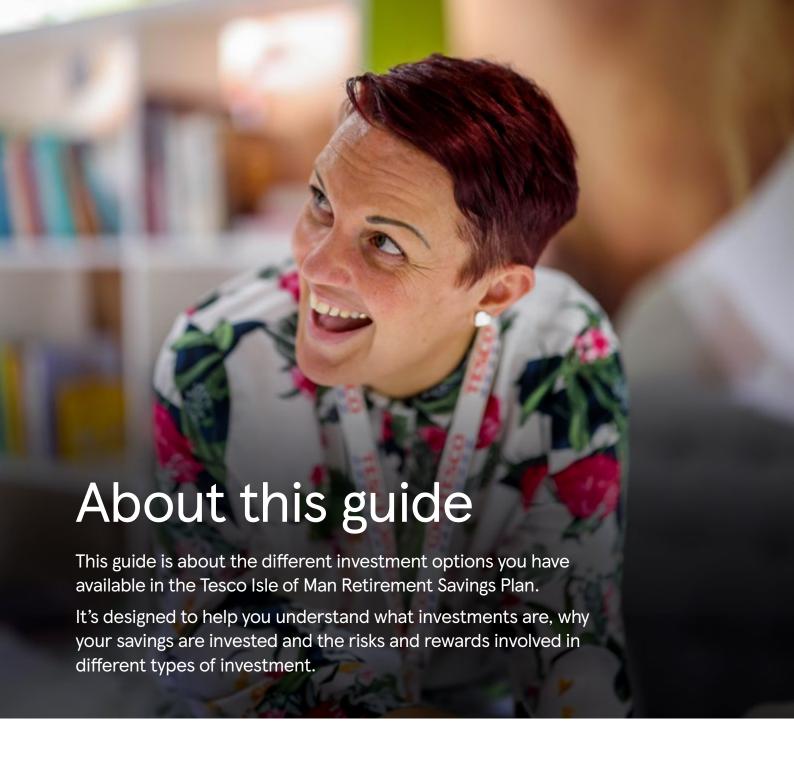


Your guide to the **Investment Options in the Tesco Isle of Man Retirement Savings Plan**





Contents

At a glance	3
The Tesco Lifestyle Investment Options - specially designed for Tesco colleagues	4
Understanding investments	11
Understanding risk	15
Making your own investment choices	16

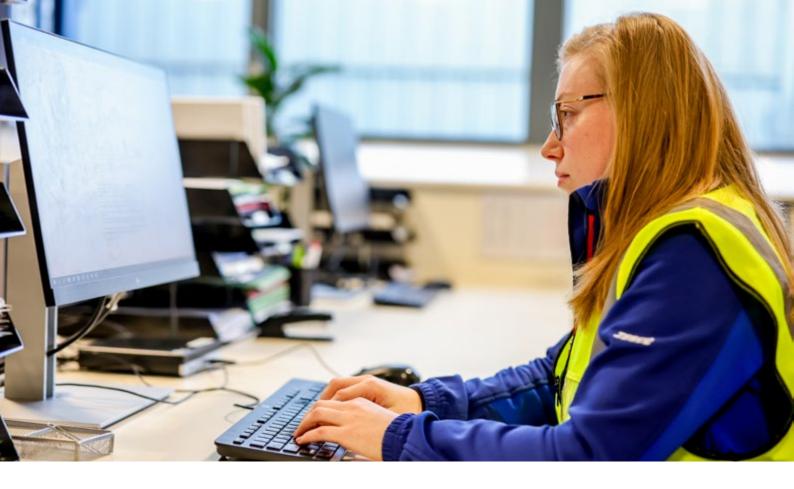
At a glance

The Isle of Man Tesco Retirement Savings Plan

- 1. How you invest your savings can make a big difference to how much money you'll have saved by the time you retire.
- 2. When you join, your savings are automatically invested in the Tesco Lifestyle Cash Option. There are two alternative Lifestyle Options to choose from, depending on how you want to take your savings at retirement see page 8 for further details.
- 3. The Tesco Lifestyle Investment Options have been designed specifically for Tesco colleagues to be low cost and to help maximise returns and minimise risk.
- 4. If you want to stay in this Tesco Lifestyle Cash Option you don't have to do anything.
- **5.** Alternatively, **you can choose your own investment funds**. This can help you to invest your savings to reflect your own circumstances.
- **6.** There are **seven different funds for you to choose** from, in addition to the lifestyle options.

Important:

- Whichever option you choose, remember that the value of any investment can fall as well as rise and you may not get back the same amount that you initially invested.
- The Trustees who manage the Tesco Isle of Man Retirement Savings Plan can make changes to the options or funds at any time.
- Legal & General have been chosen as the provider of the Tesco Retirement Savings Plan to support us in running the Plan.



The Tesco Lifestyle Investment Options

If you saved money into a bank account you would want to get out more than you put in. Your retirement savings are no different. You want the value of the contributions that you and Tesco make to your retirement savings to grow over time to help you afford the things you need and want in retirement.

Although there is no guarantee you'll get back more than you put in, how you invest your money can make a big difference to what you get back in retirement.

That's why in the Tesco Isle of Man Retirement Savings Plan, you can invest in funds that help you to grow and protect your savings over time.

To make it simple for you, your Tesco savings will be automatically invested into the Tesco Lifestyle Cash Option. There are two other lifestyle options available, which you can choose instead, depending on how you want to take your savings at retirement.

We've designed the **Tesco Lifestyle Investment Options** especially for Tesco colleagues to be low cost and manage risk and reward.

If you want to stay in this fund you don't have to do anything.

But you do have other choices (see page 16).

What do the Tesco Lifestyle Investment Options aim to do?

- To get higher returns on your savings earlier in your life. The way your savings
 are invested at this stage means the value of your account may go up and down
 a lot in the short term but this is when you are further from retirement so you
 have time to ride the ups and downs of the market (i.e. higher risk investments).
- As you get nearer to the age you want to take your savings, your money is automatically moved into investments where you don't have such ups and downs so can be more certain about how much you'll get (i.e. lower risk investments).
- It will assume you want to take your savings at age 65 and will automatically target this age when investing your money. However you can change this age by calling 01624 693900 or by e-mailing tescolOMretirementsavingsplan@bakertilly.im. See 'Why is setting your target retirement age important?'
- There are three Tesco Lifestyle Options depending on how you want to take your savings when you retire (see page 8).
- You will automatically be put in the **Tesco Lifestyle Cash Option**. However there are other ways for you to take your savings and target your investments (pages 16 to 18).
- If you choose to leave your money invested in the Tesco Lifestyle Options, all of your savings need to be invested in that lifestyle option you can't invest in this at the same time as other individual funds that you select yourself.

There's no guarantee you'll get back more than you put in.
How you invest your money can make a big difference to what you get back in retirement.





We aim to automatically invest your money in ways that are appropriate to the number of years you have left until your target retirement age.

How the Tesco Lifestyle Investment Options work

The Tesco Lifestyle Investment Options have been developed to move your savings automatically into investments that are appropriate to the number of years until your target retirement age.

They have been designed to help grow your money at the right time and in the right way while reducing the possible ups and downs in value as you approach your target retirement age.

To do this, it has been divided into three different phases:

1.

Far to Go

Aims to grow your savings when you are younger, and some way from retirement

More than

15 years to go

Action:

Think about when you want to retire and tell us target retirement age by calling 01624 693 900

2.

Middle Distance

Continues to aim for growth while also starting to protect your savings as you get nearer to retirement Between **5** and **15 years**

Action:

Make sure you tell us if your target retirement age changes by calling 01624 693 900

3

Nearly there

Moves to protect your savings, now you are getting closer to retirement

Less than **5 years**

Action

Take your savings by contacting Baker Tilly Isle of Man

Why is setting your target retirement age important?

The Tesco Lifestyle Investment Options assume that you want to start taking your savings at age 65. If you invest in the Tesco Lifestyle Investment Options and think your target retirement age will be earlier or later than age 65, it's important that you tell us as early as possible to make sure your savings are moved at the right time for you.

From age 55 if you are no longer employed by Tesco, whether or not you've stopped working. But remember, the earlier you take your benefits the longer they are likely to have to last.

Remember it's important you set a realistic target retirement age if you invest in the **Tesco Lifestyle Investment Options**, as your investments will be set to target that retirement age.

If your target retirement age is not up to date, the investments might not be appropriate and the information that we'll send to you may also be less accurate.

You can change your retirement age by calling 01624 693 900.





If you want to take all of your savings as cash, you don't have to do anything - we'll automatically invest your savings in the Tesco Lifestyle Cash Option.*

* Please note: limits apply to the maximum amount of savings which can be taken as cash. Please see the member booklet for further details.

Choose your Tesco Lifestyle Investment Option to target how you want to take your savings

You have a number of different options for how to take your savings once you reach retirement. These options are also explained in the Member Booklet which is available at **tescoiomsavings.com**.

Depending on how you wish to take your savings, you can select from three different Tesco Lifestyle Options.

These options are designed in the same way, but the key difference is that your investments target taking your savings all as cash when you retire, a bit at a time (drawdown), or a regular guaranteed income (pension). If you change your mind later, you can move between these options.

1. All as cash

This option is designed for you to take your savings all as cash, assuming you are allowed to do so - please see the member booklet for further details. Some of the cash you take will be tax free and the rest of your savings will be subject to Income Tax. However, there is a risk if you take all of your savings as cash and spend it, you may not have enough to live on later in your retirement.

If you want to take all of your savings as cash, and believe you will be able to do so, you don't you don't have to do anything. This is because we'll automatically invest your savings in the Tesco Lifestyle Cash Option – this is the default option.

2. A bit at a time (drawdown)

If you want to take your savings a bit at a time (drawdown) you can choose the Tesco Lifestyle Drawdown Option.

This option is designed for you to take some of your savings as tax-free cash and then take what's left, every so often as you want it. It will automatically leave more of your savings invested in funds that might give you a higher return after you retire. However, there is a risk your savings could fall in value (see understanding risk, page 15).

3. As a regular guaranteed income (pension)

If you want to take your money as a guaranteed regular income (pension) you can choose the Tesco Lifestyle Regular Income Option.

This option is designed for you to take some of your savings as tax-free cash and use the rest to buy an annuity. An annuity is a type of insurance policy you can buy with your savings at retirement which will pay you a guaranteed income for life. This option will make sure that as you approach your target retirement age, your savings will aim to track the cost of buying an annuity. However, there is a risk your savings could fall in value (see understanding risk, page 15).

Choosing the option that's right for you

Once you've decided how you want to take your savings, you should let us know. By making your choice at least five years before your target retirement age, it will allow the Tesco Lifestyle Investment Option enough time to automatically move your savings to investments that are suited to how you would like to take your savings.

You can find **Lifestyle Factsheets** on each of these options at **tescoiomsavings.com**. These will provide details on the objectives and key features of each of the Tesco Lifestyle Investment Options.

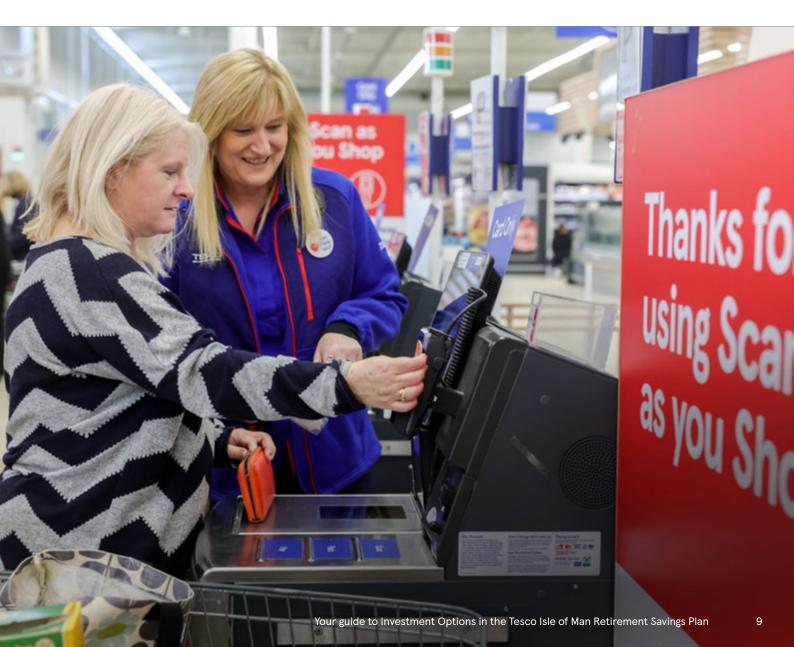
You can change your Tesco Lifestyle Investment Option to match the way you want to take your savings at retirement in the same way you change any investment choice. See page 20 for how to do this.

Remember, if you do nothing, your savings will be invested in the **Tesco Lifestyle Cash Option**.

Want to know more about how you can take your savings?

For more information, please refer to the ${\bf Member\ Booklet},$ which is available at ${\bf tescoiomsavings.com}$

Details of other useful websites that can help you to make a decision are also included on page 20.



Is a Tesco Lifestyle Investment Option right for you?

Saving into one of the lifestyle options might be right for you if:

- You don't want to make a choice on how your savings are invested.
- You know how you want to take your savings and want your savings to be invested to target this.
- You want your investments to be managed automatically throughout your working life, to help reduce risk.

Investing in a lifestyle option may not be right for everyone. You can also choose your own investment funds from our eight self-select options.

The self-select options have been chosen with colleagues' different circumstances in mind, for instance those with ethical needs or who are close to retirement.

Please see page 16 for further details.

It's important to review your investment goals and your retirement date on a regular basis to ensure that your savings are invested appropriately for your needs.





Understanding investments

You can choose your own investments, rather than having your investments managed automatically in a Tesco Lifestyle Investment Option.

There are seven funds to choose from, and depending on how far you are from your target retirement age, some of them may be more attractive to you than others.

Here we explain how investments work, should you want to choose your own funds. Details of each of the eight funds can be found on page 17.

How are investment funds managed?

When choosing your own investments, there are two main approaches to managing investment funds that you can pick from – they're called 'Active' and 'Passive'.

Our self-select funds include investments managed in both of these ways.

Active

An Active fund manager buys or sells specific investments that they think are likely to perform better than average compared to other investments of the same type. Active fund managers tend to charge more as a result but hope to deliver better returns than a passive fund manager.

Passive

Passive funds hold a selection of investments across an investment type, so the investment performs in line with that market or type of investment.

Combined – Active and Passive

Some investment funds combine both Active and Passive management styles.



What kind of things can I invest in?

Different funds will hold different types of investment.

The type of investments held within the option you choose will have a significant effect on its performance.

Each type of investment has its own characteristics and also different risks

Type of investment	Description
Equities (also known as shares)	An equity (or share) is a small stake in a company either in the UK or overseas. If the company makes a profit, it shares those profits with shareholders (these are called dividends). If you invest in equities (shares), the money you make on your investments (returns) is based on the dividends you get paid as a shareholder and any gains you might make from selling your shares at a higher price than you paid for them. You might lose money from selling your shares at a lower price than you paid for them. Shares can be bought and sold on stock markets, and while the value of shares usually increases over long periods of time, it can also change by a large amount (up and down) in a very short space of time. Shares can be seen as being higher risk than other types of investment, particularly over the short term. It's suggested that investments in shares should be for at least five years.
Property	Property includes a wide range of office, retail and industrial properties. If you invest in property, the money you make on your investments (returns) is based on property values and rental income. Property tends to be lower risk than investing in shares but higher risk than cash and bonds.
Corporate bonds and gilts	Corporate bonds are loans to companies, banks and large organisations. Interest is usually paid on the money borrowed. Loans to the UK Government are called 'gilts'. In return for these loans, the Government pays interest. Bonds and gilts are considered higher risk than cash, but lower risk than shares or property. Bonds can also lose value.
Cash	Investing in cash can be a lower risk than equities, property, bonds and gilts. If you invest in cash, the money you make on your investments (returns) is based on the interest rate offered by the borrower you lend your money to.

Low charges mean your money goes further

Investment managers charge you for managing your money. Investment charges make a difference because the lower the charge, the more money you have in your savings.

What are the different charges?

There are two types of charge, which are included in the value of your retirement savings.

1. An Annual Management Charge of 0.14% of the value of your account, which covers the costs of running the Plan. All members of the Tesco Isle of Man Retirement Savings Plan need to pay this charge on their savings.

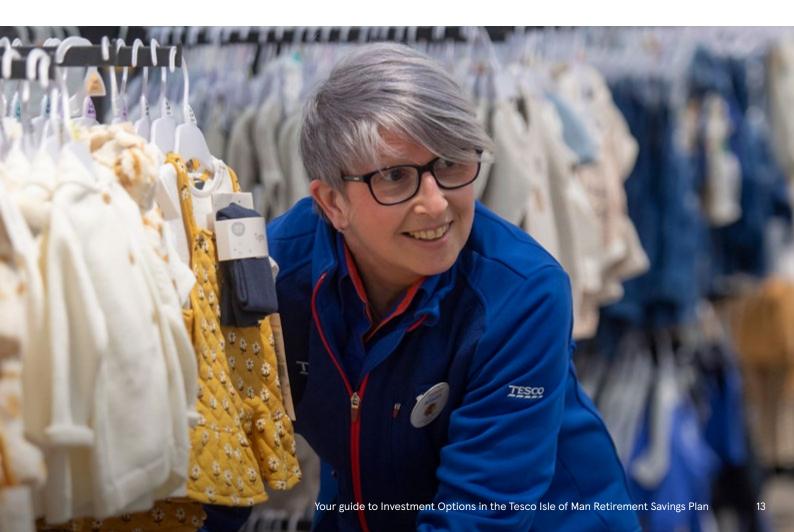
For a fund of £10,000 that's £14 a year.

We aim to keep this annual rate the same but there is a possibility it could change if the costs of running the Plan change.

2. A Fund Management Charge that covers the cost of investing your retirement savings. The level of this charge depends on which fund(s) you invest in and can vary from time to time. It is charged each year but deducted monthly.

These charges are automatically factored in when we calculate how much your savings are worth. So you won't see them as a separate cost when you look at the current value of your retirement savings.

At Tesco, we want colleagues to get the best value for money for your savings. That's why we've negotiated lower charges for these funds than you would be able to find elsewhere.





For example, if you have £10,000 of savings and you are in the **Tesco Lifestyle Cash Option**, your total investment charge would be approximately £29 per year, reducing to £22 per year over the 4 years to retirement.

Fund management charges are not shown as deductions on your statement but are included in the value of your investments.

What are the charges in the Tesco Lifestyle Investment Options?

The **Fund Management Charge** for the three Tesco Lifestyle Investment Options starts at approximately $0.15\,\%$ of your savings and depending on which option you choose, may decrease gradually to 0.08% as you approach retirement. This means for a fund of £10,000, that's £15 a year reducing to £8.

The table below shows the range of charges for each of the Tesco Lifestyle Investment Options:

Options	Annual Management Charge	Approximate Fund Management Charge a year	Total annual charges
Tesco Lifestyle	0.14%	0.15%, which gradually	0.29%, which gradually
Cash Option		reduces to 0.08% over the	reduces to 0.22% over the
(default option)		four years to retirement	four years to retirement
Tesco Lifestyle Drawdown Option	0.14%	0.15%	0.29%
Tesco Lifestyle	0.14%	0.15%, which gradually	0.29%, which gradually
Regular Income		reduces to 0.08% over the	reduces to 0.22% over the
Option		four years to retirement	four years to retirement

What charges apply to the funds I can select myself?

To find out the charges for each of the seven funds you can choose from if you want to select your own investments, please see pages 17–18.

There's more information in the Lifestyle Option Factsheets, which you can view at **tescoiomsavings.com**.

Understanding Risk

Investing can carry risks. The higher the risk, the more chance there is that your investments won't perform how you want them to. On the other hand, higher risk options also come with a greater chance that your savings may grow by more.

How much risk you're prepared to take with your savings will depend on your specific circumstances and how comfortable you feel about taking risk. These are some of the risks you should think about:

Investment risk

This is the risk that your investments drop in value. It's usually the risk being highlighted when you hear 'the value of your investments can go down as well as up'. This can happen with all shares, bonds and even some cash funds.

Inflation risk

This is the risk that your investments don't keep up with rises in prices and the cost of living (inflation). If your investments go up in value but not by as much as inflation then their real value goes down. This can happen with cash funds.

Regular income risk

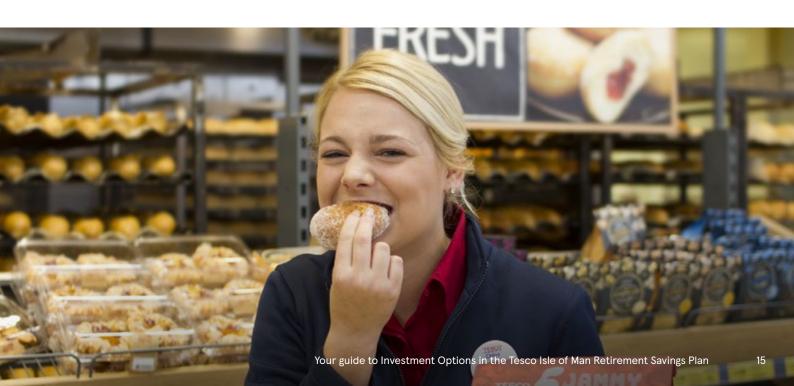
If you're thinking of taking a regular income from the Tesco Retirement Savings Plan, you need to make sure that your investments are linked to the price of buying a regular income (pension) as you get closer to retirement.

Why your age matters

The importance of the different types of risk changes as you get closer to retirement.

When you're young it normally makes sense to invest in funds that can grow your money over the long term, like equities. This is because investment risk is less important, as your savings have plenty of time to recover from any falls. Inflation risk is more important when you're young because if inflation grows faster than your savings then you may have less money than you expect when you retire.

As you get closer to retirement, investment risk becomes much more important and it's normally worth considering investing in funds that don't move up and down so much to help protect your account.





Making your own investment choices

If you want to make your own investment choices, you can choose from seven different funds.

How you choose to invest your savings can make a big difference to the amount you have at retirement.

Some of the funds are higher risk. The higher the risk, the greater the chance of large short-term ups or downs in value. On the other hand, higher risk options also come with a greater chance that your savings will grow by more than lower risk options.

How much risk you're prepared to take when you invest your savings will depend on your own circumstances and you should think carefully about the level of risk you are comfortable with. For example, it will depend on how much time you have until you retire and your general attitude to taking risks with your money.

It's important to know that you can't be in one of the Tesco Lifestyle Investment Options and choose a range of individual funds – it has to be one or the other.

When making your own choices between the self select funds the key things to think about are:

- How long do you have to go until you want to take your retirement savings?
- Do you have any retirement savings elsewhere?
- How do you feel about taking investment risk?
- How will you be using your Tesco Retirement Savings?

The answers to these questions will help you decide which funds might be appropriate for you.

If you take this route, you should regularly review your investment selection to ensure your approach still meets your requirements.

You can't be in one of the Tesco Lifestyle Investment Options and choose a range of individual funds – it has to be one or the other.

What are the funds you can choose?

If you want to choose your own investment funds you can pick from the following eight options. You can choose from any of these, but they have been grouped together for you as they may might be more relevant depending on how many years from retirement you are.

Please see the descriptions on page 11 for further details on the types of investment described below.

Risk Level Indicator



Far to go - 15 years or more from retirement			
Fund name	Description and fund type	Risk level	Total annual charges*
Tesco Equity Fund	Invests in global company shares. The value of shares usually increases over long periods of time but can also sometimes experience big ups and downs in value in a very short space of time. Fund type: Passive		£0.21
Tesco Diversified Fund	This fund holds a number of different types of investments. It aims to grow your savings faster than prices rise over time (inflation). The value of your savings will have some ups and downs - but the aim is for these ups and downs to be smaller than if you had only invested in shares. Fund type: Combined - Passive and Active		£0.41

Middle distance - Between 5 and 15 years from retirement **Total annual** Risk level **Fund name Description and fund type** charges* Invests in corporate bonds, which are **Tesco** loans to companies. Likely to grow more Corporate slowly than a fund that only invests in **Bond Fund** shares but is likely to have fewer sharp falls £0.21 in value as well. **Fund type: Passive**

^{*}includes annual management charge + fund management charge (£ for each £100 of fund)

Nearly there - Less than 5 years from retirement			
Fund name	Description and fund type	Risk level	Total annual charges*
Tesco Annuity Target Fund	Designed to be used by people who want to take a regular income with some or all of their retirement savings. Aims to provide protection against changes in the price of buying a regular income when you're close to retirement. Invests in Government and corporate bonds.		£0.21
	Fund type: Passive		
Tesco Index- Linked Gilts Fund	Invests in debt issued by the Government, known as gilts. Index-linked gilts are debts whose payments are linked to linked to rises in prices (inflation). Fund type: Passive		£0.17
Tesco	Invests by lending to companies and governments for short periods of time. Aims		
Cash Fund	to keep the value of your savings protected as you come to retirement. However if prices are rising quickly (so inflation is high), the growth in the value of your savings might not keep up.		£0.29
	Fund type: Active		

Other funds			
Fund name	Description and fund type	Risk level	Total annual charges*
Tesco Ethical Fund	Specialist fund to Invest in shares of global environmentally and socially responsible companies and aims to achieve the same returns as the ethical market (which is the market consisting of environmentally and socially responsible companies). Fund type: Passive		£0.29

^{*}includes annual management charge + fund management charge (£ for each £100 of fund)

Is choosing your own investments right for you?

Choosing your own investments might be right for you if:

- You want to take control of how your savings are invested.
- You will be responsible for regularly reviewing your investments.
- You want your savings to be invested in line with your personal or religious beliefs.
- You want to choose when and where your savings are invested to suit your own circumstances.

Choosing your own investments might not be right for everyone. You can save into one of the Tesco Lifestyle Investment Options if you want your savings to be invested automatically on your behalf. Please see page 4 for further details.

Updating your fund choices

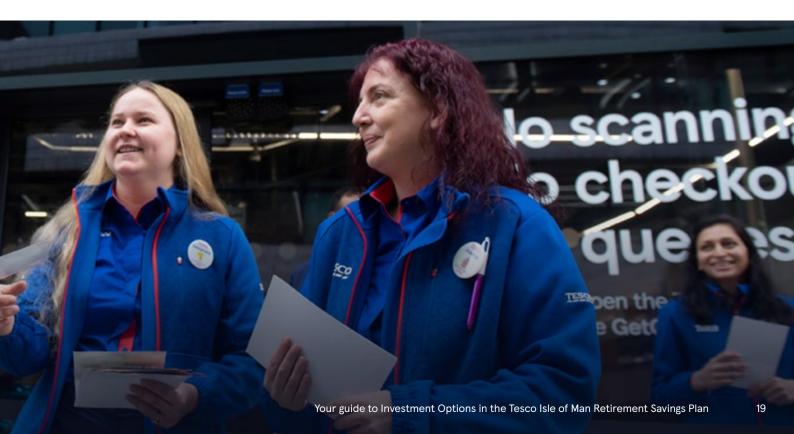
A retirement savings plan is a long-term investment and your personal circumstances may change over time. For example, your financial situation may change, you may want to retire at a different age, or might want to change the amount of investment risk you're willing to take.

But don't worry, the decision you make now is not set in stone. You can switch between self-selected investment funds or a Tesco Lifestyle Investment Option at any time. For details on how to update your choices, see page 20.

Where can I get more information?

You can find out more about your investment options at **tescoiomsavings.com**, where you can find links to the fund factsheets. These include detailed information on each of the investment options available to you.

It's important to review your investment goals and your retirement date on a regular basis, to ensure that your savings are invested appropriately for your needs.



How do I change my investments?

You can change your investments by downloading an Investment Switching Form from the Plan website. Alternatively you can contact Baker Tilly Ilse of Man who can send a form to you.

Baker Tilly Isle of Man

Opening Hours

Tel: 01624 693 900 9-5:15 Monday to Friday.

Call Centres will not be open on Saturdays, Sundaysor Bank Holiday.

Call Centres are also closed between Christmas and New Year.

Email: tescolOMretirementsavingsplan@bakertilly.im

Which other organisations may be able to help me?

Isle of Man Financial Services Authority

Isle of Man Financial Services Authority, PO Box 58, Finch Hill House, Douglas, Isle of Man, IM99 1DT

Tel: 01624 646 001 Website: gov.im/iomfsa

Income Tax Division

Isle of Man Income Tax Division Pensions Government Offices Bucks Road Douglas IM1 3TX

Isle of Man Pensions Ombudsman

The Treasury
1st floor Markwell House
Market Street
Douglas
Isle of Man
IM1 2RZ

Email: IOM.PensionsOmbudsman@pensions.im

For information in respect of your State pension

gov.im/categories/benefits-and-financial-support/pensions/manx-state-pension

Neither Tesco or Baker Tilly Isle of Man are allowed to give you financial advice.