mitigated and quantified.

Bonds: The risk is of borrower default. This is mitigated by investing predominantly in investment grade bonds and on a diversified basis. Investment grade bonds, are those rated at BBB- or higher by Standard & Poor's or Fitch, or rated at Baa3 or higher by Moody's.

OTC derivative contracts are not guaranteed by any regulated exchange and therefore the Scheme is subject to risk of failure of the counterparty. The credit risk for OTC swaps and forward foreign currency contracts is reduced by collateral arrangements (see note 15). All counterparties are required to be at least investment grade.

The Trustee manages the credit risk arising from stock lending activities by restricting the amount of overall stock that may be lent, limiting the amount that can be lent to any one borrower and putting in place collateral arrangements (see note 16).

Repurchase agreements: The primary risk is of counterparty default, which is mitigated by collateralisation and daily margin management. The risk is limited to the outstanding daily margin and daily collateral movement (see note 20).

Property: The primary risk is of tenant default. This is mitigated by careful selection and diversification of tenants within the portfolio. Rent is also payable by tenants in advance.

Pooled Investment Vehicles: Risks are defaults within a single portfolio which are mitigated by diversification of funds and of fund manager default, which is mitigated through the use of legal structures.

Direct credit risk arising from pooled investment vehicles is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the pooled manager, the regulatory environments in which the pooled managers operate and diversification of investments amongst a number of pooled arrangements. The Trustee carries out due diligence checks on the appointment of new pooled investment managers and on an ongoing basis monitors any changes to the operating environment of the pooled manager.

22. Investment risk disclosures (continued)

The Scheme is indirectly exposed to credit risks arising on the underlying investments held by pooled investment vehicles. These include Bonds, Hedge Funds, Private Equity and Property as reflected in note 13. The Trustee manages credit risk within these assets through diversification of the underlying securities to minimise the impact of default by any one issuer.

Indirect credit risk arises in relation to underlying investments in Project Gold whereby the Scheme is exposed to Tesco PLC defaulting on its rental payments to the underlying bond holders of the structure.

The Trustee has considered and accepted this risk and monitors the structure's performance. The Scheme has further indirect credit risk to property through pooled investment vehicles. This risk is mitigated through the diversification of funds and fund managers.

Cash: The primary risk is of counterparty default. This is mitigated by investing in only the highest rated funds.

Currency risk

The Scheme is subject to currency risk because some of the Scheme's investments are held in overseas markets, either as segregated investments (direct exposure) or via pooled investment vehicles (indirect exposure).

The net currency exposure at the current and previous year-end was:

	2025 Direct exposure £'m	2025 Indirect exposure £'m	2024 Direct exposure £'m	2024 Indirect exposure £'m
Pounds sterling (GBP)	8,460.2	1,366.9	9,788.2	2,462.9
Euros (EUR)	(367.8)	421.7	(500.2)	446.1
US dollars (USD)	(1,140.3)	1,547.7	(2,114.4)	1,607.7
Japanese Yen (JPY)	25.9	-	(19.9)	-
Other currencies	146.5	71.1	114.4	71.3
Total	7,124.5	3,407.4	7,268.1	4,588.0

This risk is mitigated through Exchange hedging. For further information please refer to note 15.

Interest rate risk

The Scheme is subject to interest rate risk because some of the Scheme's investments are held in bonds, bond futures, derivatives (e.g. Interest rate swaps), and cash. The Scheme's exposure to interest rate risk is held in asset allocation, the bond portfolio, alternative assets and the hedge sub-portfolio. If interest rates fall, the value of those investments will rise to help match the increase in actuarial liabilities arising from a fall in the discount rate. Similarly, if interest rates rise, the hedge sub-portfolio investments will fall in value, as will the actuarial liabilities because of an increase in the discount rate.

Other price risk

Other price risk arises principally in relation to the Scheme's return-seeking portfolio which includes equities, equities held in pooled vehicles, equity futures, alternative assets and investment properties. Risk is mitigated through diversity by investment in varying geographical locations and sectors.

23. Employer-related investments

The Scheme is permitted to hold equity and debt securities issued by Tesco PLC and property leased to Tesco PLC, subject to the total proportion not exceeding 5% of the current market value of the Scheme's assets. At 31 March 2025, the Scheme had the following exposure:

Employer-related investment	2025 £'m	2024 £'m
Tesco Jade Unit Trust and Tesco Jade (GP Limited)	-	69.1
Tesco Blue Limited Partnership (Gold unit trusts I) (50% Reversionary Lease Interest)	38.9	35.6
Tesco Passaic Limited Partnership (Gold unit trusts III) (50% Reversionary Lease Interest)	99.7	91.1
Tesco Navona Limited Partnership (Gold unit trusts IV) (50% Reversionary Lease Interest)	50.6	49.0
LGIM Low Carbon	-	0.2
BlackRock Aquila Life	-	0.2
Total	189.2	245.2

The total percentage of Employer-related investments as at 31 March 2025 was 1.81% (2024: 2.1%) of the Scheme's assets.

The lowest percentage of Employer-related investments during the financial year was as at 30 September 2024, when the value was £181.0m. This was 1.57% (2024: 1.99%) of the Scheme's assets.

The highest percentage of Employer-related investments during the financial year was as at 31 March 2025, when the value was £189.2m. This was 1.81% (2024: 2.26%) of the Scheme's assets.

24. Current assets

	2025 £'m	2024 £'m
Other debtors	15.3	19.1
Cash balances	12.5	28.8
	27.8	47.9

25. Current liabilities

	2025 £'m	2024 £'m
Unpaid benefits	(8.8)	(7.7)
Other creditors	(14.4)	(9.9)
Amounts due to Tesco Stores Limited*	(27.9)	(25.0)
VAT payable	(0.1)	(0.2)
	(51.2)	(42.8)

*Tesco Stores Limited provides a service to the Scheme of paying the pensioner payroll. The Scheme then reimburses Tesco Stores Limited.

26. Related party transactions

Tesco Stores Limited has paid fees of £405k on behalf of the Scheme to the Directors of the Trustee Company for the period 1 April 2024 to 31 March 2025 (2024: £368k).

One former Director of the Trustee Company, Mr R Ager, is a pensioner and receives a pension in line with the Scheme rules. Two directors of the Trustee Company are pensioners and receive a pension in line with the Scheme rules. Apart from Law Debenture (represented by Ms Winterfrost) the remaining directors are deferred members of the Scheme.

The Scheme held equity and debt securities issued by Tesco Plc and property leased to Tesco Plc during the year (refer to note 23 for details). The Scheme received contributions of £17.0m (2024: £17.0m) from the sponsoring employers during the year.

Tesco Pension Investment Limited is a wholly owned subsidiary of the Scheme, which provided investment management services to the Scheme until the end of July 2024 for which the Scheme paid £25.6m (2024: £27.7m).

Tesco Stores Ltd provides administration services to the Scheme; no charge is made for these services. As disclosed in note 25, Tesco Stores Ltd provides a service to the Scheme of paying the Pensioner Payroll; the Scheme then reimburses Tesco Stores Ltd.

27. GMP equalisation

On 26 October 2018 the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits (GMPs). The issues determined by the judgment arise in relation to many other defined benefit pension schemes. The Trustee of the Scheme is aware that the issue will affect the Scheme and has actively been considering its implications, including setting up a dedicated GMP working party which reports to the Trustee and its sub-committees.

29. Contingent liabilities and contractual commitments

There are no contingent liabilities as at 31 March 2025 (2024 - Nil).

On 31 March 2025, the Scheme had the following unfunded commitments:

Particulars	Private Equity £'m	Infrastructure £'m	Credit £'m	Real Assets £'m	Direct & Indirect Property £'m	Total unfunded commitments £'m
31-Mar-25	88	97	375	2	125	688
31-Mar-24	109	119	380	3	168	779

30. Subsequent events

There were no subsequent events.

On 20 November 2020, the High Court handed down a further judgement confirming that schemes which provide GMPs need to revisit and where necessary top up historic Cash Equivalent Transfer Values that were calculated based on unequalised benefits. Based on an initial assessment of the likely backdated amounts and related interest, the Trustee does not expect these to be material to the Financial Statements and has therefore not included a liability in respect of these matters in these Financial Statements. The Trustee is progressing through the work required to equalise benefits and the backdated amounts and related interest. They will be accounted for in the year they are determined.

28. Virgin Media Disclosure

The Virgin Media Ltd v NTL Pension Trustees II decision, handed down by the High Court on 16 June 2023, considered the implications of Section 37 of the Pension Schemes Act 1993. The decision was that amendments to pension scheme rules made in a certain period and relating to contracted-out benefits will be void if no actuarial confirmation was obtained that the "reference scheme test" continued to be met. The court decision was subject to appeal but was upheld on appeal on 25 July 2024.

The Trustee has consulted with its legal advisers (Eversheds Sutherland) and there are no findings from the work undertaken to date that would require any adjustment to liabilities.

In particular, on 2 September 2025, the Government published draft legislation which would give affected pension schemes the ability to obtain written actuarial confirmation retrospectively that historic benefit changes met the necessary standards. It is expected that further regulations and actuarial guidance will be published in this regard. The Trustee is currently taking legal and actuarial advice on this. In addition, the Trustee is aware that the judgment on at least one further legal case in this area is due to be published later this year.



Appendix 1

How we're meeting our commitment to Responsible Investment

How the Scheme's money is invested

To generate the money we need to pay our members their pensions and other benefits, we invest the Tesco PLC Pension Scheme's money in things like companies, government bonds, and property, in various different parts of the world.

It's important that we do this responsibly. So, when we invest, we consider all the financial risks and opportunities that can influence the value of our investments, including those from Environmental, Social, Governance (ESG) and Climate-related factors:



Environmental: focusing on biodiversity, sustainability, pollution, and waste



Governance: focusing on management structure, board diversity, business ethics, employee relations, and executive compensation



Social: focusing on human rights, workforce diversity, employee welfare, and the local community



Climate: focusing on the impact of investments on climate, and the consequences of climate change on investments

In 2024, following a careful review of the long-term needs of the Scheme, the Trustee decided to appoint Schroder Investment Management (Schroders) as the Scheme's principal investment manager, to replace and build on the achievements of Tesco Pension Investment (TPI). TPI had been the in-house fund manager to the Scheme's assets. Schroders was chosen because of the firm's deep investment expertise, alignment to the needs of the Scheme, and determination to have a positive impact on the financial future of the Scheme, society and the environment. The transfer from TPI to Schroders was completed in summer 2024.

We have influence with the companies that we invest in

When we invest in a company, we can do so by buying shares in that company, or by buying or providing the debt issued by that company. We understand how important it is to work with the companies we invest in so we can influence their performance, their strategy, and their approach to risk management. We can also encourage them to adopt best practice on things like ESG and Climate. This also applies to the investment managers that we appoint to select these investments for us.

As part of this, the Trustee and its sub-committees engage with the Scheme's principal investment manager, Schroders, who manage assets for the Scheme, and engage with any other external managers on the Trustee's behalf. Some examples of this activity are included in this Statement.

Where we invest in shares, this gives our investment managers the right to vote on our behalf at Annual General Meetings (AGMs) and Extraordinary General Meetings (EGMs). They vote on the way these companies are run, discuss key issues with their senior management, and encourage them to adopt good practices and policies.

This is important, because investments in companies with good practices and policies tend to perform better in the long run. As shareholders, we can use our say and our votes to make the companies we invest in more sustainable, and therefore more likely to generate better returns.

We carefully consider the investments we make, and we encourage our investment managers to support financially sustainable businesses to generate the returns we need, in a cleaner, healthier, global environment. As part of this, we've agreed and set out our Stewardship* priorities (see page 5) and shared them with Schroders and our other significant investment managers. We continue to monitor their approach to Stewardship.

There's more information in this statement on how we vote, and how we engage with Schroders and various other parties.

This statement covers the year to 31 March 2025. During this period, Schroders were appointed as the new principal investment manager responsible for engaging with the Trustee's other external managers, replacing the previous principal investment manager, TPI on 28 June 2024. The Trustee carried out significant preparation for this change, with support from both TPI and Schroders. ESG considerations were part of the ongoing dialogue within the process, to make sure the good work already done continued, and to make sure any new investments considered the Trustee's Responsible Investment (RI) policy and its approach to engagement and Stewardship*.

** The responsible allocation, management, and oversight of investments, leading to sustainable benefits for the economy, the environment, and society.*

This statement for the year to 31 March 2025 records the way we’ve voted and describes:

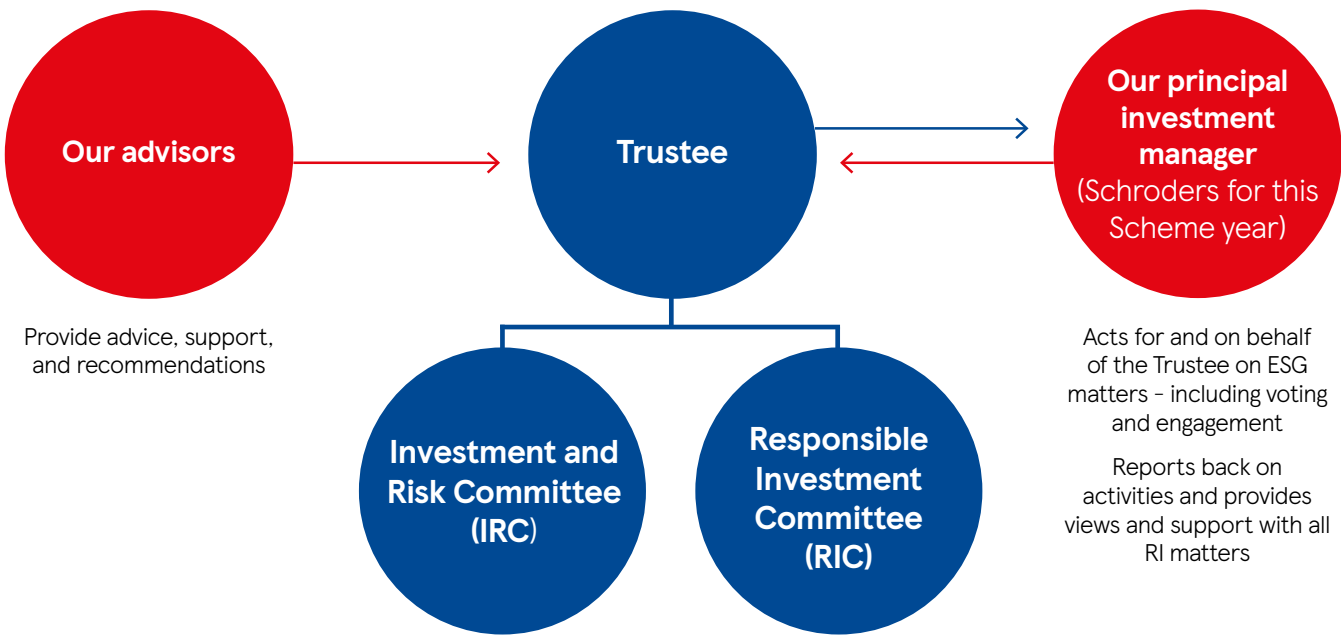


*Statement of Investment Principles

How our Investment and Risk Committee (IRC) and our Responsible Investment Committee (RIC) have been supporting us

The Trustee’s Investment and Risk Committee (IRC) continues to meet quarterly, to provide detailed oversight of the Scheme’s investment strategy. The IRC considers advice, and then makes recommendations on the strategy to the Trustee. It also manages, monitors, and implements the Scheme’s investment arrangements. The Responsible Investment Committee (RIC) also meets regularly, considers advice, and then makes recommendations to the Trustee and to the IRC, to help us consider and integrate Responsible Investment (RI) and ESG matters appropriately.

Governance structure for Responsible Investment matters





What we've done

1. Led by the work of the RIC, we've continued to develop our approach to Responsible Investment (RI)

We've continued to develop our policies and approach around RI, and we've devoted appropriate levels of time and resources to this area, given its importance.

We have a separate RI policy, as we believe responsible investment is sufficiently important to warrant specific attention. You can see the full policy [here](#) and read more about it in our [Statement of Investment Principles \(SIP\)](#). We review our RI policy every year, to make sure it continues to reflect our approach and our expectations. The RI policy was reviewed and updated in June 2024 to reflect the move from TPI to Schroders, as well as some other minor changes around how we operate, and again in November 2024 to reflect some updates to our stewardship priorities.

Throughout the Scheme year, the Trustee received training sessions to build on and further increase the Trustee's knowledge and understanding of RI and ESG matters. The subjects covered during the year included climate metrics and targets, how climate risk is considered in economic modelling, Schroders' engagement strategy, developing responsible investment themes and the Scheme's stewardship priorities, and a session to understand the Schroders' SustainEx tool. The latter is used by Schroders to help the Trustee estimate both the positive and negative impacts that companies and countries may create for society or the environment. During the year the Trustee also worked with Schroders on how best to integrate our Stewardship priorities into Schroders' ongoing engagement work.

As part of the ongoing review of our trustee governance framework, we also completed a trustee skills audit, as well as asking individual Trustees for their views on trustee effectiveness, to help assess training needs.

2. We've set key Stewardship priorities

We've set Stewardship priorities to focus monitoring and engagement on specific ESG factors. These priorities were reviewed and updated during the Scheme year. We monitor the activity of our investment managers in these areas to make sure they continue to meet our expectations.

The agreed Stewardship priorities are:

- **Environmental issues, including climate change and biodiversity loss.** The Trustee recognises that climate change and biodiversity loss are material financial risks to the Scheme, which are likely to influence the risk and return of the Scheme's investments over the short and the long term. The Trustee also recognises that climate change and biodiversity loss present significant risks to the global economy. The Trustee considers Stewardship to be a valuable tool, supporting progress towards its aim to achieve Net Zero carbon emissions by no later than 2050, and to drive change more broadly. More detail on the Trustee's work in this area is set out over the next few pages.
- **Social issues, including human rights, diversity and inclusion and fair and decent treatment for workers.** The Trustee recognises social issues as important and financially material considerations for the Scheme. This priority was expanded to explicitly include 'fair and decent treatment for workers', following training from Schroders covering the theme and why they include it as a stewardship priority. The Trustee wanted to reflect its strong connection to the Trustee's existing social priorities and an alignment with Schroders' social priorities.
- **Governance issues, including business ethics and corporate transparency.** The Trustee recognises these areas as financially material for the Scheme, and important in ensuring positive, broader, ESG performance.

The Trustee continues to identify areas it believes will be appropriate to prioritise in the future.

Over the year, the Trustee has focused on these areas as priorities. The Trustee believes that the risk and return of the Scheme's investments can be improved by engagement with the companies in which we invest, and with other external parties where appropriate. The Trustee's Stewardship priorities are consistent with the Trustee's investment beliefs and are financially material risks to the Scheme. The Trustee believes that focusing on Stewardship in these areas is in the best financial interests of the Scheme and its beneficiaries.

3. To meet our TCFD requirements, we publish an annual Climate Change Report

The RIC has focused on identifying, assessing, monitoring, and managing climate-related risks and opportunities for the Scheme, and continues to work on our reporting requirements, which are based on the [Task Force on Climate-Related Financial Disclosures \(TCFD\)](#).

In June 2021, we committed to aim for the Scheme's portfolio of assets to have Net Zero carbon emissions by no later than 2050 and, during the year, we've reviewed our progress against our interim targets. The Trustee is a participant of the [Institutional Investors Group on Climate Change \(IIGCC\)](#) and a signatory to the Paris Aligned Investment Initiative Net Zero Asset Owner Commitment.

More information on our progress is contained in our latest annual Climate Change Report, which relates to the Scheme year ended 31 March 2025. This report summarises the work we've done, including setting and measuring various climate-related metrics and targets for the Scheme.

You can access the latest Climate Change report [here](#).



4. We continue to take an active approach to Stewardship and engagement

Stewardship is the responsible allocation, management, and oversight of investments, to create long-term value for beneficiaries, leading to sustainable benefits for the economy, the environment, and society.

Our Stewardship approach is based on active ownership, including engaging with the companies we're invested in, exercising voting rights, and working with others to support policies that promote the creation of long-term value.

The Trustee considers its Stewardship activities annually and publishes a report to demonstrate its commitment to being a responsible steward of its assets, and to provide detail on the types of Stewardship activity it's been involved in. You can access the Stewardship updates [here](#).

During the year the Trustee, as well as Schroders on behalf of the Trustee, have engaged with a wide range of people (including asset managers, the issuers of debt and equity and other stakeholders) about a range of matters (such as their performance, strategy, conflicts of interest and capital structure). We have included various examples of this throughout the statement.

The Trustee received regular reports from Schroders on its engagement activities, voting record, and its discussions with companies and senior management across a range of investments. Schroders' engagement activity with companies relates both to equity and corporate bond holdings, where applicable. The Trustee meets Schroders quarterly to discuss and monitor activity and to consider Schroders' approach.

An example of the engagement activity carried out within the fixed income portfolio during the year is set out in the case study.

The Trustee will continue to receive regular reports from Schroders on its engagement activities, its voting record, and its discussions with companies and senior management across the Scheme's investments. This will allow the Trustee to make sure that Schroders' approach to Stewardship is in line with its own. More detail on our Stewardship policies, including how we monitor and engage with relevant parties, can be found in our [RI policy](#). Schroders' investment management agreement requires Schroders to take account of the Trustee's RI policy in managing the mandate.

CASE STUDY: Fixed Income – Engagement with a Sovereign Government on natural capital and biodiversity



What is the background to the engagement?

This country's key sectors, notably palm oil production and mining, present both opportunities and challenges for environmental sustainability. Schroders met with the COP¹ negotiation team to understand the challenges and opportunities and what was being done with biodiversity financing with limited state budget allocations.



What were the engagement highlights?

In the past year, Schroders' engagements have highlighted how this country is navigating the relationship between sustainability initiatives and economic growth. Through dialogues with various ministries, including the Finance Minister, the Minister for Culture and representatives from their COP negotiation team for the Conference on Biological Diversity (CBD), Schroders examined key sustainability factors influencing credit quality from the perspective of its sovereign debt investors, particularly concerning promoting strong governance, managing the risks of climate change, and preserving their abundance of natural capital.

The country is exploring various options and solutions for biodiversity funding, such as debt-for-nature swaps and a new biodiversity funding institution. It has shown global leadership in being one of the few mega biodiverse countries (a group of 17 countries that host the majority of the world's biodiversity) to have submitted their National Biodiversity Strategies and Action Plan (NBSAP) as required by the Conference on Biological Diversity (CBD) agreement.



What are the next steps?

Schroders has communicated that it would like to see further integration between the country's plans to protect their natural capital resources and support the growth of their main industries. The increase in import environmental standards for major commodities, such as palm oil and transition minerals in several countries (for example the EU's Deforestation Regulation) pose risks for the country unless the country can demonstrate sustainable credentials. Their focus on building capacity within the downstream parts of the value chain for these sectors to support more integrated business to both produce and manufacture in the country is a positive balancing point. Their focus on tackling corruption is also important for improving environmental standards and their investment in satellite imagery to monitor land conversion is helping with this.

¹ COP stands for Conference of the Parties and refers to the United Nations Framework Convention on Climate Change (UNFCCC) international meeting focusing on climate. COP is the main decision-making body of the UNFCCC.

5. We undertook an assessment of the activities undertaken by the Scheme's LDI manager in relation to climate policy advocacy

The goal of policy advocacy is to influence decision-makers to affect the outcome of public policies, such as laws and regulations. Pension scheme trustees can use their influence with the UK government, as significant investors in UK government bonds, to encourage the action needed on systemic risks such as climate change. This is an example of how the Scheme can engage with relevant people in relation to broader relevant topics such as managing climate risk.

During the year, the Trustee assessed the policy advocacy policies of the Scheme's LDI manager in relation to climate change, comparing these to other LDI managers, including Schroders. The Trustee assessed the Scheme's LDI manager across eight key criteria, to understand how they compared to best practice.

The Trustee engaged directly with the Scheme's LDI manager to request improvements across several areas identified in the review. The LDI manager formally responded to this request with a plan for actions that would be undertaken and agreed to report back in 12 months time. The Trustee has monitored subsequent developments and continues to engage with the LDI manager on this area.

6. We continue to support various other investor groups

The Trustee is a supporter of Climate Action 100+, the largest collaborative group of investors in the world to engage with companies on climate change. The Trustee is also a supporter of Nature Action 100, an investor group focused on taking action on nature and biodiversity loss.

In 2024, we renewed our signatory status for the Global Investor Statement to Governments on the Climate Crisis initiative. We also endorsed the LCP Climate Policy Asks, whereby LCP, our investment adviser, uses its influence (and the influence of its clients that have endorsed them) with policymakers and regulators to help achieve better long-term outcomes for its clients and beneficiaries. We participate in other industry groups, including the IIGCC and we also work with pension industry peers.

7. We updated our Statement of Investment Principles (SIP) to reflect our revised investment strategy

Our SIP summarises the principles and policies for how we invest. This Scheme year, the Trustee reviewed the SIP in both May and August 2024. In May, the Trustee made updates to account for the appointment of Schroders as the Trustee's new principal investment manager and the changes to the investment strategy. In August, the Trustee made some updates to reflect the General Code of Practice requirements and the expectations for trustees of pension schemes to operate an effective system of governance.

In its opinion, the Trustee has followed the policies in the SIP. We've provided details and commentary around how we've done this in this statement. Progress against the Scheme's long-term plan was regularly reviewed as part of the quarterly monitoring received by the IRC and the Trustee. Risks for the Scheme were also monitored regularly, and reviews of ESG and RI-related risks were carried out.

8. Schroders supported the Trustee in the implementation of its RI and ESG objectives

ESG and RI were among the key criteria used in our selection process to appoint Schroders as our new principal investment manager. Due diligence was completed on Schroders' approach to ESG, including consideration of their voting and stewardship activities, and we worked with them to make sure the new mandate referenced the Trustee's RI policy and climate goals, as noted in our [Climate Change Report](#), which includes our TCFD disclosures.

During the Scheme year, the Trustee transferred responsibility of managing its assets from the previous in-house manager, TPI, to Schroders. Schroders directly look after some of the Scheme's investments, and direct other external managers to manage the rest. At the beginning of the Scheme year, under TPI, the Trustee was invested with three different external equity managers: Los Angeles Capital Management (LACM), BlackRock and Legal & General Investment Managers Limited (LGIM). As part of the switch to Schroders, the Trustee terminated its mandates with the three external managers. The equity investments are now managed directly and solely by Schroders.

Schroders invests a significant amount of time and resource into RI and ESG research and implementation, which supports the Trustee in carrying out its objectives in this area. Over the year, both the RIC and the Trustee received regular reporting from TPI and then Schroders on the Stewardship activities they carried out on the Trustee's behalf.

There are some examples of how Schroders engaged with some of the companies we're invested in on the Trustee's behalf later in this document. In general, the Trustee recognises that engagement goes much further than just exercising voting rights; the first vote is often just the start when it comes to engaging and influencing change on key issues.

We have included details of the lessons learned from the significant votes made by Schroders on page 11.



How we voted during the year

During the Scheme year, we were invested with Schroders, and for a short time with BlackRock, LGIM and LACM. For these mandates, we delegated voting rights to these managers, having taken their voting and engagement policies into account when selecting and appointing them. We've included details on the voting policies of our managers on pages 15–16. After Schroders' appointment in June 2024, we consolidated our equity investments with Schroders as the sole manager, moving out of the external equity manager mandates (BlackRock, LGIM and LACM).

Prior to the termination of the external equity managers, TPI had communicated our Stewardship priorities to them, set out our expectations, and let them know that we consider votes related to our priorities to be significant. TPI had also previously shared our RI policy with the Scheme's most significant external investment managers, including these external equity managers.

Over the Scheme year, TPI and then Schroders regularly reported on voting activity and on any relevant issues. You can find out more about this kind of reporting towards the end of this statement. Schroders and any other external investment managers cast thousands of votes every year, for and on behalf of the Scheme, in respect of our equity holdings.

The Trustee does not directly tell its managers how to vote.

However, it is important to us that, voting rights exercised on our behalf reflect our key investment beliefs regarding responsible investing (which are set out in our RI policy).

Voting is one way to influence the equity investments we own, but we can also engage more directly with the management of our portfolio companies. It is particularly important to be active in engaging with the management of assets such as fixed income bonds, where we don't have voting rights, and infrastructure, where voting rights for infrastructure equity is different and less extensive than with equity ownership in public companies. We have provided examples of engagement in both equity investments and non-equity asset classes in this statement. Engagement with the Trustee's property and other private assets managers was completed by Schroders, in alignment with the Trustee's principles and policies.

During the Scheme year, we reviewed our voting policy to make sure it appropriately reflects the Trustee's views on active engagement across the full range of the companies in which we're invested and the assets that we hold, and to make sure it sets out our expectations for Schroders' own policies on voting and engagement.

Our most significant votes

When Schroders was appointed to manage the Scheme's assets, the Trustee communicated its Stewardship priorities, noting that these would form the basis of the significant votes for the Scheme. We've requested information from Schroders on our most significant votes placed during the year; the ones that best represent our Stewardship priorities, which include issues that form part of the Trustee's key beliefs around RI (as set out in our RI policy). As the Scheme's principal investment manager, Schroders voted and engaged on our behalf over the Scheme year, taking these beliefs and our expectations into account.

Those most significant votes (five of them) are included on the following pages, and reflect action undertaken by Schroders on behalf of the Trustee. The information shown reflects the information that was provided by Schroders as part of these discussions.

The below votes were not communicated to the companies ahead of the vote, with the exception of the significant vote relating to Microsoft Corporation.

See "Who's involved?" on page 14.

1. Schroders voted in favour of a shareholder proposal requesting a new mandatory director resignation policy, aiming to reduce potential Board instability

Date of the vote:

January 2025

Name, location, and activity of company:

Visa Inc, US, Credit Services

Approximate size of the holding within the fund at the date of the vote:

0.9% of the equity portfolio

Stewardship priority the vote relates to:

Governance issues, including business ethics and corporate transparency

The proposal:

A shareholder proposal regarding mandatory director resignation policy

How Schroders voted:

Schroders voted in favour of the proposal, against management recommendation

What was the rationale?

The shareholder proposal asked the Company to adopt a new Director Election Resignation Governance Guideline provision in its corporate governance guidelines to address situations when one or more incumbent Board nominees fails to receive the required majority vote for re-election. In Schroders' view, the proposed guideline struck a good balance between respecting shareholders' voting rights and ensuring that the Board retains some discretion to ensure that the result of director elections does not cause undue instability on the Board. Given that failed director elections are very rare, Schroders believe that the adoption of this proposal offered more benefit than risk. Schroders believe that this proposal supported the interests of minority shareholders, but also ensures that Boards are able to execute their fiduciary duty by playing an active role in overseeing Board composition and effectiveness.

What was the outcome?

The shareholder proposal that Schroders supported was not successful, with 83% voting against

What are the next steps?

Despite supporting an unsuccessful proposal, Schroders will continue to engage with the company on this matter given their view that this is a benefit to shareholders, and will monitor and look for opportunities to participate in future resolutions regarding this topic.

2. Schroders voted in favour of a shareholder proposal for the company to report on Artificial Intelligence (AI) misinformation and disinformation

Date of the vote:

December 2024

Name, location, and activity of company:

Microsoft Corporation, US, Technology

Approximate size of the holding within the fund at the date of the vote:

3.0% of the equity portfolio

Stewardship priority the vote relates to:

Social issues, including human rights, diversity and inclusion and fair and decent treatment for workers

The proposal:

A shareholder proposal regarding reporting on AI misinformation and disinformation

How Schroders voted:

Schroders voted in favour of the proposal, against management recommendation

What was the rationale?

Schroders identifies responsible AI governance and the mitigation of systemic risks—particularly those that can materially affect both stakeholder trust and long-term investment value—as critical areas of focus. Misinformation and disinformation generated or amplified by AI tools have the potential to significantly erode societal trust, regulatory goodwill, and user engagement, all of which can pose material risks to Microsoft's reputation and license to operate. Supporting this proposal aligned with Schroders' active ownership priorities of ensuring companies are managing emerging technology risks responsibly and transparently. In Schroders' view, the proposed report would enhance transparency, provide investors with better insight into the robustness of Microsoft's governance practices and support informed dialogue on the company's risk management efforts.

Was the vote communicated to the company ahead of the vote?

Schroders engaged with the Company in November 2024 ahead of the annual meeting specifically regarding how the company is managing AI misinformation. Schroders also communicated their voting intention to Microsoft in advance of the AGM through a call and follow-up email exchange with the company's ESG Company Secretary.

What was the outcome?

The shareholder proposal that Schroders supported was not successful, with 81% voting against.

What are the next steps?

Schroders will continue to engage with Microsoft on human rights and responsible technology, with a particular focus on the governance of AI systems, risk mitigation measures, and transparency around content integrity and disinformation.

3. Schroders voted in favour of a shareholder proposal to improve gender and racial pay gap reporting

Date of the vote:

October 2024

Name, location, and activity of company:

Procter & Gamble Co., US, Household & Personal Products

Approximate size of the holding within the fund at the date of the vote:

0.6% of the equity portfolio

Stewardship priority the vote relates to:

Social issues, including human rights, diversity and inclusion and fair and decent treatment for workers

The proposal:

A shareholder proposal regarding median gender and racial pay equity reporting

How Schroders voted:

Schroders voted in favour of the proposal, against management recommendation

What was the rationale?

The shareholder proposal asked the company to “report on both quantitative median and adjusted pay gaps across race and gender, including associated policy, reputational, competitive, and operational risks, and risks related to recruiting and retaining diverse talent.” Schroders believes that disclosure of median gender and racial pay gaps is important for achieving equal pay and improving diversity and inclusion. In Schroders’ view, the proposal would provide useful information to shareholders and help the company to identify and address any potential human capital management risks in its current approach.

What was the outcome?

The shareholder proposal that Schroders supported was not successful.

What are the next steps?

Due to the proposal’s failure, Schroders will continue to monitor for future resolutions on this topic, as Schroders finds it important to ensure no unintentional biases exist in the company’s pay structure.

4. Schroders voted in favour of a shareholder proposal to improve climate disclosure and transition planning

Date of the vote:

October 2024

Name, location, and activity of company:

Cintas Corporation, US, Business Services and Supplies

Approximate size of the holding within the fund at the date of the vote:

0.1% of the equity portfolio

Stewardship priority the vote relates to:

Environmental issues, including climate change and biodiversity loss

The proposal:

A shareholder proposal regarding greenhouse gas targets and alignment with the Paris Agreement

How Schroders voted:

Schroders voted in favour of the proposal, against management recommendation

What was the rationale?

Schroders believes shareholders would benefit from the company publishing a transition plan and further disclosure around how it plans to achieve its long-term targets. Although Schroders does not see climate transition risk as particularly material in the sector, it believes that companies with robust climate governance, risk management, and disclosures are better positioned to deliver long-term value for shareholders. Schroders also supports companies that have committed to reduce emissions in the long-term to articulate how they will deliver on their ambition. Schroders expects companies to develop and disclose credible transition plans that align with the goals of the Paris Agreement, including science-based near- and long-term targets for Scope 1, 2, and 3 emissions. This resolution directly supports those expectations by calling for enhanced transparency and ambition on Cintas Corporation’s decarbonisation strategy.

What was the outcome?

The shareholder proposal that Schroders supported was not successful, despite it receiving a high-level of support (39%).

What are the next steps?

Schroders hopes to see the strong level of shareholder support for the proposal translate into the Company considering further improvements to its political spending disclosures. Due to the small position size and the company’s low level of transition risk exposure, Schroders does not have any specific escalation plans related to the proposal but will consider this in the future.

5. Schroders voted against a management proposal to approve the firm's remuneration report

Date of the vote:

October 2024

Name, location, and activity of company:

BHP Group Limited, Australian, Industrial metals & mining

Approximate size of the holding within the fund at the date of the vote:

0.3% of the equity portfolio

Stewardship priority the vote relates to:

Governance issues, including business ethics and corporate transparency

The proposal:

Adoption of the firm's remuneration report

How Schroders voted:

Schroders voted against the proposal, against management recommendation

What was the rationale?

Schroders views the remuneration outcomes for management and the board as excessive. Whilst Schroders thinks the quality of personnel is strong, it believes that the quantum of remuneration is reflective of the size of cashflows generated by the business (largely due to high commodity prices) rather than the complexity of operations or unique skillsets in current management which might explain such remuneration outcomes. Whilst the high global demand for BHP's senior management will be offered up as justification for the generous remuneration, Schroders stand firm in the view that remuneration packages have reached excessive levels and that lower outcomes would still attract very high calibre managers.

What was the outcome?

The management proposal that Schroders opposed was successful.

What are the next steps:

As the proposal Schroders supported was unsuccessful, Schroders will continue to monitor for future resolutions regarding remuneration, so that they have future opportunities to engage with this topic.

Lessons learned from our most significant votes

As the Scheme's equities were managed by Schroders for the majority of the year, all the significant votes have been reported from Schroders' portfolio. The Trustee had no direct control over how votes were cast by Schroders on its behalf. This highlights the importance of reviewing Schroders' voting policies, both as the Trustee did at the point of inception and regularly over the course of the year, monitoring practices, engaging on key votes, and providing regular feedback on the Trustee's expectations. For example, Schroders provide a quarterly update on monitoring and engagement activity at the Responsible Investment Committee meetings, which is presented, allowing the Committee members to challenge activity as appropriate. The Trustee reviewed Schroders' Stewardship policies to consider alignment with their priorities and is comfortable that Schroders' voting practices largely align with the Trustee's expectations.

Excluding the final vote, the above all reflect cases where a vote was made in support of a shareholder proposal, against management, and were not successful. The final case was a vote against the management proposal, which was not successful. Engagement on these issues is therefore important in addition

to the votes in order to seek improvements in these important areas. Schroders regularly engages with companies on these topics and reports back to the Trustee on key issues.

Schroders will continue to engage with the above listed companies, where deemed appropriate, on the Trustee's behalf, and will monitor future resolutions related to the significant votes and report on any significant developments.

The Trustee scrutinises and monitors Schroders on a regular basis and receives a quarterly update on voting activity, including an update on any significant voting and engagement activities and how they align with our priorities. This allows the Trustee to ensure that Schroders' activity is aligned with the Trustee's expectations.

The Trustee also undertakes a full review of Schroders' capabilities as the Scheme's investment manager, including its credentials, resourcing and activities in relation to RI. The first review took place after Schroders had been in place for 12 months. These reviews will take place regularly and we will expect to report back on any outcomes.



A summary of our voting across the year

Who voted?	Schroders	LGIM	BlackRock	LACM
Number of meetings voted at	104	1,269	1,166	175
Number of issues voted on	1,220 out of 1,249 (98%)	17,054 out of 17,147 (99%)	17,407 out of 17,593 (99%)	2,686 out of 2,699 (>99%)
Number of times the manager voted with management	1,101	13,337	16,746	2,255
Number of times the manager voted against management	117	3,644	661	319
Number of votes abstained / withheld from	6	73	97	6
Number of times the manager voted for a shareholder proposal	10	407	67	94
Number of times the manager voted against a shareholder proposal	36	244	586	112
Number of times the manager voted for a management proposal	1,065	12,917	16,072	2,143
Number of times the manager voted against a management proposal	103	3,413	564	221
Time period	1 July 2024 – 31 March 2025	1 April 2024 – 31 July 2024	1 April 2024 – 6 August 2024	1 April 2024 – 1 July 2024

Notes:

- Due to the data not being provided by all of the managers, votes have not been split out between ESG issues. While Schroders has provided this information, it is limited by being on a part period basis. The split will be included in future statements.
- Schroders votes for a management proposal includes two frequency votes, where Schroders voted for “1 year”, in line with management recommendation.
- Schroders votes against management include three management proposals on which management did not provide a recommendation and which Schroders voted against. Any other instances where there was no management recommendation has been considered a vote with management.
- LGIM have confirmed that the reason the ‘for/against/abstain’ split by manager/shareholder proposals does not add up to the total number of votes is due to the fact there can be other definitions of voting rationale, depending on the individual vote.
- LACM’s votes with management includes 108 votes to “take no action”. LACM also voted on 6 frequency votes, with 4 of these considered with management. Numbers may not sum due to votes where management did not make a recommendation.
- BlackRock provided the following comment on their vote numbers:

Figures may not total 100% due to a variety of reasons, such as lack of management recommendation, scenarios where an agenda has been split voted, multiple ballots for the same meeting were voted differing ways, or a vote of ‘Abstain’ is also considered a vote against management. In addition, Do Not Vote are not considered and frequency votes are only reflected where possible.



How our voting and engagement processes work

The Trustee has delegated voting rights and engagement activities around the Scheme's investments to Schroders, and to our other investment managers. Details of Schroders' processes are set out below.

Schroders

- Schroders maintains a firm-wide commitment to active ownership, through both engagement and voting activities across various asset classes (they primarily vote on listed equity). The Corporate Governance and Investment teams work together to ensure decisions align with clients' long-term interests and regulatory requirements, guided by the Schroders' Engagement Blueprint (voting is not guided by the Engagement blueprint) and Voting Guidelines. The Engagement Blueprint is a policy document setting out Schroders' high-level vision for active ownership, including the themes that Schroders have identified as material to the long-term value of investments. As active investors, Schroders recognise their responsibility to make considered use of voting rights, therefore, it is their policy to vote all shares at all meetings globally, except where there are onerous restrictions, for example, share blocking.
- All proxy voting is processed electronically using Glass Lewis's platform, Viewpoint, adhering to Schroders' global and regional voting guidelines that are reviewed annually. The global voting guidelines set the minimum standards to be applied and are supported by regional and/or market specific guidelines, where applicable. Schroders examine sustainability-related shareholder resolutions on a case-by-case basis, carefully considering whether the resolutions are the best way to address the issue to add value to the company without the potential for causing unintended negative impact. Schroders generally supports proposals that seek better disclosure of material sustainability matters, improve corporate governance, and align with their Engagement Blueprint and Climate Transition Action Plan.
- To ensure consistency in voting decisions as well as creating a more formalised approach to their voting process, Glass Lewis automatically votes holdings of which Schroders own less than 0.5% of share capital (excluding certain resolutions). Schroders' most material holdings, where they believe their vote has the most influence, as well as contentious or nuanced resolutions regardless of holding size, are reviewed by corporate governance and investment teams for informed decision-making.
- Schroders receives recommendations from Glass Lewis in line with their own bespoke guidelines, in addition to Glass Lewis' standard research. This is complemented with research by Schroders' in-house investment and Sustainable Investment analysts and where appropriate with reference to public reporting. Their Corporate Governance specialists assess each proposal and consider a range of factors, including the circumstances of each company, their engagement history, long-term performance, company governance, strategy and the local corporate governance code.
- Active engagement with management is a key responsibility, with analysts and fund managers directly involved, guided by the Engagement Blueprint that outlines priority themes such as climate change and corporate governance. Escalation of concerns is based on materiality, urgency, and previous progress. Schroders may inform companies of their voting intentions in advance or after meetings, especially for contentious votes, and publishes voting records monthly for transparency.



The Trustee makes sure it understands and is comfortable with its investment managers' engagement and escalation policies, and that these policies are appropriate for the relevant mandate. With respect to external investment managers, this responsibility has been delegated to Schroders.

The Trustee has agreed an approach for the escalation of engagement issues relating to its external investment managers. The RIC takes an active approach to reviewing, questioning, and challenging the information it receives, and it raises any concerns that it identifies. This approach has been shared with the Scheme's significant external managers.

Who's involved?

The Trustee

The Trustee sets the strategy for the way the Scheme invests, which helps guide the way votes are made and how we engage with companies. The Trustee receives advice on its RI and ESG work, and on updating its RI policy, from its investment advisors and its legal advisors. You can read more about the strategy in the SIP [here](#).

Principal Investment Manager

Schroders

Schroders was appointed as principal investment manager in June 2024. Schroders manages the Scheme's assets and any other external managers and where relevant, vote on the Trustee's behalf. Schroders integrates ESG considerations into their research and investment decisions across asset classes via specialist teams. Schroders' RI team focused on ESG and RI matters are heavily involved in investing the Scheme's assets.

Tesco Pension Investment Ltd (TPI)

At the beginning of the Scheme year, TPI was the principal investment manager. However, Schroders was appointed by the Trustee in June 2024 to replace TPI.

External managers

Where external managers are appointed to manage a portion of the Scheme's assets, they will also cast votes on the Trustee's behalf, where relevant to the asset class they manage. Schroders shares the Trustee's Stewardship priorities and expectations with the Liability-Driven Investments (LDI) fund manager, and the Scheme's other significant external managers and carries out due diligence over their voting and stewardship activities and reports these to the Trustee. As already noted in this statement, the external equity manager mandates were terminated over this Scheme year, with exact dates shown in the table on page 12. The voting processes for the external equity managers are summarised on pages 15-16.



How our external equity managers' voting processes work

This information has come directly from the external equity managers that were in place for the Scheme year to 31 March 2025. This wording was shared with the Trustee while the external equity managers were still in place, therefore these voting processes may have subsequently changed.

Legal & General Investment Managers Limited (LGIM)

- LGIM's Investment Stewardship team make all decisions in line with LGIM's Corporate Governance and Responsible Investment policy and their Conflicts of Interest policy. Both policies are reviewed annually.
- Each member of LGIM's team is allocated a specific global sector, so that voting is carried out by the same individual that engages with the company. This helps to make sure that the Stewardship approach flows smoothly from engagement to the voting process.
- LGIM's Investment Stewardship team uses [Institutional Shareholder Services \(ISS\)](#) 'ProxyExchange' electronic voting platform. All voting decisions are made by LGIM. They do not outsource any part of the strategic voting decisions. ISS's recommendations are used purely to support LGIM's own research and ESG assessment tools. LGIM's Investment Stewardship team also uses [Institutional Voting Information Services \(IVIS\)](#) research reports, to support ISS's research reports for UK companies, when making particular voting decisions.
- To make sure the proxy provider votes reflect LGIM's position on ESG, LGIM has put a custom voting policy in place, which includes specific voting instructions. These instructions apply to all markets, globally, and are designed to maintain what LGIM considers to be the minimum best practice standards.
- In all markets, LGIM retains the ability to override any voting decisions that are based on their custom voting policy. This may happen where engagement with a specific company has provided additional information (for example, from direct engagement, or from an explanation in the annual report) that allows LGIM to apply a qualitative overlay to their voting judgment. LGIM has strict monitoring controls, to make sure that votes are fully and effectively executed by the service provider, in accordance with the voting policies. This includes a regular, manual, check of the votes that are input into the platform, and an electronic alert service to inform LGIM of rejected votes that require further action.
- You can read more about this, and LGIM's policies, by visiting LGIM's policies [here](#).

BlackRock

- At BlackRock, investment stewardship is core to the firm's role as an asset manager and a fiduciary to its clients. BlackRock offers a range of investment stewardship options to reflect clients' individual investment choices and goals. BlackRock Investment Stewardship (BIS) is responsible for stewardship activities in relation to clients' assets invested in index equity strategies.
- The BIS Global Principles, regional voting guidelines, and Engagement Priorities (collectively, the BIS Benchmark Policies) set out the core elements of corporate governance that guide BIS' investment stewardship efforts globally and within each market.
- The Global Principles reflect BIS' views on the globally applicable fundamental elements of corporate governance that contribute to a company's ability to create long-term financial value.
- BIS' regional voting guidelines provide context on local market rules and norms within the framework of BIS' overarching Global Principles and help provide clients, companies, and others guidance on BIS' position on common voting matters in each market.
- The vast majority of the stewardship team's voting decisions are straightforward applications of the BIS Benchmark Policies and are determined by the relevant voting analyst, in consultation with team members or the regional BIS head, as necessary.
- BIS engagement priorities cover the five themes on which the team most frequently engages companies, where they are relevant and a source of material business risk or opportunity.
- BIS reviews its Benchmark Policies every year and updates them, as necessary, to reflect changes in market standards and regulations, feedback from clients and companies, and insights gained over the year through third-party and our own research.
- For clients that have delegated voting authority to BlackRock, BIS casts all votes according to BIS' voting guidelines – independently of any proxy research firm's voting policy. BIS' vote decisions are informed by the team's in-depth analysis of company disclosures, comparisons against industry peers, engagement with boards and management teams, and third-party research.
- To learn more about Stewardship at BlackRock, visit the firm's website.

Los Angeles Capital Management (LACM)

- LACM also uses an independent proxy voting agent to provide proxy analysis, voting recommendations and administration, and recordkeeping. It also manages other operational and reporting matters of the proxy voting process.
- LACM's Proxy Committee has designated certain materiality thresholds for situations in which the Committee may vote independently from the outside proxy agent or may take separate actions in regard to securities lending limitations. Materiality thresholds are monitored daily and are escalated to the Committee for review.
- If a material conflict arises in connection with LACM's voting rights at any time, it's resolved in the best interests of the client.





What are our voting and engagement policies?

Our voting and engagement policies are set out in our [Statement of Investment Principles \(SIP\)](#). We followed these policies throughout the year achieved by:



These actions reflect how we engaged with and monitored relevant parties during the year.

**During the Scheme year, TPI and Schroders implemented this on the Trustee's behalf, in accordance with the policies set by the Trustee.*

1.

Delegating to our managers, and making clear what we expect of them

During the Scheme year, we delegated voting rights and engagement activities around the Scheme's investments to the principal investment manager, and to our other investment managers.

Whether voting, engaging, monitoring, or appointing external managers on the Trustee's behalf, the principal investment manager had to consider the policies set out in our SIP and in our RI policy. TPI and Schroders both confirmed that they complied with this requirement throughout the Scheme year.

We expected TPI (at the beginning of the Scheme year) and Schroders (since their appointment) and any of our external fund managers to take account of RI and ESG factors as financially material considerations, now and in the future. These include climate-related risks and opportunities, which can have a financial impact on the Scheme's investments.

2.

Reviewing our managers' decisions and engaging with them

During the Scheme year, Schroders terminated the Scheme's mandates with the external equity managers and maintained oversight of the Scheme's other significant investment managers, including the LDI fund manager, to ensure they were following the Trustee's Responsible Investment policy and engaging on the Trustee's Stewardship priorities.

Regular reviews

Given the number of decisions that have been delegated, Schroders do not review every decision taken by other external managers, but did engage with them regularly, and report any material observations and conclusions to the Trustee.

TPI (at the beginning of the Scheme year), Schroders (since their appointment) and LCP report to the IRC and to the Trustee on the Scheme's investment performance each quarter. They also report to the RIC each quarter, on all things relating to ESG and RI. As part of these reports, Schroders provide an ESG update, which includes a summary of engagement and Stewardship activity. The Trustee also receives regular updates from the RIC, as part of its work relating to the TCFD recommendations. The RIC discusses RI-related performance, including updates on engagement and voting, with Schroders at its regular meetings.

When external managers are used, Schroders monitor and review those managers. This includes formal review calls with key managers, during which they will discuss RI, including Stewardship practices, and any areas where the manager is not meeting the Trustee's expectations. Schroders will report any relevant updates to the Trustee. No issues requiring action by the Trustee were identified during the Scheme year.

Other, less frequent, reviews

During the Scheme year, TPI and Schroders reported to us at RIC meetings, on discussions with management at the companies we're invested in, and on any key votes (particularly controversial ones) that Schroders wished to discuss with the Trustee. As part of the annual review during the Scheme year, Schroders considered voting behaviour against the Trustee's policy and raised any controversial issues with the Trustee.

Following the Scheme year end, in April and May 2025, LCP carried out its first review and assessment of Schroders' activities against the objectives set by the Trustee. The resulting reports included a focus on what Schroders was doing about RI and ESG considerations, and any climate-related risks and opportunities. The Trustee set LCP objectives for RI and ESG too, and it reviews their performance against those objectives annually.

At least once a year, Schroders will complete a review of the significant external managers and their practices and report to the Trustee. The combination of this review and the quarterly reviews that the Trustee receives allows the Trustee to monitor the managers' practices, escalate any issues that are identified and, where necessary, take action to engage with and influence these external managers' behaviours.



3.

Engaging with private markets and other fund managers

Where the Scheme is invested in private markets funds, voting does not work in the same way as it does with the public businesses we're invested in. Schroders could vote in some private markets; for example, at some private market fund AGMs, or where a vote was required to change a fund's terms. Schroders carefully considered how it uses its voting rights and reports to the RIC on any appropriate matters.

The Trustee has other ways to use its influence to achieve positive outcomes. When considering new private markets investments, Schroders carries out detailed due diligence on the Trustee's behalf, which includes the careful consideration of fund managers' policies and reporting, and how their policies inform the decisions they make.

Following onboarding of the Scheme's portfolio, Schroders developed an ESG Due Diligence Questionnaire ("DDQ") tailored to the Trustee's objectives and targets. Schroders undertook a deep dive on the Trustee's private asset managers alongside a request that each manager confirm whether they are aligned with the Trustee's RI policy and stewardship priorities. Schroders reported back key findings to the Trustee.

As part of these engagements, Schroders discussed the managers' approaches to integrating responsible investment, engaging with its underlying investments and approach to the Trustee's engagement priorities.

As a result of this deep dive, as well as presenting back their findings to the Trustee, Schroders proposed an engagement plan for each of the private market asset classes (infrastructure, indirect property, private credit and private equity). An engagement strategy for the private market assets was agreed with the Trustee. All managers will be sent the DDQ annually and a target list of managers, identified by Schroders using prioritisation criteria, will be subject to further direct engagement.

Schroders will monitor managers and their underlying private markets investments on the Trustee's behalf. They will also engage with them through a regular schedule of performance reviews, fund monitoring, limited partner advisory committees, and directly targeted communication.

CASE STUDY: Engagement with a large US technology company on human rights and climate change



What was the background?

Schroders has multiple ongoing engagements with the company regarding supply chain human rights and digital rights topics. Schroders is also engaging with the company to encourage transparency of climate change reporting.



What were the engagement highlights?

During 2024, Schroders maintained an open line of communication with the company. In August, Schroders held a call with the company to request more transparency on how it planned to reduce its emissions, following the growth of generative Artificial Intelligence (AI) platforms. Schroders requested strengthening the policies on the use of third-party AI. In November, Schroders spoke with the company secretary on the topic of customer due diligence and transactions, and shared examples of good practice from peers.



What was the outcome?

The company has strengthened its responsible purchasing practices to include references to payment of a living wage and improved expectations for suppliers when using foreign migrant labour. The company also undertook and published the findings of a Human Rights Impact Assessment of its enterprise cloud and AI technologies licensed to US law enforcement agencies.



What are the next steps?

Schroders has set objectives for the company to improve policies for how responsible AI practices are applied when using third-party AI models and to provide clearer articulation and disclosure of its decarbonisation plans to meet 2030 climate goals. Schroders continues to monitor and engage with the company on these topics.



In summary

In this statement, we've explained how the Scheme followed the investment policies set out in the SIP during the Scheme year. We'll produce a new version of this statement every year, to keep you informed on how the Scheme is investing.

As well as replacing TPI as our principal investment manager, Schroders manages our investments in companies directly for us, having replaced our significant external managers. This means that Schroders, acting on the Trustee's behalf, can have more direct influence with the companies we invest in, on a range of key sustainability themes, in line with the Trustee's Stewardship priorities.

You can find out more about how the Scheme is investing in our separate annual reports and updates on climate change and Stewardship. They are available to view and download at pensionwebsite.co.uk/scheme-investments-gsi