This document sets out how the money in the Scheme is invested, and how investment decisions are made by Tesco Pension Trustees Limited, the Trustee of the Scheme. The Trustee is required to act in the beneficiaries' best financial interests when investing the Scheme's assets.

Whilst the Trustee bears ultimate responsibility for the Scheme, it appoints a number of specialists to ensure the investments are managed appropriately, including consultants, fund managers, custodians and lawyers. The Trustee also consults the Company, Tesco PLC, on any investment strategy decisions, as the performance of the strategy will impact what contributions are payable by the Company, and in relation to responsible investment.

1. What are the Trustee's investment objectives?

The main objective of the Trustee is to ensure that the Scheme is able to pay the members and their families their promised benefits. In order to achieve this now and in future, the Trustee needs to invest the money that is in the Scheme.

The Trustee considers, amongst other things:

- the ability of Tesco PLC to fund the Scheme and how this may change in future;
- the length of time until benefits have to be paid;
- expected returns and risk of a wide range of possible investments;
- a range of possible outcomes, including the probability and impact of the funding position worsening;
- advice from the Scheme Actuary and other advisers.

These considerations drive the investment strategy, ie the combination of assets in which the Trustee invests.

2. What is the Trustee's investment strategy?

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 principles around hedging, collateral and expected returns, and how to balance them. The main principles (in order of priority) are:

1. maintain liquidity and collateral to ensure that it can pay the right benefit to the beneficiaries of the Scheme as and when they fall due;
2. manage overall risk, including maintaining the desired liability hedge ratio and appropriate collateral cover; and
3. achieve an overall expected return in line with delivering the low dependency long-term funding target.

Adopting the principles helps ensure the right level of liquidity and collateral to maintain the hedging protection. As interest rates and inflation vary, the resultant asset allocation will move around in percentage terms.

The table below shows the Scheme's broad asset allocation.

Sub-portfolio allocation as at 31 October 2025	
Government bonds, LDI and collateral	40%
Fixed income	10%
Alternatives / Infrastructure / Property	15%
Private credit	10%
Equity	20%
Private equity	5%
Total	**100%**

The Trustee obtains and considers advice from LCP, its investment adviser, when reviewing the Scheme's investment strategy. The Trustee will review the investment strategy at least every three years, or when there is any significant change in the circumstances of the Scheme.

3. How is the investment strategy implemented?

The Trustee has appointed Schroders as the principal investment manager for the Scheme, under an investment management agreement. They have overall control of the Scheme investments, managing some of them directly, and appointing external investment managers for others, whilst adhering to the principles set out in this document. They also have discretion over the timing of realisation of investments to meet cash flow needs.

The Trustee believes it is possible for skilled fund managers to add value over the long term through their investment decisions. As such, as part of implementing the Trustee's chosen investment strategy, Schroders has also been given (within certain parameters) responsibility for selecting and monitoring external specialist fund managers for particular asset classes, using their own research into the people and processes of the fund management firms.

The Trustee does not think it is suitable to list the chosen fund managers in this document since there are likely to be regular changes given the number of managers appointed. This information is included in the annual report.

The Trustee either has a legal agreement with an underlying fund manager, or where Schroders is responsible for selecting the fund manager the manager will have a legal agreement with Schroders. The agreements cover several topics including restrictions on the type of investment the manager can hold, performance targets using recognised and credible industry benchmarks for investment funds with similar risk/reward profiles and fees.

The Trustee regularly reviews the fees charged by the fund managers to check that they are still competitive and appropriate. The Scheme's investment adviser, or Schroders as appropriate, monitors investment performance on an ongoing basis.

4. How are investment risks managed?

The Trustee considers various risks which could affect the Scheme. Risks are monitored to make sure they stay at an acceptable level, and are measured both quantitatively and qualitatively.

The Trustee and the Investment and Risk Committee produce a detailed risk assessment on an annual basis.

The Trustee regularly reviews its own performance, and that of its advisers. If there is an area where someone is not performing as would be expected, the Trustee will review the appointment of those concerned.

5. How does the Trustee invest responsibly?

The Trustee's Responsible Investment Policy

The Trustee believes that understanding and actively engaging with environmental, social and corporate governance (ESG) issues contributes to identifying opportunities but also to mitigating risks.

The Trustee has a Responsible Investment Policy, which sets out the Trustee's policy on responsible investment and how these ESG risks are managed. This includes information on the Trustee's voting and escalation policies.

Investment of the Scheme's assets is delegated to Schroders and other managers. The Trustee requires Schroders to act in accordance with the Trustee's Responsible Investment Policy when appointing and reviewing external managers and undertaking engagement activities on behalf of the Scheme.

The Trustee's policy on financial & non-financial factors

The Trustee, and Schroders on behalf of the Trustee, consider financially material considerations, including environmental (including exposure to climate change risks), social and corporate governance issues, over the appropriate time horizon of the investments.

With the Trustee's key objective of delivering members' benefits when they are due, whilst the Trustee expects its managers to take into account financially material considerations, the Trustee doesn't currently take into account non-financial matters, such as the specific views of individual members.

The Trustee's policy on voting and engagement

Schroders and the managers that the Trustee has made relevant delegations to, on behalf of the Trustee carry out the Trustee's rights and duties as a shareholder including voting and engagement in respect of the Scheme's investments and this includes engaging with and monitoring investment counterparties (relevant persons) about matters in relation to the investments (relevant matters).

The Trustee encourages the fund managers to take their own voting decisions. Schroders reviews delegated decisions, as appropriate, reporting their observations and conclusions to the Trustee. The Trustee may ask the fund manager to explain their votes and assess the fund managers based on their understanding of these issues. Where appropriate, the Trustee can choose to make its own voting decisions. The Trustee's Responsible Investment Policy includes more information on this, and on the Trustee's escalation policy.

6. What are the arrangements with fund managers?

Fund managers are appointed with an expectation of a long-term partnership.

Schroders is responsible for reviewing whether the managers it appoints are meeting the Trustee's expectations and will provide updates to the Trustee at the appropriate time.

The Trustee also receives reports from Schroders on its engagement activities, such as its discussions with senior management.

If any fund manager is failing to meet the Trustee's expectations Schroders engages with it in order to remedy the failure. After this the Trustee or Schroders, as appropriate, will, if necessary, appoint a replacement manager who is more closely aligned with the Trustee's expectations.

Fund manager charges and costs (including the portfolio turnover costs) are also reviewed at least annually. The Trustee does not set targeted portfolio turnover or a turnover range, but expects each fund manager's portfolio turnover not to be excessive and monitors this with Schroders on an annual basis.

7. Additional Voluntary Contributions

Before the Scheme's closure, some members decided to invest additional contributions on a voluntary basis. The Trustee is also ultimately responsible for these funds. As part of this arrangement, the Trustee gives members a choice of funds in which to invest their voluntary contributions, and regularly reviews the suitability of these funds.

8. Compliance statement

This document is required by legislation. It is designed to meet the requirements of the Pensions Act 1995 and the Occupational Pension Schemes (Investment) Regulations 2005. It has been prepared after obtaining written professional advice from the Scheme's investment adviser, whom the Trustee believe to be suitably qualified and experienced to provide such advice, and after consulting the Company.

When making decisions relating to investments, the Trustee will obtain professional written advice on the suitability of investments including the need for diversification, and consider whether future decisions about those investments should be delegated to the fund manager(s).

The Trustee will review this SIP from time to time and, with the help of their advisers, will amend it as appropriate. These reviews will take place after any significant change in investment policy, and at least every three years.

Terms used in this Statement

The Investment and Risk Committee (the IRC)

The Investment and Risk Committee is made up of a small group of Trustee directors with representation from Tesco PLC. They help the Trustee perform efficiently. This smaller group allows more focus to be given to funding issues including investment.

Schroders

Schroders is the Trustee's Outsourced Chief Investment Officer (OCIO) and principal investment manager.

The fund managers

As well as Schroders, the Trustee employs a number of external fund managers. They are separate companies who specialise in investing money (and may include insurance companies). These companies, including Schroders, are responsible for the selection of specific investments and the day-to-day management of the funds.

The fund managers help provide the skill necessary to manage the money held by the Scheme.

Custodian

The custodian is responsible for the safe keeping of the assets held by the Scheme.

Considerations when setting investment strategy

When deciding how to invest the Scheme's assets, the Trustee considers a range of asset classes, taking account of the expected returns and risks associated with those asset classes, as well as the Trustee's beliefs about investment markets and which factors are most likely to impact investment outcomes.

The Trustee also considers the realisation of investments – and has delegated to the principal investment manager discretion over the timing of realisation of investments to meet cash flow needs.

Risk management

The Trustee and IRC take an integrated approach when assessing and managing risks, and consider funding, investment and covenant risk quarterly. This assessment covers the employer covenant, funding targets, interest rate and inflation risks, and the level of expected return and risk now and as the strategy evolves.

The primary ways that the Trustee and IRC manage investment risk is by significant hedging of interest rate and inflation risk, and by diversification.

Expected returns

A range of different types of investments aiming for an overall expected investment return in line with the return required by the Scheme's long-term funding plan.

In setting the investment allocation within the return mandate the Trustee makes a number of assumptions about the expected return on investments. In particular, the Trustee assumes that the assets held within the return mandate will outperform government bonds over the long term.

Liability Driven Investment (or LDI)

An LDI strategy aims to use a range of specialist assets to closely match the changing value of Scheme liabilities as long term interest rates and inflation change, to help stabilise the funding position.

Equities

Investment in equities is investment in the shares of companies. The Scheme mainly invests in shares listed on registered exchanges – for example, UK equities would be listed on the London Stock Exchange. Over the long term the performance of a company's Equity is linked to its actual commercial success.

Fixed income

An investment in bonds is similar to lending money. The organisation who issues the bond borrows money from the investor and in return the investor receives regular interest payments. At the end of the period the borrower pays back the original investment.

Alternatives

The Scheme invests in a wide range of alternative assets including hedge funds and infrastructure.

Property

The Scheme mainly invests in commercial properties diversified across offices, industrial, retail, leisure and other areas. Properties are both in the UK and overseas.

Private credit

Private credit involves lending money directly to companies rather than through public markets. Investors receive regular interest payments, and the company repays the original investment at the end of the loan term. These loans are usually made to companies that do not access traditional bank financing.

Private equity

Private equity involves investing directly in private companies or buying public companies to take them private. The aim is to grow the value of these companies over time and typically realise returns when the company is sold or listed on a stock market.

Investments not traded on a regulated markets

The Trustee clearly considers any investments not traded on regulated markets, eg property and alternative assets, and how they used and how they fit the overall investment strategy. For the Scheme, such assets currently provide a useful source of diversification from assets in major regulated markets, eg equities and bonds.

Financial material considerations & non-financial matters

Financially material considerations include (but not limited to) environmental (including exposure to climate change risks), social and corporate governance issues, as well as how these may impact the investments over the Scheme's time horizon.

Whereas non-financial matters include (but not limited to) matters relating to the ethical and other views of members, and their views in relation to social and environmental impact and quality of life.

Relevant persons & relevant matters

Relevant persons include issuers of debt and equity, investment managers, asset managers, other stakeholders and other holders of debt and equity.

Relevant matters include, but are 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.

Portfolio turnover

Portfolio turnover costs mean the costs incurred as a result of buying, selling, lending or borrowing investments.

Portfolio turnover range means the minimum and maximum frequency within which Scheme assets are expected to be bought or sold.

Targeted portfolio turnover means the frequency within which Scheme assets are expected to be bought or sold.

Trustee's expectations

The Trustee's expectations include the policies set out in this Statement.

The Trustee also expects fund managers to align their investment strategy and decisions in accordance with the Trustee's policies, make decisions based on assessments about medium to long-term financial performance, and engage with investee companies in order to improve performance in the medium to long-term.

The Trustee does not actively incentivise fund managers to make decisions on assessments about non-financial performance since the Trustee's policy is not to take into account non-financial matters.