1. What is the purpose of this document?

The Trustee of the Tesco PLC Pension Scheme invests on behalf of the Scheme's beneficiaries and invests its assets responsibly in delivering its objective to pay the right benefit to the right person at the right time. The Trustee considers Environmental (including Climate Change and biodiversity loss), Social (including human rights, diversity and inclusion and fair and decent treatment for workers) and Governance (including ethical corporate behaviour and corporate transparency) factors as financially material risks to the Scheme.

This document outlines the Trustee's policy on responsible investment and how these risks are managed. Additional information on the broader investment strategy of the Scheme can be found in the Statement of Investment Principles.

The Trustee developed this policy working collaboratively with its advisers and other stakeholders.

2. What does this policy apply to?

The policy applies to the way in which the Trustee invests the Scheme's assets. The Trustee requires the Scheme's principal investment manager, Schroder Investment Management Ltd "Schroders", to act in accordance with this policy when managing the Scheme's assets directly and when appointing and reviewing external managers on the Trustee's behalf.

The Trustee expects its views on responsible investment to be reflected across all types of investments in the portfolio where appropriate and possible.

Terms used in this document

Responsible investment
The integration of environmental, social and corporate governance (ESG) considerations, including climate change, into investment management processes and ownership practices in the belief that these factors can have an impact on financial performance.

ESG factors
Environmental, Social and Governance factors, including Climate Change, could impact the value of an investment. The key areas covered are as follows:

- **Environmental issues:** including climate change and biodiversity loss.
- **Social issues:** including human rights, diversity and inclusion and fair and decent treatment for workers.
- **Governance:** including business ethics and corporate transparency.

Paris Agreement
An international treaty on climate change with the goal of limiting global warming to well below 2°C, preferably to 1.5°C, compared to pre-industrial levels.

As defined by the UK Stewardship Code 2026 (which is effective from 01 January 2026):
"Stewardship is the responsible allocation, management, and oversight of capital to create long-term sustainable value for clients and beneficiaries".

3. What are the Trustee's core beliefs about responsible investment?

The Trustee is a responsible steward of its assets and considers the financial and risk impact of ESG factors, including climate change, on its investments and also, where it is consistent with its legal obligations, takes account of the impact of its investment practices on the economy, society and the environment.

The Trustee's key beliefs are:

- **Investment strategy:** Climate change is 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 both the short and long term.
- **Investment process:** Climate related and other ESG factors should be integrated, with other risks and opportunities, in our managers' investment processes and decisions.
- **Governance, decisions and delegation:** We should develop policies on responsible investment and climate change, in particular, that provide clear direction on our expectations of the investment managers we use and to whom we delegate investment management and stewardship.
- **Engagement and stewardship:** The Scheme's investment risks and outcomes can be enhanced by engagement with businesses in which we invest, and with other external parties where appropriate.
- **Voting practices:** We understand the importance of voting and engagement. We should use our ability to vote to influence in areas that are considered to be a material financial risk or opportunity to the Scheme.
- **Net zero target:** We have set an appropriate target for the Scheme's assets to aim to reach net zero greenhouse gas emissions by 2050, to manage the investment risk of the Scheme. This target may change over time. We are a long-

term investor in governments and companies across the world and there may be reasons for our target, milestones and approach to achieving net zero not to align with those of Tesco PLC.

- **Disinvestment policy:** The Trustee will expect Schroders, or its other external managers, to engage companies on financially significant ESG risks with the aim of only considering divesting where the company fails to engage with the Trustee's long-term goals, making the long-term risk unacceptable. However, the Trustee also acknowledges that ESG factors may be significant enough to justify its managers taking a decision to divest from an asset immediately, rather than waiting to undertake a longer-term program of engagement.

4. How are the Trustee's views on responsible investment implemented?

The Investment and Risk Sub-Committee supports the Trustee in managing responsible investment activities.

Investment of the Scheme's assets is delegated to the Scheme's investment managers. The Trustee expects Schroders and any other external investment managers to consider ESG factors, including climate change, as an integral part of their investment processes.

As part of its responsible approach to investment, the Trustee expects Schroders and any other external managers to engage with underlying investments on topics such as environmental factors, climate change, social factors and governance.

The Trustee participates in a range of investor initiatives to maximise industry collaboration on responsible investment. For example being a member of the Institutional Investor Group on Climate Change, and a supporter of initiatives such as Climate Action 100+ (which focuses on engaging with some of the highest emitting companies) and Nature Action 100 (a group that supports investors engaging companies on nature loss).

The Trustee aims to appoint managers (including where appointed by Schroders) that have appropriate skills and processes to meet the requirements of this policy and in implementing its mandate, Schroders will, as far as is reasonably practical, take into account this policy.

5. Does the Trustee specifically exclude investments in certain industries or asset classes?

The Trustee carefully considers this question from time to time in light of its legal obligation to invest in the beneficiaries' best financial interests and its broader legal duties. Its current position is not to automatically exclude investment in any specific industries or asset classes on the basis of ESG factors alone. However, the Trustee may allocate to external investment managers that operate different policies on portfolio tilts and exclusions. The Trustee considers this as and when it considers allocating to investment managers.

The Trustee does however actively encourage Schroders (and any other external managers) to invest responsibly and to have regard to climate-related risks as a financially material consideration when deciding both:

- whether to invest in particular companies and other opportunities, and also
- whether to disinvest from companies where there has been insufficient engagement or response from management on relevant factors in our policy.

The Trustee does not rule out investing in any particular asset class on ESG, including climate change grounds; however, the Trustee will consider ESG, including climate change, risk factors when taking asset allocation decisions into any proposed new asset class.

6. What is the Trustee's policy on climate change?

The Trustee has an ambition for its investments to achieve net zero portfolio greenhouse gas emissions by 2050. As a supporter of the Institutional Investor Group on Climate Change's (IIGCC) Net Zero Asset Owner Commitment, the Trustee is using the IIGCC Net Zero Investment Framework and has set specific targets to support its net zero ambition and engagement in this area. (This is also in line with the Paris Agreement which aims to limit global warming to well below 2 degrees centigrade.)

Having taken advice that this is consistent with its legal obligations, the Trustee expects its investment managers to have regard to climate-related risks as a financially material consideration. The Trustee will engage with the managers to monitor and encourage them on their practices. Further detail can be found in our Annual Climate report.

7. What is the Trustee's approach to Stewardship and engagement?

The Trustee's approach to Stewardship incorporates:

- Active ownership, including engaging with investee companies and exercising voting rights and responsibilities.
- Decision-making that is consistent with the Trustee's Responsible Investment Policy.
- Collaboration with others and working collectively to advocate for policies that support long-term value creation, where relevant.

The Trustee believes that it has an effective governance structure, resources and incentives to support effective stewardship. The Trustee's Investment and Risk Sub-Committee is focused on supporting the Trustee in managing all investment activities, including the integration of responsible investment and stewardship considerations. Schroders and the other external managers are regularly assessed on contributions made towards the responsible investment of the Scheme's assets, through stewardship and engagement activities.

8. What are the Trustee's current Stewardship priorities?

The Trustee has identified specific stewardship priorities. As financially material risks to the Scheme, the Trustee believes that focusing stewardship in these areas is in beneficiaries' best financial interests:

- Environmental issues, including climate change and biodiversity loss
- Social issues, including human rights, diversity and inclusion and fair and decent treatment for workers
- Governance issues, including business ethics and corporate transparency

Climate change has been chosen as a stewardship priority as the Trustee recognises the risks it poses to long-term investment outcomes. The Trustee views stewardship as an important tool to support progress towards its ambition to achieve net zero carbon emissions by 2050. The Trustee has set specific targets to support its net zero ambition and engagement in this area. Biodiversity loss has also been selected as a stewardship priority as the Trustee recognises that biodiversity loss is a material financial risk to the Scheme that may influence the risk and return of the Scheme's investments. The Trustee believes that stewardship action is important to drive change and aims to enhance its stewardship approach over time.

Social issues have been chosen as stewardship priorities as the Trustee recognises social issues as important and financially material considerations to the Scheme.

The Trustee has also identified governance issues as stewardship priorities, with a particular focus on business ethics and corporate transparency, given the financial materiality of these areas, and the importance of these areas for ensuring positive broader ESG performance.

9. What is the Trustee's approach to engagement and voting?

There are various ways to engage with investee companies, including discussions with senior management and Board members, and voting on key resolutions when shares are held by the Scheme. The Trustee recognises that, although in practice its investment managers undertake stewardship activities on the Trustee's behalf, the Trustee retains ultimate responsibility for their activities in respect of the Scheme. The Trustee therefore monitors the practices of its investment managers to ensure that the delegation of decisions about voting and engagement remains appropriate. The Trustee expects its managers to undertake engagement for all asset classes.

The Trustee monitors its managers' engagement and voting activity on an ongoing basis. The Trustee expects Schroders to include engagement activity in its reporting to the Trustee. Schroders aims to influence change on the Trustee's behalf with tools such as engaging directly with external managers and investee entities, collaborating with other investors as part of industry groups, and considering public statements in relation to investee entities.

The Trustee considers significant votes to be those that relate to the Trustee's stewardship priorities as set out in this policy.

The Trustee recognises that stewardship covers not only listed equities, but also asset classes such as property, bonds, infrastructure and private equity. It covers assets invested both domestically and globally.

Where investments are in pooled funds, the Trustee doesn't directly own the shares in underlying investments but has an economic interest in the pooled fund. While investing through pooled funds means stewardship activities over underlying investments can't be done directly, the Trustee remains actively engaged. For example, engaging with and regularly monitoring asset managers, and carrying out due diligence over asset managers' voting and stewardship activities during

the appointment, selection and monitoring process. Schroders engages with investor groups and participates in public policy campaigns on behalf of its underlying clients, including the Trustee. Schroders also engages across all asset classes, for example with corporate debt issuers, direct property holdings and external fund managers that it oversees as part of its investment management agreement with the Trustee, in order to seek alignment with the Trustee's principles.

Where the Scheme is invested in private markets funds, Schroders carefully considers how it exercises its voting rights and votes on private market fund issues where it can.

The Trustee also 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 Scheme's behalf, including careful consideration of fund managers' policies and reporting, and how their policies inform the decisions they make.

10. How is the Trustee's approach to Stewardship and engagement implemented?

Investment of the Scheme's assets is delegated to the Scheme's investment managers. The Trustee expects its investment managers, in particular Schroders, to consider stewardship as an integral part of their investment process.

Schroders writes to the Scheme's external managers, setting out the Trustee's priorities at selection, and thereafter on a recurring basis, to ensure that the Trustee's stewardship principles and expectations are noted and understood. As part of this, the Trustee also communicates its policy on escalation, including that escalation may lead to disinvestment if an external manager fails to engage with the Trustee's long-term goals.

As part of its responsible approach to investment, Schroders engages on a number of matters with the companies and other entities in which the Scheme invests, including external managers, where they are used.

The Trustee's delegation to Schroders and the Scheme's other investment managers described above includes undertaking engagement activities in respect of the investments. This includes engaging with and monitoring "relevant persons" (which includes, but is not limited to, investment managers and the issuers of debt or equity and other stakeholders) about "relevant matters" (which includes, but is not limited to, matters relating to their performance, strategy, capital structure, management of actual or potential conflicts of interest, risks, social and environmental impact and corporate governance). This also applies to the range of persons and matters to which the Trustee's policies on escalation applies (see below for more information on escalation).

The Trustee expects the Stewardship aspects of this policy, and practices such as those set out in the UK Stewardship Code issued by the Financial Reporting Council, to be reflected by Schroders and for Schroders to consider these when appointing and reviewing external managers on the Trustee's behalf. Whilst engagement activities are delegated, the Trustee retains responsibility and oversight for that engagement. As part of this, Schroders provides the Trustee with regular updates on their engagement and monitoring activities to allow the Trustee to monitor, and engage on, those activities.

11. How does the Trustee monitor the Stewardship practices of its investment managers?

The Trustee reviews Schroders's approach to Stewardship on a regular basis.

When appointing and reviewing any external investment manager, the Trustee has set requirements around Schroders sharing the Trustee's stewardship priorities with the external manager and assessing the external manager's stewardship policies. The Trustee requires Schroders to monitor external managers' stewardship policies on an ongoing basis and to report back on any significant changes and/or any concerns to the appropriate committee. The Trustee receives regular reporting from Schroders on stewardship activities undertaken on behalf of the Scheme to monitor activity in this area.

As we explain above, the Trustee makes its expectations on engagement and escalation clear to the Scheme's investment managers by requiring (under its investment management agreement) Schroders' investment approach for the Scheme assets to be consistent with this policy, and requirements around Schroders both taking that policy into account when appointing and reviewing external managers on the Trustee's behalf and sharing the Trustee's stewardship priorities with those managers. The Trustee then ensures it understands and is comfortable with the engagement and escalation policies of its investment managers and that the policies are appropriate for the mandate in question. For external investment managers this responsibility has been delegated to Schroders. The Trustee has also agreed an approach for the escalation of engagement issues relating to its external investment managers. The IRC receives regular information on the voting and engagement activity undertaken on the Scheme's investments. The IRC takes an active approach to reviewing, questioning and challenging the information it receives, and raises any concerns identified. Where a further update on questions or concern raised is not deemed to be sufficient, the IRC takes steps to escalate the issue in line with its agreed

approach. This involves clearly defining what the issue is, the objective for the engagement and the target date for achieving the objective.

For external managers, Schroders will contact them with details of the Trustee's concern and the Trustee's expectations will be confirmed with the aim of agreeing an improvement plan for the manager by a target date. Progress will be reviewed on a regular basis by the IRC and further escalation will take place as required. This may include escalation to a more senior individual at the investment manager and ultimate divestment from the mandate. Regular monitoring of escalation issues will be carried out by the IRC and reported to the Trustee.

While the process around monitoring voting and engagement activities has been primarily delegated to the IRC, it may also take place within wider Trustee committees as relevant and appropriate.

The investment adviser also carries out regular reviews of Schroders' investments, including in relation to responsible investment and ESG and may also review other external managers. The IRC reviews these reports and related advice. When external managers are used, Schroders monitors and reviews those managers prioritised for engagement. These reviews include formal review calls with key managers, and discussions about responsible investment, ESG issues, and any areas where the manager is not meeting the Trustee's expectations. The Trustee expects Schroders in turn to report any relevant updates to the Trustee.

Schroders reports to the Trustee on its engagement activity at quarterly IRC meetings. On an annual basis, the Trustee reviews Schroders' activities both against the Trustee's objectives and also against the Trustee's expectations of Schroders (including on responsible investment, ESG and climate-related risks).

12. How are the Trustee's policies on Stewardship and Stewardship priorities implemented across different asset classes?

As the Trustee's principal investment manager, Schroders implements the Trustee's policies on stewardship on behalf of the Trustee. Schroders' current approach to stewardship for the Scheme's assets involves prioritising climate risk and its impact on the portfolio holdings combined with prioritising other ESG issues (consistent with the Trustee's stewardship priorities) based on their materiality for individual entities.

For directly held equity and corporate debt, Schroders engages with investee companies, focusing on the Trustee's stewardship priorities. Schroders participates in relevant collaborative opportunities to engage with companies, particularly on priority issues such as climate change.

For the private markets mandates, engagement with fund managers principally focuses on ensuring that managers' ESG principles and policies are consistent with the Trustee's.

Engagement with Schroders' direct property portfolio is done in alignment with the Trustee's principles and policies. This includes any activities that are undertaken by Trustee's external property manager.

For the LDI mandate, engagement focuses on whether the LDI manager's ESG principles and policies are consistent with the Trustee's. In addition, the Trustee engages with the LDI manager on the impact of their broader policy advocacy activities, including engagement with sovereign institutions active in the LDI and bond markets.

13. How do the principles set out in this policy apply to the Scheme's investment managers?

The Trustee requires Schroders and any other directly appointed managers to reflect the Trustee's policy on responsible investment in its own approach to the extent set out in the relevant investment management agreement. The Trustee also requires Schroders to take into account its responsible investment policy when appointing and reviewing any external fund managers on behalf of the Trustee. Schroders will engage with other external managers on behalf of the Trustee and will encourage them to improve their practices where appropriate.

Schroders does this on behalf of the Trustee using a variety of engagement tools and will consider, in conjunction with the Trustee, where escalation is required. The Trustee expects Schroders to monitor the portfolios it manages as well as other external managers and their underlying private markets investments it manages on behalf of the Trustee and engage with them on behalf of the Trustee. For external managers, this is through various activities such as a regular schedule of performance reviews, fund monitoring, limited partner advisory committees, and directly targeted communications. See

above for more information the Scheme's investment managers' voting, engagement and (where needed) escalation on behalf of the Trustee.

14. How will the Trustee monitor compliance with this policy?

The Trustee monitors its compliance with this policy through the reports it receives regularly from Schroders. The Trustee expects Schroders to proactively raise with the Trustee any issues that Schroders considers material, having regard to the views of the Trustee, on its Responsible Investment Policy, in relation to either its own portfolio or the underlying managers.

15. What else did the Trustee consider when forming this policy?

The Trustee recognises that it is legally required to invest in the best financial interests of the beneficiaries of the Scheme and in line with its broader legal duties. Nothing in the policy is intended to conflict with this requirement and the policy was formed in light of this.

16. When does the Trustee review this policy?

The Trustee will review this policy every year and after any material change to relevant legislation.