



How we're meeting our commitment to Responsible Investment

How the Scheme's money is invested

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

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



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



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



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



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

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

We have influence with the companies that we invest in

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

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

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

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

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

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

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

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

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

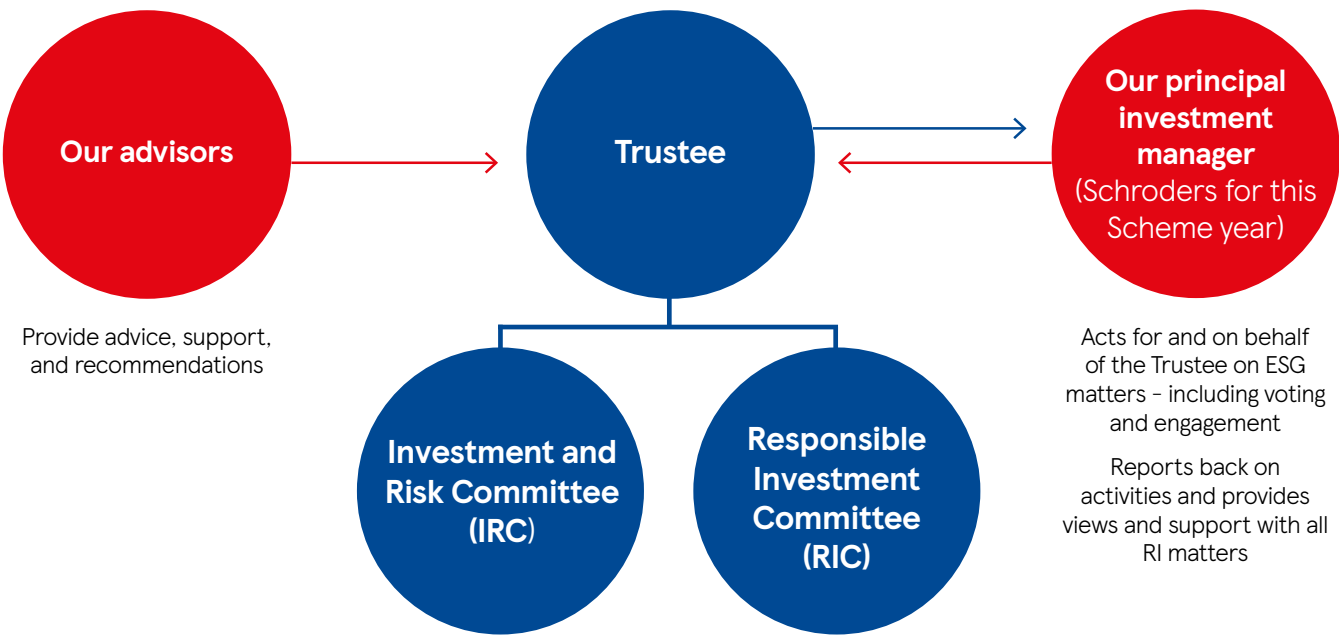


*Statement of Investment Principles

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

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

Governance structure for Responsible Investment matters





What we've done

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

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

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

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

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

2. We've set key Stewardship priorities

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

The agreed Stewardship priorities are:

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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



What is the background to the engagement?

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



What were the engagement highlights?

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

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



What are the next steps?

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

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

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

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

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

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

6. We continue to support various other investor groups

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

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

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

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

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

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

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

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

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

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

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



How we voted during the year

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

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

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

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

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

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

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

Our most significant votes

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

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

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

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

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

Date of the vote:

January 2025

Name, location, and activity of company:

Visa Inc, US, Credit Services

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

0.9% of the equity portfolio

Stewardship priority the vote relates to:

Governance issues, including business ethics and corporate transparency

The proposal:

A shareholder proposal regarding mandatory director resignation policy

How Schroders voted:

Schroders voted in favour of the proposal, against management recommendation

What was the rationale?

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

What was the outcome?

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

What are the next steps?

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

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

Date of the vote:

December 2024

Name, location, and activity of company:

Microsoft Corporation, US, Technology

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

3.0% of the equity portfolio

Stewardship priority the vote relates to:

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

The proposal:

A shareholder proposal regarding reporting on AI misinformation and disinformation

How Schroders voted:

Schroders voted in favour of the proposal, against management recommendation

What was the rationale?

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

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

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

What was the outcome?

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

What are the next steps?

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

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

Date of the vote:

October 2024

Name, location, and activity of company:

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

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

0.6% of the equity portfolio

Stewardship priority the vote relates to:

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

The proposal:

A shareholder proposal regarding median gender and racial pay equity reporting

How Schroders voted:

Schroders voted in favour of the proposal, against management recommendation

What was the rationale?

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

What was the outcome?

The shareholder proposal that Schroders supported was not successful.

What are the next steps?

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

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

Date of the vote:

October 2024

Name, location, and activity of company:

Cintas Corporation, US, Business Services and Supplies

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

0.1% of the equity portfolio

Stewardship priority the vote relates to:

Environmental issues, including climate change and biodiversity loss

The proposal:

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

How Schroders voted:

Schroders voted in favour of the proposal, against management recommendation

What was the rationale?

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

What was the outcome?

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

What are the next steps?

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

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

Date of the vote:

October 2024

Name, location, and activity of company:

BHP Group Limited, Australian, Industrial metals & mining

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

0.3% of the equity portfolio

Stewardship priority the vote relates to:

Governance issues, including business ethics and corporate transparency

The proposal:

Adoption of the firm's remuneration report

How Schroders voted:

Schroders voted against the proposal, against management recommendation

What was the rationale?

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

What was the outcome?

The management proposal that Schroders opposed was successful.

What are the next steps:

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

Lessons learned from our most significant votes

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

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

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

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

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

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



A summary of our voting across the year

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

Notes:

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

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



How our voting and engagement processes work

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

Schroders

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



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

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

Who's involved?

The Trustee

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

Principal Investment Manager

Schroders

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

Tesco Pension Investment Ltd (TPI)

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

External managers

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



How our external equity managers' voting processes work

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

Legal & General Investment Managers Limited (LGIM)

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

BlackRock

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

Los Angeles Capital Management (LACM)

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





What are our voting and engagement policies?

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



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

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

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

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

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

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

2.

Reviewing our managers' decisions and engaging with them

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

Regular reviews

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

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

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

Other, less frequent, reviews

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

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

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



3.

Engaging with private markets and other fund managers

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

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

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

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

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

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

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



What was the background?

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



What were the engagement highlights?

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



What was the outcome?

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



What are the next steps?

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



In summary

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

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

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