

## **Tesco Pension Investment**

### **Statement of Compliance with the UK Stewardship Code**

Tesco Pension Investment (TPI) acts as manager to the Tesco plc UK Pension Scheme. TPI has no external clients.

The UK Stewardship Code aims to enhance the quality of engagement between institutional investors and companies to help improve long-term returns to shareholders and the efficient exercise of governance responsibilities. TPI supports The Code and whilst it is primarily directed to asset owners and asset managers with equity holdings in UK listed companies we will endeavour to apply its principles to our overseas equity holdings too. This statement details how we intend to comply with The Code's seven principles.

#### **Principle 1 – Institutional investors should publicly disclose their policy on how they will discharge their stewardship responsibilities**

TPI agrees with and intends to comply with the Financial Reporting Council's Stewardship Code. TPI's fund managers hold regular meetings with the management of the companies in which the fund is invested and engage in dialogue on all aspects of the investee company's business, including governance. We monitor all company announcements and do in depth research to ensure that the companies we invest in are being run in the best interests of shareholders. We have engaged the services of ISS (Institutional Shareholder Services Inc.) to assist with our voting process.

#### **Principle 2 – Institutional investors should have a robust policy on managing conflicts of interest in relation to stewardship and this policy should be publicly disclosed**

TPI acts in the interests of our client, the Tesco Pension Scheme and its beneficiaries at all times. TPI has a strict policy to detect conflict situations as they arise. Any events or issues of conflict will be properly investigated and recorded in the Conflicts Register by the Compliance Officer. Once conflicts have been identified, further procedures and controls monitor the effectiveness of the management arrangements of such conflicts, including consulting with the Trustees.

We will review our conflicts of interest arrangements regularly. We will also review our Conflict of Interests Policy at least annually or whenever a material change occurs to ensure that it adequately reflects the types of conflicts that may arise, and how we manage them.

#### **Principle 3 – Institutional investors should monitor their investee companies**

TPI monitors all its investee companies as part of the normal routine investment management process. The management of all companies represented in the portfolio will be met with at least once a year, but typically more often. Minutes of all meetings with investee companies are recorded and filed for both research and monitoring purposes.

TPI will endeavour to identify at an early stage environmental, social and governance (ESG) issues that may result in a significant loss in investment value. If we have concerns, we will seek to ensure that the appropriate members of the investee company's board or management are made aware of them. TPI is willing to be made an insider, but request that the company or brokerage firm inform the fund manager at the start of the meeting if there is a risk of being made an insider to enable the fund manager to opt-out if preferred.

**Principle 4 – Institutional investors should establish clear guidelines on when and how they will escalate their stewardship activities**

TPI will have regular meetings with the management of investee companies and will have opportunities to discuss the company's strategy, performance, governance, remuneration and approach to risks, including those that may arise from social and environmental matters. Where necessary, TPI will seek to have a meeting with the chairman or independent board members to convey our concerns.

**Principle 5 – Institutional investors should be willing to act collectively with other investors where appropriate**

On occasions it may be appropriate to act collectively with other shareholders to engage with an investee company. This will be considered on a case by case basis and TPI's Chief Investment Officer, Steven Daniels, is the appropriate contact and should be notified where applicable.

**Principle 6 – Institutional investors should have a clear policy on voting and disclosure of voting activity**

TPI will use the services of ISS to vote by proxy. Unless the Trustee has given specific voting instructions we will, in general, follow the recommendation of the voting advisory service provided by ISS but periodically TPI may vote independently on specific resolutions if we believe them to be contentious.

TPI may periodically engage in stock lending if it is deemed to be to the benefit of our client. Stock may be recalled or restricted from the lending programme for voting purposes, especially if the managers deem the vote to be on a material issue.

TPI does not intend to publish its voting history as it has no external clients and does not wish to disclose fund holdings.

**Principle 7 – Institutional investors should report periodically on their stewardship and voting activities**

TPI will report to the Trustees and their independent advisors periodically on stewardship and voting, and that of any delegated third party managers, where there have been abstentions or 'no' votes.