Tesco PLC Pension Scheme.

Trustee's report and financial statements

For the year ended 31 March 2024
Scheme Registration Number: 10057010

Tesco Pension Trustees Ltd.

TESCO

Tesco PLC Pension Scheme

Trustee's report and financial statements for the year ended 31 March 2024

Contents

Contents	Page
Directors and advisors	3
Trustee's report	5
Report on actuarial liabilities	14
Actuary's certificate of schedule of contributions	16
Trustee's summary of contributions	17
Independent auditor's statement about contributions	18
Independent auditor's report	19
Fund Account	21
Statement of Net Assets (available for benefits)	22
Notes to the financial statements	23
Engagement and Voting Policy Implementation Statement	Appendix 1

Directors and Advisors

Principal Employer	Tesco PLC
Corporate Trustee	Tesco Pension Trustees Ltd
Directors	**Appointed by the Principal Employer** K Tindall A Cheung S Rigby E Taylor **Appointed by the Members** M Bagoban L Booker (appointed on 4 July 2023) E Parsons (resigned on 4 July 2023) G Tuft **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 Schroder Investment Management Limited (Appointment date 28 June 2024)
Investment Advisors	Lane Clark & Peacock LLP Albourne Partners Limited
Investment Managers	BlackRock (Appointed 8 June 2023) Insight Investment Management Legal & General Investment Management Los Angeles Capital Management (Appointed August 2023. Terminated 1 July 2024)
Global Investment Custodian and Master Record Keeper	Northern Trust Corporation
Banker	HSBC Bank plc
Administrator and Enquiries	The Pensions Team PO Box 567 Welwyn Garden City AL7 9NN Telephone: 0345 070 1113 Email: Pensions.dept@tesco.com

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 2024 the other participating employers were:

- Tesco Stores Limited
- One Stop Stores Limited
- Tesco Personal Finance PLC
- Tesco Pension Investment Limited

The Trustee

Tesco Pension Trustees 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.

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 2024, the record of attendance at Trustee meetings was:

		Full Trustee Meeting	OAC*	IRC*	RIC*	Discretions Committee	Additional Meetings
Employer Appointed:	Mr S Rigby[c]	8	N/A	3	N/A	N/A	6
	Mr K Tindall[c]	8	N/A	-	N/A	N/A	8
	Ms A Cheung	8	N/A	N/A	N/A	N/A	8
	Ms E Taylor	6	N/A	N/A	N/A	N/A	7
Member Nominated:	Mr M Bagoban	8	N/A	4	4	N/A	8
	Ms E Parsons[a]	3	1	N/A	N/A	1	3
	Ms L Booker[a]	6	3	N/A	N/A	3	7
	Mr G Tuft	7	3	1	N/A	4	8
Independent:	Mr R Smith (Chair)	8	4	4	4	N/A	9
	Ms N Winterfrost	8	4	4	4	3	9
Other Committee Members:	Ms L Heywood[b]	N/A	N/A	-	-	N/A	-
	Mr A Henley[b]	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	4	N/A	N/A	N/A	N/A

* OAC = Operations and Audit Committee IRC = Investment Risk Committee RIC = Responsible Investment Committee
a Ms L Booker replaced Ms E Parsons on the Trustee Board, the OAC and the Discretions Committee on 4 July 2023.
b Mr A Henley replaced Ms L Heywood on the IRC and the RIC on 8 June 2023.
c Mr S Rigby replaced Mr K Tindall on the IRC on 7 September 2023.

The Trustee (continued).

There were nine additional meetings during the year:

- a Trustee training day
- an OAC training day
- five extraordinary Trustee meetings concerned with the OCIO transition from TPI to Schroders
- two extraordinary Trustee meetings called on deal with:
  - Capita's cyber security incident
  - the Company's sale of Tesco Bank's core banking services to Barclays

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 that 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.

On 20 November 2020, the High Court handed down a further judgment, 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. They will be accounted for in the year they are determined.

In the Virgin Media case in June 2023, the High Court found that changes to member benefits in contracted-out defined benefit pension schemes between 1997 and 2016 required an actuarial certificate, in line with section 37 of the Pensions Schemes Act 1993, and that changes without this certification are to be considered void.

This requirement applies to past and future service rights, and to changes to the detriment or to the benefit of scheme members. The Court of Appeal upheld the High Court's decision in July 2024.

The Trustee is currently considering the judgment of the Virgin Media case and it is unknown at present whether there is any impact on the Scheme.

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.

During the year under review, the total net assets of the Scheme decreased to £11.9bn (2023: £12.9bn). The value of the Scheme's liabilities also decreased over the year, however, due to increasing interest rates, and the Scheme remains fully funded and in surplus as at 31 March 2024. The Scheme had a negative cashflow over the year, due to outgoing benefits exceeding contributions and investment income.

Market volatility over the year

The year up to 31 March 2024 was characterised by continued economic recovery, inflationary pressures, and geopolitical uncertainties. Financial markets exhibited volatility but generally posted gains, with technology stocks in particular performing well. Yields on government bonds fluctuated, reflecting changing market sentiment and central bank actions.

The rise in 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, and the interest rate and inflation protection within the Liability-Driven Investment (LDI) portfolio, has moved in line with the market and the fall in the capital value of government bonds. The Scheme remains fully funded as at 31 March 2024 and operates a robust and structured collateral ladder.

Appointment of Schroders as the Principal Investment Manager for the Scheme

On completion of a comprehensive strategic review of the Scheme's long-term needs, the Trustee has appointed Schroders as the principal investment manager for the Scheme, under an investment management agreement.

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

Under pensions legislation, the Trustee is responsible 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

	31 March 2024	***31 March 2023***
Deferred pensioners	241,014	*248,904*
Pensioners	90,074	*85,545*
Leavers yet to choose options & refunds held for untraced leavers	2,150	*2,160*

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 2023, pensions in payment in excess of the Guaranteed Minimum Pension that were built up before June 2012 were increased by 5%. Pensions in payment built up since June 2012 were increased by 5%. 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 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.

This section of the report covers:

- What are Trustee's goals for the investments?
- How decisions over the investments are taken
- Significant changes made since 31 March 2023
- 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 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. 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 2024, as stated in the May 2024 Statement of Investment Principles (SIP), is global fixed income 50% (which includes government and corporate bonds and treasury), income generating assets 20%, global equities 15% and alternatives/property 15%.

During the Scheme year, Tesco Pension Investment Limited (TPI) acted as principal fund manager for the Scheme, with a mandate from the Trustee. TPI was given some scope to deviate from the benchmark asset allocation in the intervening periods as outlined in the investment management agreement between them, and under the scrutiny of the Investment Risk Committee and the Operations and Audit Committee. An Asset Allocation Committee containing the senior fund managers at TPI met regularly to decide on the tactical implementation of investment strategy.

After a careful review of the Scheme's long-term needs, and on completion of the last actuarial valuation, the Trustee took the decision to appoint Schroders to replace TPI as the Scheme's principal investment manager.

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 the Scheme's assets over the last year.

	Total Scheme	Scheme excl. LDI
1 year	-4.5% pa	7.7% pa
3 year	-13.1% pa	1.2% pa
5 year	-4.7% pa	4.4% pa

Trustee's Report (continued) | Investment Report

The total fund benchmark is a composite based on a combination of these asset classes and tactical asset allocation; performance for each asset class is measured against the benchmarks is outlined below.

How individual asset mandates performed

Equities:

The Scheme's equity investments generated an absolute return of 27.7%. The assets were largely managed on a passive basis.

Fixed Income:

The Scheme's fixed income investments generated an absolute return of 6.1%, outperforming by 2.0% the Fixed Income Composite benchmark TR Hedged GBP.

Property:

The Scheme's direct and pooled property investments generated an absolute return of -4.4%.

Alternative Assets:

The Scheme's Alternative assets generated an absolute return of 2.0%.

Income Generating Assets:

The Scheme's Income Generating assets generated an absolute return of 7.0%, outperforming by 2.3% the benchmark given to TPI in local currency terms.

Other disclosures

Question	Answer
Who makes sure the assets are held securely?	As principal manager during the Scheme year, TPI made sure that all assets were held securely. Further 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. • OTC securities are bilateral agreements between the Scheme and the individual counterparty. These are collateralised daily. • 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 Scheme year-end date , £8,085m (61%) 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 £1,149m (9%) consisting of direct property (note 12) and indirect property (note 13). • Alternative assets which total £3,924m (30%) 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 AA- 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 (TPI during the Scheme year).

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 during the Scheme year) 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, including climate change, factors 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 managers and its 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. 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).

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 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.

Compliance statement

Scheme advisors

There are written agreements in place between the Trustee and each of the Scheme Advisors listed on pages 3 and 4 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.

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.

In June 2021, the Money and Pensions Service 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, backed by government and free to use. MoneyHelper can be contacted through:

Pensions Helpline: 0800 011 3797

Website: moneyhelper.org.uk

Pensions Ombudsman

In cases where a complaint or dispute can't be resolved, an application can be made to the Pensions Ombudsman, for it 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 and replaced OPRA (the Occupational Pensions Regulatory Authority) in April 2005. The Regulator's objectives are to protect the benefits of members of work-based pension schemes; to promote good administration of work-based schemes and to reduce the risk of situations arising that may lead to claims for compensation from the Pension Protection Fund.

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

Registrar of Occupational and Personal Pension Schemes

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 0193

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: ______________________ Trustee Director: ______________________

Date: ______________________ 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 expected 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%

[1] Includes 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

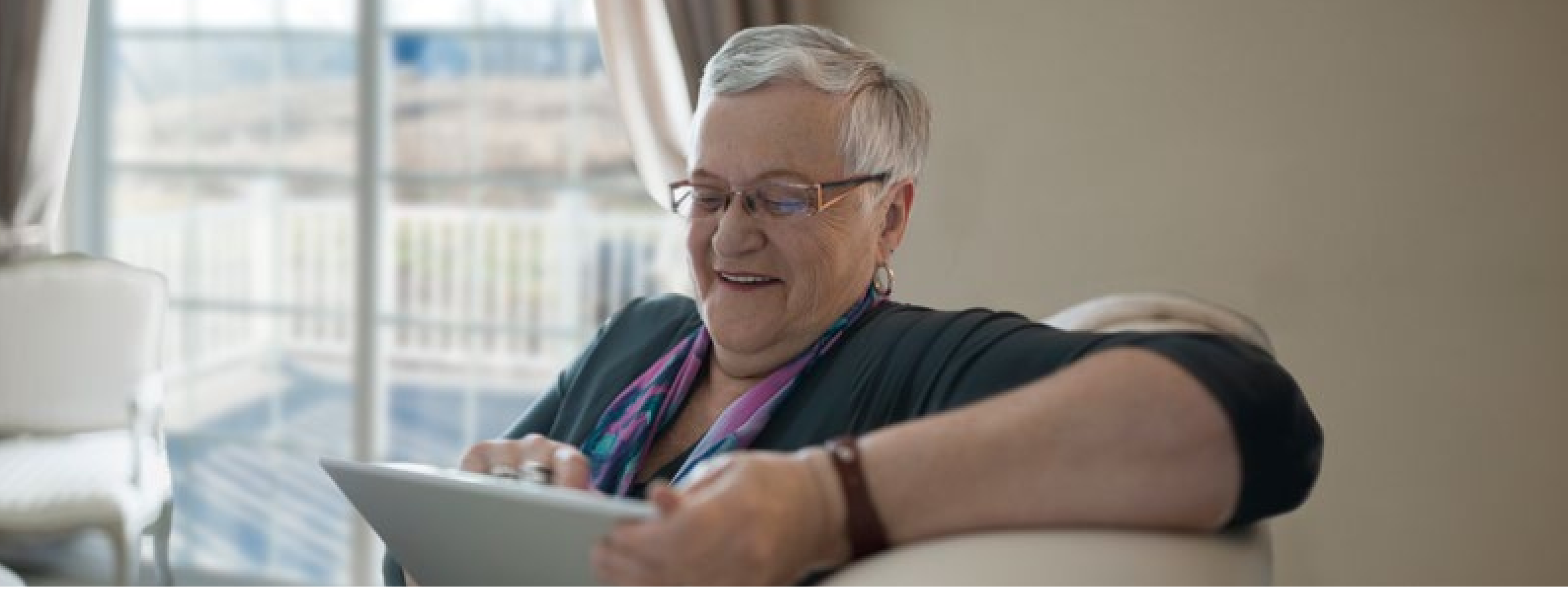
This summary of contributions has been prepared by, or on behalf of the Scheme and is the responsibility of the Trustee. It sets out the Employer and any member contributions payable to the Scheme in respect of the period 1 April 2023 to 31 March 2024 at least in accordance with the Schedule of Contribution 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	**£'m**
Employer	
Ongoing Scheme expenses	£17.0
Contributions payable under the Schedules of Contributions as reported on by the Scheme Auditor, and as per the financial statements	**£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 2024 which is set out on page 17.

In our opinion, contributions for the Scheme year ended 31 March 2024, as reported in the summary of contributions and payable under the Schedules 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 Schedules 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 Schedules 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 Schedules of Contributions.

It is our responsibility to provide a statement about contributions paid under the Schedules 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 2024 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”
- 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 28.

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. 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
- 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 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
- 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
- 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 2024

	Note	2024 £'m	*2023 £'m*
Contributions and benefits			
Employer contributions	4	17.0	*21.3*
		17.0	***21.3***
Benefits paid and payable	5	(398.1)	*(334.7)*
Payments to and on account of leavers	6	(13.0)	*(93.0)*
Administrative expenses	7	(10.2)	*(21.4)*
		(421.3)	***(449.1)***
Net (withdrawals) from dealings with members		**(404.3)**	***(427.8)***
Returns on investments			
Investment income	8	241.6	*360.5*
Change in market value of investments	9	(817.1)	*(8,060.9)*
Investment management expenses	10	(44.3)	*(57.9)*
Net return on investments		**(619.8)**	***(7,758.3)***
Net (decrease)/ increase in the fund during the year		**(1,024.1)**	***(8,186.1)***
Net assets of the Scheme			
As at 1 April 2023		*12,885.3*	*21,071.4*
As at 31 March 2024		**11,861.2**	**12,885.3**

The notes on pages 23 to 38 form part of these financial statements.

Statement of Net Assets (available for benefits)

As at 31 March 2024

	Note	2024 £'m	*2023 £'m*
Investment assets			
Equities	9	407.6	*0.6*
Bonds	9	7,686.7	*7,135.8*
Property	12	328.6	*544.8*
Pooled investment vehicles	13	4,746.7	*4,914.6*
Derivatives	14	485.6	*543.9*
AVC investments	16	40.7	*40.8*
Cash	18	933.2	*2,589.8*
Other investment balances	19	289.2	*281.7*
		14,918.3	***16,052.0***
Investment liabilities			
Bonds	9	(230.0)	*(216.5)*
Derivatives	14	(1,830.9)	*(2,544.2)*
Other investment balances	19	(1,001.3)	*(421.0)*
		(3,062.2)	***(3,181.7)***
Total investments		11,856.1	*12,870.3*
Current assets	23	47.9	*49.3*
Current liabilities	24	(42.8)	*(34.3)*
Net assets of the Scheme		**11,861.2**	***12,885.3***

The notes on pages 23 to 38 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 that 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 to 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).

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

- These consolidated financial statements include the Scheme's subsidiary undertakings.
- The results of subsidiary companies, which are considered as investment vehicles only, are included on the basis of the latest available Net Asset Statements by fair value as at 31 March each year.
- Further information about the subsidiary undertakings is given in note 17.
- Accounting policies have been consistently applied by the Scheme and its subsidiaries.

Foreign currencies

- Assets and liabilities in foreign currencies are expressed in Pounds sterling at the exchange rate ruling at the Scheme year-end date. 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 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 has 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.

Accounting Policies (continued) | Investment Income

- 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 14.
- 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 Scheme 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 Scheme 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 Scheme year-end date and determined as the gain or loss that would arise if the outstanding contract was matched at the Scheme year-end date 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 Scheme year-end date, as estimated by the Trustee on the basis of quarterly professional advice from CBRE. 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 22) 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 are accounted at nominal value in other investment balances.
- 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 proprietarily nature in those securities. The total amount of stock lent at the Scheme year-end date has been disclosed in note 15, together with a description of the related collateral.

4. Employer contributions

	2024 £'m	*2023 £'m*
Employer contributions*	17.0	*21.3*
	17.0	***21.3***

* 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

	2024 £'m	*2023 £'m*
Pensions	(277.1)	*(251.2)*
Commutation and lump sum retirement benefits	(113.4)	*(79.0)*
Lump sum death benefits	(7.4)	*(3.4)*
Taxation where lifetime or Annual allowance exceeded	(0.2)	*(1.1)*
	(398.1)	***(334.7)***

6. Payments to and on account of leavers

	2024 £'m	*2023 £'m*
Payments in respect of leavers	(2.4)	*(2.2)*
Individual transfers out to other schemes	(10.6)	*(90.8)*
	(13.0)	***(93.0)***

7. Administrative expenses

	2024 £'m	*2023 £'m*
Pension Protection Fund Levy	(3.7)	*(12.1)*
Actuarial fees	(3.1)	*(5.5)*
Audit fee	(0.2)	*(0.3)*
Legal and Other professional fees	(3.2)	*(3.5)*
	(10.2)	***(21.4)***

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

8. Investment income

	2024 £'m	*2023 £'m*
Dividends from equities	2.5	*29.4*
Income from bonds	115.4	*117.8*
Net income from property*	18.9	*29.4*
Income from pooled investment vehicles	155.9	*92.7*
(Expense)/Income from derivatives	(98.9)	*41.3*
Interest on cash deposits	47.7	*67.5*
Other Income/(Expense)	3.5	*(0.5)*
Income from stock lending	0.3	*0.8*
Expense on repurchase agreements	(3.7)	*(17.9)*
	241.6	***360.5***

* Income from property is the net of £30.5m (2023 £39.2m) income received from tenants, less £11.6m (2023: £9.8m) of expenses, which are directly attributable to specific properties.

9. Reconciliation of investments

	Value at 1 April 2023 £'m	Purchases at cost and derivative payments £'m	Sales proceeds and derivative receipts £'m	Change in market value £'m	Value at 31 March 2024 £'m
Equities	*0.6*	495.5	(147.8)	59.3	407.6
Bonds	*6,919.3*	6,395.0	(5,277.1)	(580.5)	7,456.7
Property	*544.8*	7.0	(221.6)	(1.6)	328.6
Pooled investment vehicles	*4,914.6*	1,075.5	(1,339.8)	96.4	4,746.7
Derivatives	*(2000.3)*	1,536.4	(491.0)	(390.4)	(1,345.3)
AVC investments	*40.8*	-	(4.0)	3.9	40.7
	10,419.8	**9,509.4**	**(7,481.3)**	**(812.9)**	**11,635.0**
Cash and cash equivalents	*2,589.8*			(4.2)	933.2
Other investment balances	*(139.3)*			-	(712.1)
	12,870.3			**(817.1)**	**11,856.1**

Further details of property are detailed in note 12 and other investment balances are detailed in note 19. Interportfolio 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:

	2024 Fees £'m	2024 Commission £'m	2024 Total £'m	*2023 Total £'m*
Equities	(0.1)	(0.1)	(0.2)	*(1.2)*
Property	-	-	(0.0)	*(0.0)*
Total 2024	**(0.1)**	**(0.1)**	**(0.2)**	***(1.2)***
Total 2023	***(0.7)***	***(0.5)***		

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

	2024 £'m	*2023 £'m*
Administration, management, and custody (Including in-house investment management costs)	**(44.3)**	***(57.9)***

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

	2024 £'m	*2023 £'m*
UK direct property - freehold	144.0	*364.4*
UK direct property - leasehold	184.6	*180.4*
	328.6	***544.8***

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 Scheme year-end date comprised:

	2024 £'m	2023 £'m
Indirect Property	820.0	*1,004.9*
Private equity	2,785.9	*2,820.7*
Equity	1,140.4	*1,029.3*
Hedge funds	0.4	*59.7*
	4,746.7	***4,914.6***

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 £35.8m (2023: £48.3m), of which £35.4m is property investments and £0.5m is cash and cash equivalents. The liabilities were £0.1m (2023: £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 £77.2m (2023: £72.5m), of which £95.2m is property investments, £4.2m is cash and cash equivalents, and £2.9m is other debtors. The liabilities were £25.1m (2023: £24.6m).
- Investments in Projects Gold and Jade valued at £244.8m (2023: £242m). For further details, see note 22.

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 the Scheme year-end date, the net assets of this fund were £74.8m (31 March 2023: £68.6m).
- An investment in CRC Single Investor Fund XIV, Ltd. in which the Scheme is the sole investor. As at the Scheme year-end date, the net assets of this fund were £109.8m (31 March 2023: £172.1m).
- An investment in Napier Park Jayco Opportunistic Credit Fund Ltd. in which the Scheme is the sole investor. As at the Scheme year-end date, the net assets of this fund were £30.7m (31 March 2023: £78.8m).
- An investment in Arjun Alliance UK 2, L.P. in which the Scheme is the sole investor. As at the Scheme year-end date, the net assets of this fund were £115.4m (31 March 2023: £121.2m).
- An investment in Equitix MA 18 L.P. in which the Scheme is the sole investor. As at the Scheme year-end date, the net assets of this fund were £61.0m (31 March 2023: £64.3m).
- An investment in ICG Longbow Senior No.3 L.P. in which the Scheme is the sole investor. As at the Scheme year-end date, the net assets of this fund were £98.8m (31 March 2023: £74.2m).
- An investment in PSC Credit (T) SCSp, in which the Scheme is the sole investor. As at the Scheme year-end date, the net assets of this fund were £74.4m (31 March 2023: £87.9m).
- An investment in Stafford Infrastructure SMA 1 L.P. in which the Scheme is the sole investor. As at the Scheme year-end date, the net assets of this fund were £93.3m (31 March 2023: £28.5m).
- An investment in Hayfin Direct Lending Fund IV GBP Feeder SCSp, in which the Scheme is the sole investor. As at the Scheme year-end date, the net assets of this fund were £98.1m (31 March 2023: £57.7m).
- An investment in Target Healthcare Partners Limited Partnership, in which the Scheme is the sole investor. As at the Scheme year-end date, the net assets of this fund were £124.8m (31 March 2023: £69.8m).

Further, there are no investments held which are over 5% of the net assets.

14. 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 21.

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.

14. Derivatives (continued)

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

	31 March 2024 Assets £'m	31 March 2024 Liabilities £'m	*31 March 2023 Assets £'m*	*31 March 2023 Liabilities £'m*
Futures	15.9	(1.6)	*5.9*	*(2.6)*
Swaps	462.9	(1,810.7)	*486.0*	*(2,539.5)*
Forward FX contracts	6.8	(18.6)	*51.1*	*(2.1)*
Options	0.0	(0.0)	*0.9*	*(0.0)*
	485.6	**(1,830.9)**	***543.9***	***(2,544.2)***

Futures

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

Nature	**Economic exposure £'m**	**Expires**	**Asset value £'m**	**Liability value £'m**
UK Fixed Income Futures	(32.6)	Less than 3 months	-	(0.7)
Overseas Fixed Income Futures	(22.1)	Less than 3 months	-	(0.3)
UK Equity Futures	26.8	Less than 3 months	0.6	-
Overseas Equity Futures	488.7	Less than 3 months	15.3	(0.6)
Total 2024	**460.8**		**15.9**	**(1.6)**
Total 2023	***24.7***		***5.9***	***(2.6)***

Swaps

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

Nature	**Notional amounts £'m**	**Expires**	**Asset value £'m**	**Liability value £'m**
Interest Rate Swaps	5,820.7	Up to 20 years & above 20 years	46.7	(866.2)
Commodity Swaps	39.6	Up to 1 year	2.5	-
Inflation Swaps	4,516.1	Up to 20 years & above 20 years	413.0	(78.0)
Total Return Swaps	1,786.4	0-5 years	0.7	(866.5)
Total 2024	**12,162.8**		**462.9**	**(1,810.7)**
Total 2023	***11,657.0***		***486.0***	***(2,539.5)***

As at 31 March 2024, the counterparty held collateral of £1,337.8m (2023: £1,967.0m) in the form of cash and bonds in respect of swaps.

14. Derivatives (continued)

Forward FX contracts

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

Settlement date	Currency bought		Currency sold		Asset value	Liability value
	Currency	m	Currency	m	£'m	£'m
1-6 Months	GBP	364.6	EUR	(425.1)	0.7	-
1-6 Months	GBP	1,439.9	USD	(1,828.6)	-	(7.4)
0-1 Month	GBP	378.5	EUR	(441.7)	0.7	-
0-1 Month	GBP	59.1	JPY	(11,197.0)	0.4	-
0-1 Month	GBP	1,810.8	USD	(2,297.4)	-	(7.7)
0-1 Month	JPY	3,850.0	USD	(26.0)	-	(0.4)
0-1 Month	OTHER	158.3	OTHER	(158.4)	-	(0.1)
0-1 Month	OTHER	1,350.8	USD	(202.4)	1.1	(2.1)
0-1 Month	USD	126.6	EUR	(116.2)	0.8	-
0-1 Month	USD	50.0	GBP	(39.3)	0.2	-
0-1 Month	USD	26.2	JPY	(3,850.0)	0.5	-
0-1 Month	USD	152.2	OTHER	(1,087.6)	2.4	(0.9)
Total 2024					**6.8**	**(18.6)**
Total 2023					***51.1***	***(2.1)***

Other currencies include AUD, BRL, CAD, CHF, CNY, INR, MXN, NOK, PLN, SEK, SGD, TWD, ZAR.

Options

The Scheme had outstanding options as at 31 March 2024 as follows:

Nature	Expires	Asset value £'m	Liability value £'m
Put Options Equity - Overseas	1- 3 months	0.0	0.0
Total 31 March 2024		**0.0**	**0.0**
Total 31 March 2023		***0.9***	***0.0***

15. Stock lending

The stock lending programme lends certain equity and bond investments. As at 31 March 2024, the value of listed equity on loan was £23.2m (2023: £2.0k), bonds of £729.0m (2023: £104.8m) in exchange for which the Scheme held collateral of £1,007.1m (2023: £139.9m). The collateral consists of £584.5m Equities and £422.6m US and European government bonds.

16. AVC investments

	2024 £'m	*2023* *£'m*
AVC investments – UK	40.7	*40.8*

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.

17. 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 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	100%	31 March

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 Project Gold.

The principal activity of TPI Fund Managers Limited is to act as the investment manager to the Tesco Authorised Contractual Scheme.

The principal activity of Tesco Pension Investment Limited is to act as investment manager for the Scheme.

The principal activities of Waterside General Partner Limited are the management and lettings of the Waterside Shopping Centre in Lincoln which is included as a direct property investment.

18. Cash

Cash assets	2024 £'m	*2023* *£'m*
Pound Sterling	247.4	*484.1*
Foreign currency	685.8	*2,105.7*
	933.2	***2,589.8***

19. Other investment balances

Other investment balances assets	2024 £'m	*2023 £'m*
Amounts due from brokers	0.1	*30.2*
Accrued income	43.5	*35.1*
Reverse repurchase agreements	245.6	*216.4*
	289.2	***281.7***
Other investment balances liabilities		
Subsidiary companies net liability	(11.0)	*(7.2)*
Amounts due to brokers	(6.6)	*(51.8)*
Repurchase agreements	(983.7)	*(362.0)*
	(1,001.3)	*(421.0)*
	(712.1)	***(139.3)***

As at 31 March 2024, the counterparty held collateral of £19.6m (2023: £115.5m) in the form of cash and bonds in respect of repurchase agreements.

20. 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 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**

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. As at 31 March 2024, direct and pooled property was valued at £1,148.6m (2023: £1,549.7m). A 10% movement in value would equate to £114.8m (2023: £154.9m).

	As at 31 March 2023			
	Level 1 £'m	*Level 2 £'m*	*Level 3 £'m*	*Total £'m*
Equities	*0.6*	-	-	***0.6***
Bonds	-	*6,919.3*	-	***6,919.3***
Property	-	-	*544.8*	***544.8***
Pooled investment vehicles	-	*1,089.0*	*3,825.6*	***4,914.6***
Derivatives	-	*(2,000.3)*	-	***(2,000.3)***
Other investments	*6.3*	-	-	***6.3***
AVC investments	-	-	*40.8*	***40.8***
Cash and cash equivalents	*141.4*	*2,448.4*	-	***2,589.8***
Repurchase agreements*	-	-	-	***(145.6)***
	148.3	***8,456.4***	***4,411.2***	***12,870.3***

*Repurchase agreement holdings are not deemed to fall into levels 1, 2 or 3.

21. 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 14). 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 15).

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 19).

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.

21. 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 Scheme year-end dates was:

	2024 Direct exposure £'m	**2024 Indirect exposure £'m**	***2023 Direct exposure £'m***	***2023 Indirect exposure £'m***
Pounds sterling (GBP)	9,788.2	2,462.9	*10,674.0*	*2,009.8*
Euros (EUR)	(500.2)	446.1	*(445.9)*	*524.6*
US dollars (USD)	(2,114.4)	1,607.7	*(1,842.2)*	*1,819.0*
Japanese Yen (JPY)	(19.9)	-	*31.8*	*-*
Other currencies	114.4	71.3	*14.0*	*85.2*
Total	**7,268.1**	**4,588.0**	***8,431.7***	***4,438.6***

This risk is mitigated through Exchange hedging. For further information please refer to note 14.

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.

22. 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. As at 31 March 2024, the Scheme had the following exposure:

Employer-related investment	2024 £'m	*2023 £'m*
Tesco Jade Unit Trust and Tesco Jade (GP Limited)	69.1	*77.2*
Tesco Blue Limited Partnership (Gold I)	35.6	*33.5*
Tesco Passaic Limited Partnership (Gold III)	91.1	*86.0*
Tesco Navona Limited Partnership (Gold IV)	49.0	*45.4*
BlackRock UK Property Fund	0.0	*0.8*
LGIM Low Carbon	0.2	*0.0*
BlackRock Aquila Life	0.2	*0.0*
IPIF	0.0	*1.2*
Total	**245.2**	***244.1***

The total percentage of Employer-related investments as at 31 March 2024 was 2.1% (2023: 1.92%) of the Scheme's assets.

The lowest percentage of Employer-related investments during the financial year was as at 31 December 2023, when the value was £237.7m. This was 1.99% (2023: 1.58%) of the Scheme's assets.

The highest percentage of Employer-related investments during the financial year was as at 30 September 2023, when the value was £243.9m. This was 2.26% (2023: 1.93%) of the Scheme's assets.

23. Current assets

	2024 £'m	*2023 £'m*
Other debtors	19.1	*20.4*
Cash balances	28.8	*28.9*
	47.9	***49.3***

24. Current liabilities

	2024 £'m	*2023 £'m*
Unpaid benefits	(7.7)	*(0.5)*
Other creditors	(9.9)	*(12.0)*
Amounts due to Tesco Stores Limited*	(25.0)	*(20.8)*
VAT payable	(0.2)	*(1.0)*
	(42.8)	***(34.3)***

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

25. Related party transactions

Tesco Stores Limited has paid fees of £368k on behalf of the Scheme to the Directors of the Trustee Company for the period 1 April 2023 to 31 March 2024 (31 March 2023: £329k).

One former Director of the Trustee Company, Mr R Ager, is a pensioner and receives a pension in line with the Scheme rules. All the directors of the Trustee Company, apart from Law Debenture (represented by Ms Winterfrost) 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 22 for details). The Scheme received contributions of £17.0m (2023: £21.3m) from the sponsoring employers during the year.

Tesco Pension Investment Limited is a wholly owned subsidiary of the Scheme, which provides investment management services to the Scheme for which the Scheme paid £27.7m (2023: £36.0m).

Tesco Stores Ltd provides administration services to the Scheme; no charge is made for these services. As disclosed in note 24, Tesco Stores Ltd provides a service to the Scheme of paying the Pensioner Payroll; the Scheme then reimburses Tesco Stores Ltd.

26. 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 that 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.

On 20 November 2020, the High Court handed down a further judgment, 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. They will be accounted for in the year they are determined.

27. Contingent liabilities and contractual commitments

The Scheme has no other contingent liabilities as at 31 March 2024 (2023 – Nil).

On 31 March 2024, the Scheme had the following unfunded commitments to private equity and real estate funds:

Particulars	Private Equity £'m	Infrastructure £'m	Credit £'m	Real Assets £'m	Direct & Indirect Property £'m	Total unfunded commitments £'m
31 March 2024	**109**	**119**	**380**	**3**	**168**	**779**
31 March 2023	*144*	*214*	*565*	*4*	*275*	*1,202*

28. Subsequent events

Appointment of Schroders as the Principal Investment Manager for the Scheme

On completion of a comprehensive strategic review of the Scheme's long-term needs, the Trustee has appointed Schroders, with effect from 28 June 2024, as the Scheme's principal Outsourced Chief Investment Officer (OCIO), under an investment management agreement.

Schroders will work with the Trustee to implement the Scheme's investment strategy and deliver security for the Scheme's members.

Engagement and Voting Policy Implementation Statement for the year ending 31 March 2024

Appendix 1

How we're meeting our commitment to Responsible Investment

Tesco Pension Trustees Ltd.

TESCO

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

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

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

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

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 in which we invest, 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 (which was Tesco Pension Investment Limited (TPI) until 28 June 2024, when Schroder Investment Management (Schroders) replaced them), who manage assets for the Scheme, and engage with any 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 TPI, 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 TPI, Schroders, and various other parties.

This statement covers the year to 31 March 2024, during which TPI were the principal investment manager, responsible for engaging with the Trustee's external managers. Schroders have since taken on this role, having replaced 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 continues, and to make sure any new mandates consider 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 2024 records the way we've voted and describes:

Our governance procedures including those on responsible investment and climate change

Voting during the year by and on behalf of the Trustee, in the companies in which we're shareholders

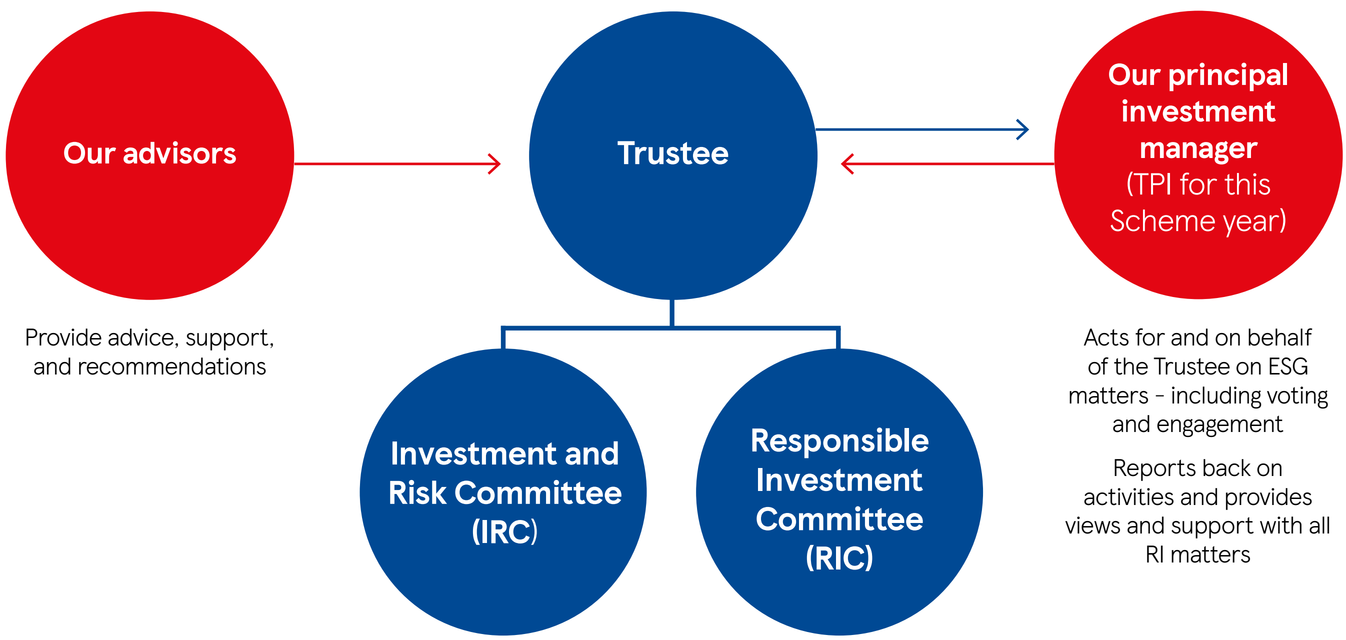
How we followed the policies in our SIP* when **voting** (in the case of company shares) and when **engaging** (with the companies we're invested in)

*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 regularly, 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 read the full policy here. You can read more about the policy 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 during the year to 31 March 2024. It was reviewed again and further updated in June 2024, to reflect the move from TPI to Schroders, as well as some other minor changes and points of clarity around how we operate.

Throughout the Scheme year, we 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 include nature and biodiversity loss, climate solutions, social factors, and climate metrics and targets. Once the Trustee had gained a good understanding of nature and biodiversity, after a series of training sessions, this was added to our Stewardship priorities for the Scheme. The Trustee has already begun conversations with Schroders on how best to integrate the 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.** This was selected as 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 and opportunities 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**. This was selected as the Trustee recognises social issues as important and financially material considerations for the Scheme. The RIC undertook training on social issues and the Taskforce on Social Factors' Guide on considering social factors in pension scheme investment. The Trustee is considering further how to use specific social initiatives to enhance its Stewardship action in this area.
- **Governance issues, including business ethics and corporate transparency.** This was selected as the Trustee recognises these areas as financially material for the Scheme, and important in ensuring positive, broader, ESG performance.

The specific areas of Governance issues (including business ethics and corporate transparency) and biodiversity loss were added as Stewardship priorities during the year, with the original priorities having been set in the year to 31 March 2023. 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 second annual Climate Change Report, which relates to the Scheme year to 31 March 2023. This report summarises the work we've done, including setting and measuring various climate-related metrics and targets for the Scheme. Our third annual Climate Change Report (for the Scheme year to 31 March 2024) includes further developments and progress against our climate-related targets.

You can access all of our Climate Change Reports 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 and exercising voting rights, and working with others to support policies that promote the creation of long-term value.

The Trustee publishes an annual Stewardship report (or an update), 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 all of our Stewardship reports and updates here.

The Trustee received regular reports from TPI on its engagement activities, voting record, and its discussions with companies and senior management across a range of investments, including equities, corporate bonds, and direct property. Throughout the period of TPI's appointment, the Trustee has considered whether TPI's approach to Stewardship is in line with the Trustee's policies.

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

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 Schroder's 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. Schroder's management agreement requires Schroders to take account of the Trustee's RI policy in managing the mandate.

CASE STUDY: Fixed Income – Engagement with the highest emitters in the corporate fixed income portfolio

What was the issue?

On the Trustee's behalf, TPI engaged with the Scheme's top ten highest-emitting companies within the corporate fixed income portfolio over 2023, to understand their Net Zero targets, their decarbonisation plans, and their climate ambitions.

What actions did TPI take ?

TPI tested the credibility of the Net Zero plans of the different companies, by assessing them against the Transition Pathway Initiative, Climate Action 100+, various ESG data feeds, and its own proprietary research. TPI had meaningful engagement with all of the companies, including one-to-one meetings with eight of them.

Where companies were considered to have weaker and less credible plans, TPI raised this, to allow the company to defend its position and explain any inconsistencies in its approach. Where they were considered to have stronger climate action plans, TPI reviewed them in detail with the company, and collected evidence to use as examples of best practice.

What was the outcome?

TPI were pleased to see most of the companies had reasonable Net Zero targets and decarbonisation plans in place, with some excelling. Unfortunately, several had weaker plans. When these were discussed further with the companies, it became clear that it was unlikely any steps were going to be taken to improve the plans over the short to medium term, despite industry pressure and collective engagement.

This, combined with broader financial considerations, led to TPI taking the decision to exit two of the positions. TPI felt that their decarbonisation plans lacked credibility and contained too many inconsistencies. The current and projected emissions intensity of both of these companies was not aligned with TPI's expectations or the Trustee's long-term Net Zero target. As part of this investment decision, TPI identified other investments in the same sector that had better financial outlooks and stronger transition planning.

What are the next steps?

To continue to monitor companies in the fixed income portfolio, particularly where more progress needs to be seen. To check in on progress against stated short-term Net Zero goals and promote those companies that are performing well, by using them as case studies for others. To continue to engage with those that are not performing as well on climate transition, but which can feasibly improve their position and approach.

5. 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. This year we also became a supporter of Nature Action 100, an investor group focused on taking action on nature and biodiversity loss.

The Trustee is also a signatory to Make My Money Matter's Green Pensions Charter. In 2024, we renewed our signatory status for the Global Investor Statement to Governments on the Climate Crisis initiative. We participate in other industry groups, including the IIGCC and the Asset Owner Council, and we also work with pension industry peers.

6. 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 July 2023 and made some updates to account for changes to the investment strategy. The SIP was also updated to provide further detail around some of the investment policies (specifically relating to how the Trustee considers and balances maintaining appropriate liquidity/collateral against managing overall risk and expected returns). We also reviewed and revised the section on RI, Stewardship, and voting/engagement, to make this consistent with our RI policy.

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.

7. TPI supported the Trustee in the implementation of its RI and ESG objectives

During the Scheme year, the Trustee had delegated the job of managing the Scheme's investments to TPI, which directly looked after some of the Scheme's investments, and appointed external managers to manage the rest. TPI invested a significant amount of time and resource into RI and ESG research and implementation, to help the Trustee carry out its objectives. Over the year, both the RIC and the Trustee received regular reporting from TPI on the Stewardship activities it carried out on the Trustee's behalf.

There are some examples of how the external managers 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.

8. We continue to work with external managers who align with the Trustee's policies

At the end of the Scheme year, the Trustee was invested with three different external equity managers, with two new managers, BlackRock and Los Angeles Capital Management (LACM), added during the year, alongside an existing external manager, Legal & General Investment Managers Limited (LGIM). During the Scheme year, TPI reviewed LGIM's Stewardship practices, including its voting and engagement policies, to make sure they met the Trustee's requirements in this area. Before appointing the two new external equity managers, TPI reviewed their Stewardship policies and practices, to make sure they were aligned with the Trustee's policies and objectives.

We have included details of the lessons learned from the significant votes made by the managers on page 12.

In addition, with the selection of our new principal investment manager, Schroders, ESG and RI were among the key criteria used in our selection process. Due diligence was completed on Schroders' approach to ESG, and we worked with them to make sure the new mandate references the Trustee's RI policy and climate goals, as noted in our Climate Change Report, which includes our TCFD disclosures.

How we voted during the year

During the Scheme year, we appointed BlackRock and LACM as new significant external managers, alongside our investment with LGIM. For these mandates, and the existing mandate with LGIM, we delegated voting rights to these managers, having taken their voting and engagement policies into account when selecting and appointing them. The LGIM and BlackRock investments are in pooled funds, whereas LACM's investment is in a segregated mandate (ie, not pooled with other investors). We are therefore more able to influence LACM, in terms of the voting activity that it carries out on the Trustee's behalf. We've included details on the voting policies of these external equity managers on pages 15-16.

We required TPI's actions, when appointing external managers on the Trustee's behalf, to be in line with the Trustee's policy. During the Scheme year, TPI wrote to our significant external investment managers, to tell them about the Trustee's Stewardship priorities, to set out our expectations, and to let them know that we consider votes related to our priorities to be significant. TPI also shared our RI policy with the significant external investment managers.

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

TPI regularly reviewed the significant external managers' voting policies, to make sure they aligned with our policies and our Stewardship priorities. The Trustee does not directly tell its managers how to vote.

It is important to us that, where managers exercise voting rights on our behalf, their activity reflects 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 non-equity assets such as corporate bonds, where we don't have voting rights, and property, where voting rights are different and less extensive than with equity ownership. We have provided examples of engagement in these asset classes in this statement. Engagement with the Trustee's direct property portfolio was done by TPI and the property manager, in alignment with the Trustee's principles and policies (although there was also some direct engagement with tenants, developers, etc).

Both during the Scheme year and afterwards, 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 external investment managers' own policies on voting and engagement.

Our most significant votes

We've requested information from our managers 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).

Those most significant votes (five of them) are included on the following pages. The information shown reflects the information that was provided by our managers as part of these discussions.

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

1. LGIM voted in favour of a report on gender and racial pay gaps

Date of the vote:

May 2023

Name, location, and activity of company:

Amazon.com, Inc, USA, technology company

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

1.96%

Stewardship priority the vote relates to:

Governance issues, including business ethics and corporate transparency.

What was the proposal:

A shareholder proposal to report on median and adjusted gender and racial pay gaps.

How the manager voted:

LGIM voted in favour of the proposal, against management recommendation.

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

Yes. LGIM pre-declared its voting intention for this meeting. As part of this process, a communication was sent to the company ahead of the meeting.

What was the rationale?

LGIM expects companies to disclose meaningful information on its gender pay gap and the initiatives it's applying to close any stated gap. This is an important disclosure, which allows investors to assess the progress of the company's diversity and inclusion initiatives. Board diversity is an engagement and voting issue, as LGIM believes cognitive diversity in business – the bringing together of people of different ages, experiences, genders, ethnicities, sexual orientations, and social and economic backgrounds – is a crucial step towards building a better company, economy, and society.

What was the outcome?

The shareholder proposal that LGIM supported was not successful.

2. LGIM voted in favour of a shareholder proposal requesting a report on reduction of plastic waste

Date of the vote:

May 2023

Name, location, and activity of company:

Yum! Brands Inc., USA, food company

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

0.08%

Stewardship priority the vote relates to:

Environmental issues, including climate change and biodiversity loss.

What was the proposal:

A shareholder proposal requesting a report on efforts to reduce plastic use.

How the manager voted:

Management recommended that shareholders vote against the proposal, but LGIM supported the request for further reporting to understand the approach on plastic waste, and therefore voted for the proposal.

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

Yes. LGIM pre-declared its voting intention for this meeting. As part of this process, a communication was sent to the company ahead of the meeting.

What was the rationale?

LGIM believes that solving plastic pollution is critical in a just transition to Net Zero and nature-positive economies. As the filer of this resolution noted, the company has not aligned its packaging targets with key initiatives such as the Pew Report, which suggests that companies should commit to reducing at least one-third of plastic demand through elimination, re-use, and new delivery models. Although the company published its Sustainable Packaging Policy, this policy does not make any reference to single-use plastics (but rather mentions "unnecessary packaging"), and its disclosures do not seem to sufficiently address the regulatory risks and the risk of higher costs in case of inaction. LGIM therefore considered that a vote for this resolution was warranted.

What was the outcome?

The shareholder proposal that LGIM supported was not successful.

3. BlackRock[1] voted in support of a remuneration report and the election of a number of directors

Date of the vote:

June 2023

Name, location, and activity of company:

Amadeus IT Group SA, Spain, technology company

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

Information not provided

Stewardship priority the vote relates to:

Governance issues, including business ethics and corporate transparency.

What was the proposal:

- Advisory Vote on Remuneration Report
- Elect Frits Dirk van Paasschen as Director
- Re-elect Peter Kuerpick as Director
- Re-elect Pilar Garcia Ceballos-Zuniga as Director
- Re-elect Xiaoqun Clever as Director

How the manager voted:

Having seen improvements in the Company's remuneration reporting, BlackRock voted in favour of the proposals.

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

BlackRock provided the following:

"We endeavour to communicate to companies when we intend to vote against management, either before or just after casting votes in advance of the shareholder meeting. We publish our voting guidelines to help clients and companies understand our thinking on key governance matters that are commonly put to a shareholder vote. They are the benchmark against which we assess a company's approach to corporate governance and the items on the agenda to be voted on at the shareholder meeting. We apply our guidelines pragmatically, considering a company's unique circumstances where relevant. Our voting decisions reflect our analysis of company disclosures, third party research and, where relevant, insights from recent and past company engagement and our active investment colleagues." [1]

What was the rationale?

BlackRock provided the following:

"Amadeus is a Spanish technology company, which develops and distributes software for the global travel industry. At Amadeus' June 2021 AGM, the BlackRock Investment Stewardship team (BIS), which leads BlackRock's proxy voting process, did not support the remuneration report, or the election of members of the remuneration committee, due to concerns over mid-cycle adjustments made to the LTIP despite missing performance targets. Following the 2021 AGM, Amadeus enhanced its remuneration disclosure, made certain adjustments to its short- and long-term incentive plans, and decided to "forego the use of any discretion over the 2021 Annual Bonus and the Performance Share Plan cycles for 2019-2022 and 2020-2023." BIS voted in support of the remuneration report and election of directors at the June 2022 AGM.

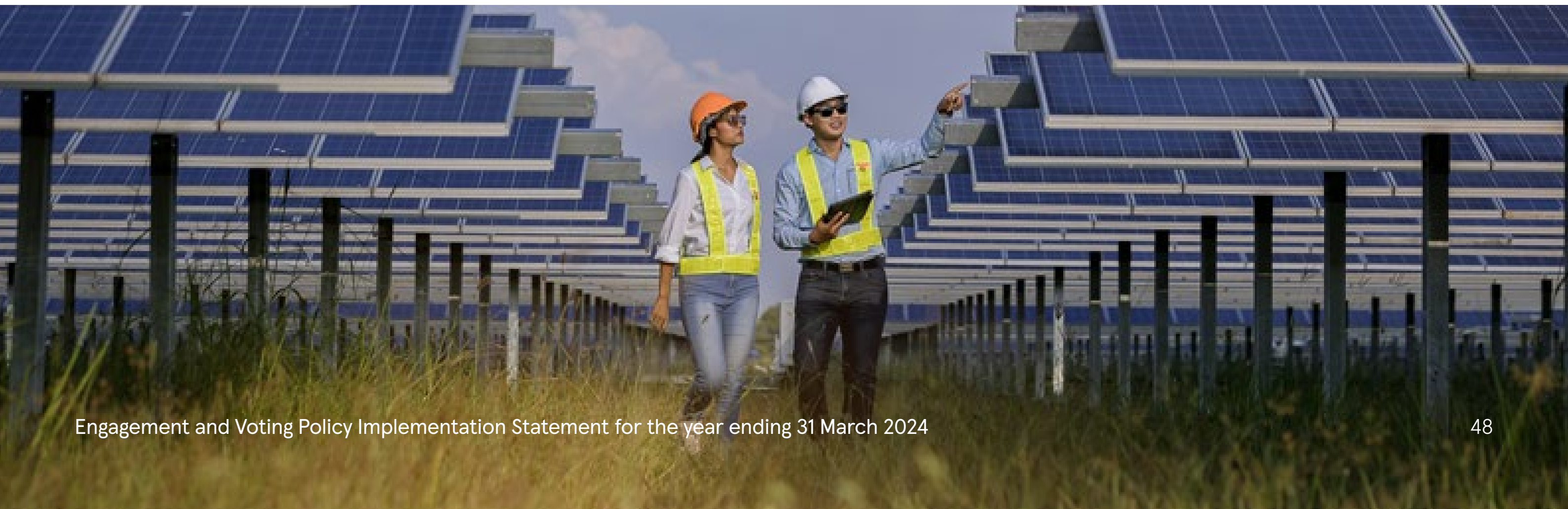
Included on the ballot of Amadeus' June 2023 AGM were proposals from management on the election of directors, and to approve the remuneration report. As we have continued to observe encouraging improvements, BIS voted in support of both the approval of the remuneration report, and of the election of members of the compensation committee to the board."

What was the outcome?

BlackRock provided the following:

"We are encouraged by Amadeus' responsiveness to shareholder concerns on executive compensation, reflected in 92.9% shareholder support for the remuneration report."

[1] BlackRock asked for their votes to be reported using their specific wording, which we've included here, in quotation marks.



4. LACM voted in favour of a proposal to annually disclose a number of lobbying and conflict disclosures

Date of the vote:

June 2023

Name, location, and activity of company:

USA, materials and industrials manufacturing company (the "Company")

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

1.13%

Stewardship priority the vote relates to:

Governance issues, including business ethics and corporate transparency.

What was the proposal:

This vote related to the Company's support for "direct and indirect lobbying". To increase transparency, Shareholders requested that the Company prepare an annual report, disclosing:

- Company policy and procedures governing lobbying, both direct and indirect, and grassroots lobbying communications.
- Payments by the Company used for (a) direct or indirect lobbying or (b) grassroots lobbying communications; in each case including the amount of the payment and the recipient.
- The Company's membership in, and payments to, any tax-exempt organization that writes and endorses model legislation.
- A description of management's decision-making process and the Board's oversight for making payments described in sections 2 and 3 above.

The proposal was for the report to be presented to the Audit Committee and posted publicly on the Company's website.

How the manager voted:

Management recommended that shareholders vote against the request for increased reporting. LACM supported more disclosure in this area, however, seeing this as a positive step to help shareholders assess risks, and therefore voted for the proposal.

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

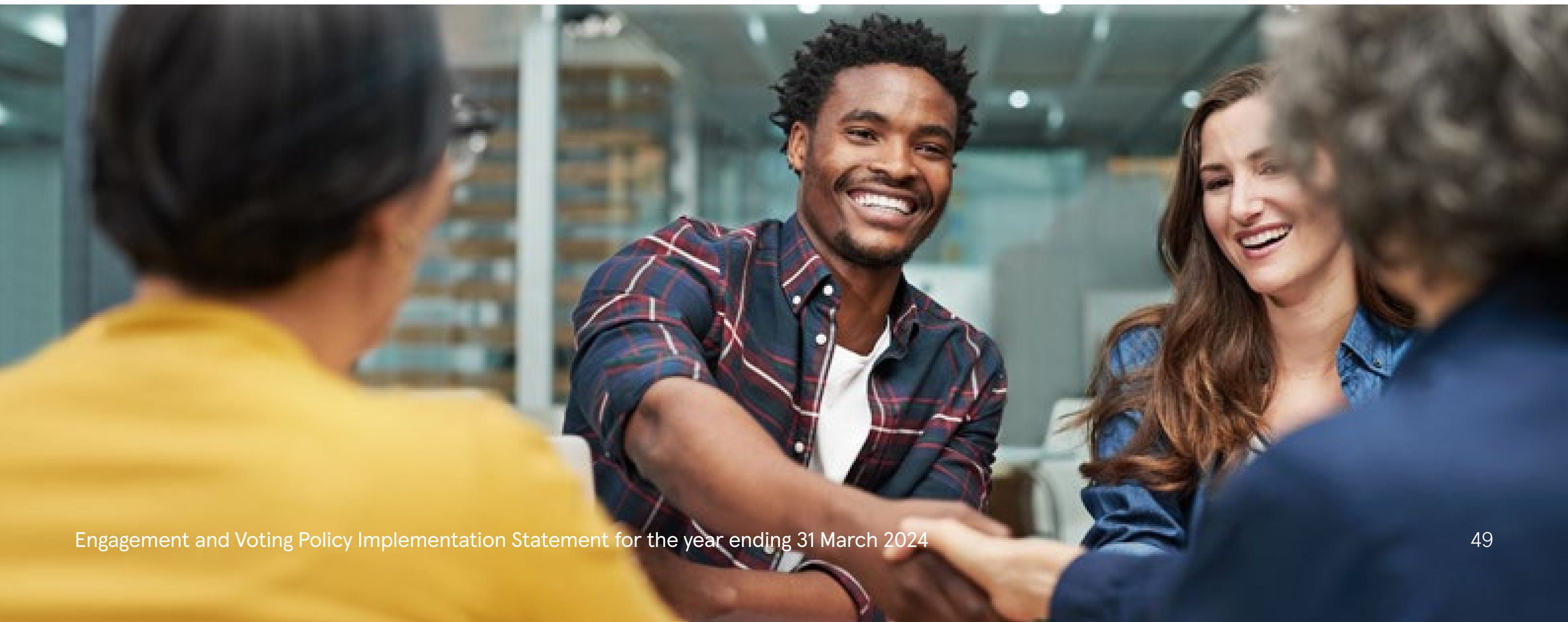
No.

What was the rationale?

The proxy voting agency that LACM uses felt that increased disclosure would allow shareholders to understand the details of the Company's political spending more fully, to help them manage risks.

What was the outcome?

The shareholder proposal that LACM supported was not successful.



5. LACM voted in favour of a shareholder proposal regarding the risks of developing military weapons

Date of the vote:

December 2023

Name, location, and activity of company:

USA, technology company (the "Company")

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

5.36%

Stewardship priority the vote relates to:

Social issues, including human rights, diversity, and inclusion.

What was the proposal:

Shareholders requested that the board issue an independent third-party report, at reasonable expense and excluding proprietary information, to assess the reputational and financial risks to the Company for being identified as a company involved in the development of weapons used by the military for training and/or combat purposes.

How the manager voted:

Management recommended that shareholders vote against the proposal, but LACM supported having more discussion on this issue and therefore voted for the proposal.

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

No.

What was the rationale?

Given the potential financial, reputational, and human-capital-related risks that could be realised via the Company's work with the military, it was felt that an independent assessment would be helpful in assessing the risks.

What was the outcome?

The shareholder proposal that LACM supported was not successful.

Lessons learned from our most significant votes

As the Scheme's equities were managed by external managers, the Trustee has no direct control over how votes are cast by managers on its behalf. This highlights the importance of reviewing the managers' voting policies, both at the point of inception and regularly over the course of the appointment, monitoring the managers' practices, engaging on key votes, and providing regular feedback on the Trustee's expectations.

Previously, TPI kept the voting and engagement activities, and the policies, of the external managers under review, and reported back to the Trustee on any concerns on a quarterly basis at the RIC. The Trustee expects Schroders to continue with this, and to provide regular updates on any concerns with the voting and engagement activity of any external managers, noting that Schroders have implemented changes to the mandate, which mean the previous external managers are no longer in place.

In December 2023, the Trustee decided that Schroders would replace TPI as the Scheme's principal investment manager. This change took place on 28 June 2024. As a result, there are no specific next steps to any of the votes set out above during the Scheme year to 31 March 2025.

Following the Trustee's decision, the current equity managers, including BlackRock, were to be reviewed. The Trustee therefore limited its engagement with BlackRock, choosing not to invest resources in short-term engagement with limited upside. If BlackRock had continued to be an equity manager, the Trustee would have engaged with them further, using the monitoring information that the principal investment manager provided to the Trustee.

The Trustee will scrutinise and monitor the new equity portfolio managed by Schroders on a quarterly basis, and will receive a quarterly update on voting activity, to include an update on any significant voting and engagement activities and how they align with our priorities. We will report back on this in next year's statement.

A summary of our voting across the year

Who voted?	LGIM	BlackRock	LACM
Number of meetings voted at	1,607	579	46
Number of issues voted on	22,467 out of 22,507 (>99%)	7,474 out of 7,581 (98%)	618 out of 618 (100%)
Number of times the manager voted with management	17,533	7,193	533
Number of times the manager voted against management	4,897	237	51
Number of votes abstained / withheld from	37	44	34
Number of times the manager voted for a shareholder proposal	494	10	11
Number of times the manager voted against a shareholder proposal	323	139	18
Number of times the manager voted for a management proposal	16,545	6,896	515
Number of times the manager voted against a management proposal	4,395	264	40
Time period	1 April 2023 – 31 March 2024	8 June 2023 – 31 March 2024	18 August 2023 – 31 March 2024

Notes:

- Due to the data not being provided by the managers, votes have not been split out between ESG issues. The Trustee will include this information in future statements if it becomes available.
- 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.
- 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."

How our voting and engagement processes work

TPI monitored voting activity and, where appropriate, used its influence with external managers to support the Trustee's objectives on a given theme or vote. TPI would raise with the Trustee any concerns about how a manager was using its powers to vote or engage. TPI could also escalate the issue through further engagement or, in extreme cases, divestment.

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 external investment managers, this responsibility had been delegated to TPI. 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 all the 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.

Tesco Pension Investment Ltd (TPI)

During the Scheme year, TPI was the principal investment manager, appointed by the Trustee to invest the Scheme's assets and, where relevant, to vote on the Trustee's behalf. TPI's RI team focused on ESG and RI matters and worked closely with TPI investment professionals across the firm, reflecting the importance of RI to the organisation. TPI was replaced by Schroders on 28 June 2024.

Schroders

The Trustee appointed Schroders to replace TPI as principal fund manager after the Scheme's year-end date. We'll include more detail on Schroders' role, including their engagement activity and their engagement with other external managers, in our next statement.

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. As principal manager, TPI had previously shared the Trustee's Stewardship priorities and expectations with the Scheme's external equity managers, the Liability-Driven Investments (LDI) fund manager, and other significant external managers. As already noted in this statement, there will be changes to the external managers reporting in next year's statement.

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 2024.

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.com/uk/en/capabilities/investment-Stewardship

BlackRock

- BlackRock's voting guidelines are market-specific, to make sure they consider a company's unique circumstances by market. BlackRock informs its vote decisions through research, and engagement with companies as necessary.
- BlackRock's engagement priorities are global in nature and are informed by BlackRock's observations of governance-related and market developments, as well as through dialogue with multiple stakeholders, including clients.
- BlackRock may also update their regional engagement priorities, based on issues that they believe could impact the long-term sustainable financial performance of companies in those markets. As outlined in their Global Principles, BlackRock determines which companies to engage directly with, based on their assessment of the materiality of the issue for sustainable long-term financial returns, and the likelihood of the engagement being productive.
- The voting guidelines are intended to help clients and companies understand BlackRock's thinking on key governance matters. They are the benchmark against which companies are assessed on their approach to corporate governance and the items on the agenda to be voted on at the shareholder meeting.
- BlackRock's proxy voting process is led by the BlackRock Investment Stewardship team (BIS). The analysts with each team will generally determine how to vote at the meetings of the companies they cover. Voting decisions are made by members of BIS, with input from investment colleagues, as required; in each case, in accordance with BlackRock's Global Principles and custom market-specific voting guidelines.
- While BlackRock subscribes to research from the proxy advisory firms ISS and Glass Lewis, it is just one among many inputs into the vote analysis process, and BlackRock do not blindly follow their recommendations on how to vote. The proxy services are primarily used to provide corporate governance information and analysis in a concise, easily reviewable format, so that investment Stewardship analysts can readily identify and prioritise companies where additional research and engagement would be beneficial. Other sources of information used include: the company's own reporting (such as the proxy statement and the website), engagement and voting history with the company, and the views of active investors, public information, and ESG research.

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.
- If the aggregate holding of an issuer across all accounts managed by LACM exceeds 2% of the issuer's shares outstanding, then the vote is considered to reach the materiality threshold, and is escalated to a 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:

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

2. **Reviewing** our managers' decisions and engaging with them

3. **Engaging** with private markets and other fund managers*

*During the Scheme year, TPI 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 TPI, and to our other investment managers.

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

Since the Scheme's year-end date, we've switched the delegation to Schroders. Our expectations remain the same.

We expected TPI (during the Scheme year, 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, TPI wrote to the Scheme's external equity managers, the LDI fund manager, and other significant investment managers, to communicate the Trustee's Stewardship priorities and expectations for engagement and reporting, and that we consider votes relating to our priorities to be significant.

Regular reviews

Given the number of decisions that have been delegated, TPI/Schroders do not review every decision taken by external managers, but do engage with them regularly, and report any material observations and conclusions to the Trustee. No issues that would require further action by the Trustee were identified by TPI during the Scheme year. The Trustee agreed that, because of the planned changes to the equity managers with the appointment of Schroders, there were more limited opportunities for TPI to have meaningful engagements with the equity managers in Q1 2024.

TPI (during the Scheme year, Schroders since their appointment) and our investment advisor, 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, TPI/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.

LCP also carried out regular reviews of TPI's investment desks, considering RI and ESG as part of those reviews. The RIC considers these and related advice and, at least once a quarter, discusses RI-related performance, including updates on engagement and voting, with TPI (now Schroders).

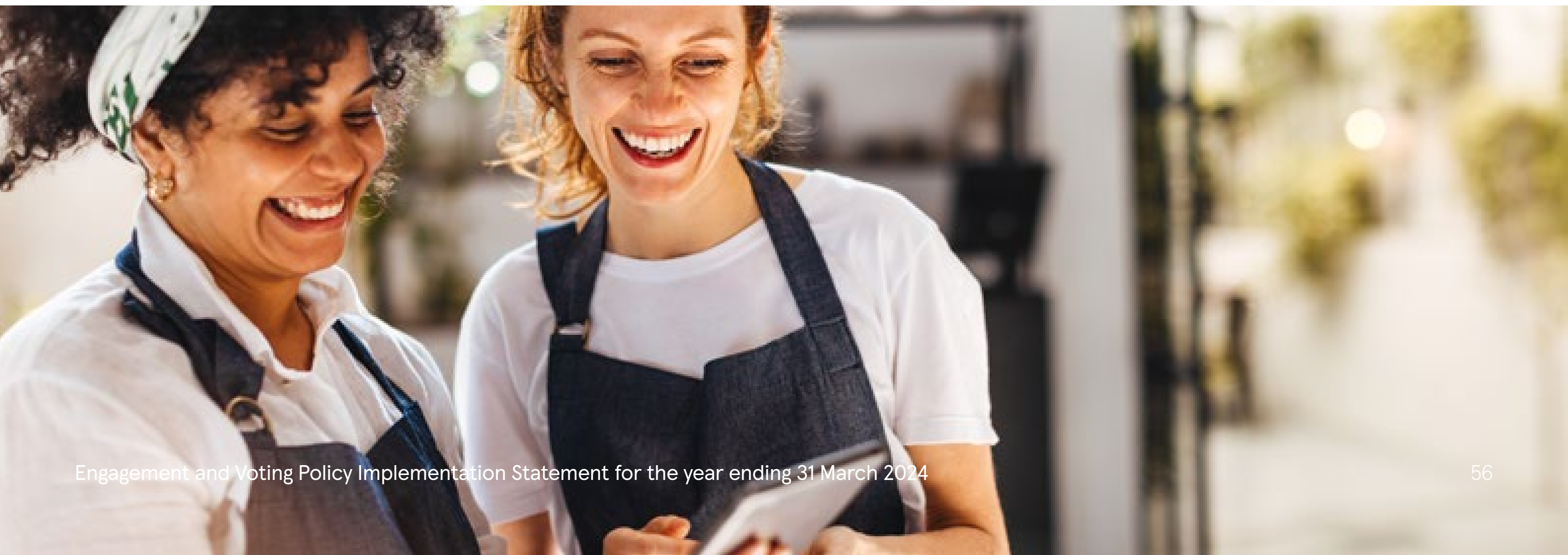
When external managers are used, TPI/Schroders monitor and review those managers. This includes formal review calls with key managers, during which they will discuss RI, including Stewardship practices, and any areas where the manager is not meeting the Trustee's expectations. TPI would, and Schroders 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 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 TPI wished to discuss with the Trustee. As part of the annual review during the Scheme year, TPI considered voting behaviour against the Trustee's policy, and raised any controversial issues with the Trustee.

Each year, LCP independently reviewed TPI's activities against the objectives set by the Trustee, as well as our expectations of TPI. The resulting reports included a focus on what TPI 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 reviewed their performance against those objectives annually. LCP expects to continue a similar model with Schroders.

At least once a year, there will be a longer and more detailed review of the significant external managers. 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. TPI 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. TPI carefully considered how it used its voting rights and reported 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, TPI/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.

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.

For corporate debt and infrastructure, among other matters, TPI focused its engagement activities on encouraging systematic climate reporting, to enable better risk assessment. A case study relating to the Fixed Income portfolio is included earlier in this statement.

TPI's private markets team issued an ESG Due Diligence Questionnaire to all private market investments, usually every two years. This last happened during the Scheme year and was done to direct engagement activity during the year. Answers were assessed on the risks related to the underlying strategy and the managers' approach to ESG, including climate-related risks. These types of initiative will help the Trustee to direct its engagement activities, taking account of financially material opportunities and risks. TPI fed back on the results of this questionnaire, including proposed next steps, which have subsequently been shared with Schroders to take forward.

Note: Where a manager was unable to provide the requested information, we've included as much information detail as possible. For example, BlackRock would only allow us to publish voting information in the format it shared with us. A re-issued statement with this missing information included is therefore unlikely to be published.

CASE STUDY: Diversity, Equity & Inclusion (DEI) engagement in property

What was the issue?

In 2022, TPI used the outputs from its ESG Due Diligence Questionnaire to identify private markets managers that did not have a DEI policy. One of these was a US-based manager of industrial properties.

What actions did TPI take ?

While TPI considered the manager to have a good company culture, it engaged with them on this specific issue. The manager highlighted that it was a relatively small company in a sector where diversity was limited, and that there were therefore barriers to action. It did, however, commit to further consideration of the topic. TPI re-engaged with the manager in 2023 to understand what developments had been made.

What was the outcome?

The manager stated that, since the initial engagement, it had added a policy statement on its website regarding DEI. It also highlighted that it does report certain DEI figures as part of its GRESB reporting and is considering whether it will add these to its 2023 ESG report.

TPI also learnt that the manager's Chief Accounting Officer (CAO) studied for a DEI certificate in 2023. This provided the manager with education on DEI issues, providing them with knowledge that they will include in the ESG training that employees receive every year.

What are the next steps?

To engage with the manager over the coming year, to review the continued development of the manager's approach to DEI and what other tangible measures could be taken.

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 is now managing 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.

Schroders has introduced the Trustee to SustainEx, which is a tool they use to assess the potential positive and negative outcomes of the activities of companies and Governments. SustainEx helps inform Schroders' investment decisions and allows them to focus on what RI topics they need to prioritise when speaking with the companies we invest in.

We look forward to next year's report, in which we'll update you on the work we're doing with Schroders and their RI team to make the Scheme's investments even more responsible, with even more consideration of ESG and climate-related factors.

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