

Directors' remuneration report

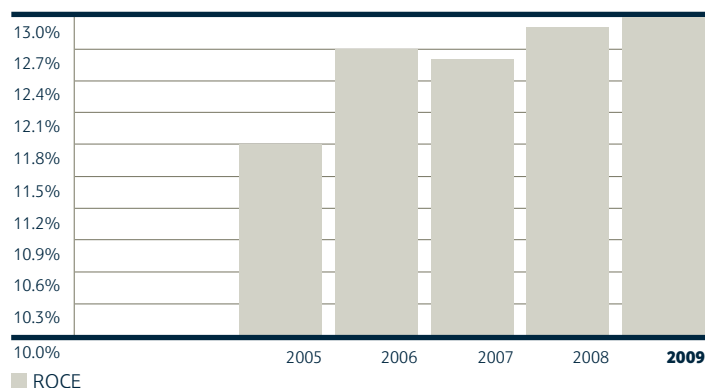
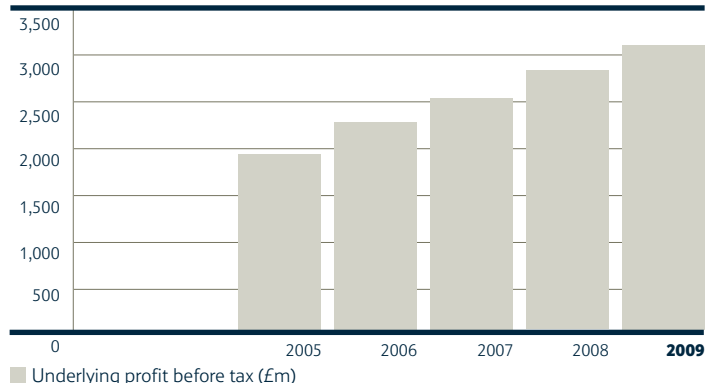
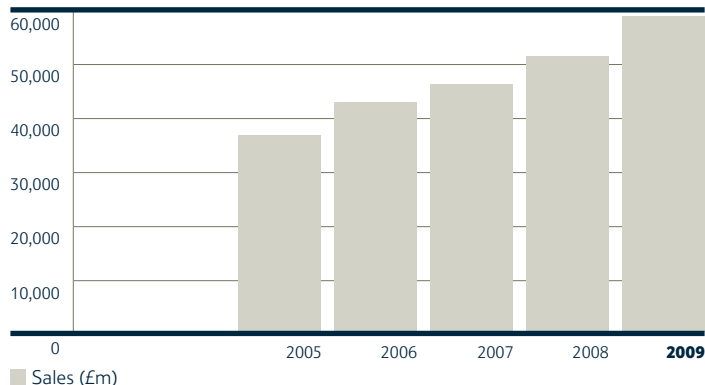
year ended 28 February 2009

This report sets out the remuneration policy for the Executive and Non-executive Directors of Tesco PLC and describes the individual remuneration of the Directors for the year ended 28 February 2009.

Executive summary

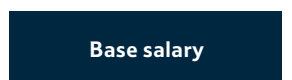
The primary goal of Tesco is to deliver strong, sustainable and profitable long-term growth. Despite the global downturn Tesco has delivered another strong performance against targets this year. This has continued to build on the track record of recent years.

Sales, Profit and ROCE Performance over 5 Years



Balance of fixed and performance related remuneration

Fixed element



c.12%-33% depending on individual incentive arrangements and performance

Performance-related elements



c.67%-88% depending on individual incentive arrangements and performance

Tesco is already a large and profitable company. A 10% increase in Company value equates to some £3bn in additional shareholder value, equivalent to a FTSE 50 organisation. Continuing to grow and expand profitability from such a high base is challenging but forms the core of Tesco's strategy, and its supporting processes including executive remuneration.

The result for 2008/9 included improvement on most of the underlying performance measures relating to productivity and growth. Against this performance background, the main aspects of executive remuneration policy and practice for the year are as follows:

- Executive Director salaries were increased from 1 July 2008 by an average of 5.4% after the normal review;
- annual bonus payouts ranged from 60% to 90% of maximum. The maximum potential bonus was 250% of salary for the Group CEO, 300% of salary for the US CEO and 200% of salary for other Executive Directors;
- long-term incentive payout was 90% of a potential maximum of 100% of salary;
- no material changes to policy, remuneration mix or scale of incentives;
- deferred awards, already earned from prior years, representing 4.6 million shares became available to Directors;
- minor changes are being proposed to remuneration arrangements relating to leaving conditions; and
- continuing high level of share ownership by Executive Directors.

Executive Director remuneration strategy

Tesco has a long-standing policy of rewarding talent and experience. We seek to provide incentives for delivering high, sustainable and profitable growth thus creating high additional value for shareholders.

We operate in a keenly competitive and rapidly changing retail environment. Business success depends on the talents of the key team, but outstanding business performance comes from teamwork. Tesco has a stable and successful management team, and motivating that team at senior levels to deliver yet higher levels of performance is vital to our ongoing success. We believe our incentives should support the continued progress within the existing business, the strengthening of our returns from the International business and new retail lines as well as the creation of significant new businesses.

The Remuneration Committee believes that the majority of total remuneration should be performance-related and delivered largely in shares to closely align the interests of shareholders and Executive Directors. In determining the balance between the fixed and variable elements of the Executive Directors' remuneration packages, the Committee takes into account both policy and market practice.

Total remuneration levels of Executive Directors are reviewed annually by the Committee taking into account their value to the Company and competitive market practice. Consideration is also given to pay levels across the Group in order to sustain a common sense of purpose and sharing of success. When setting the remuneration of Executive Directors, the Committee considers the Group's performance on environmental, social and governance (ESG) matters. Specific ESG performance targets are applied to certain elements of the remuneration structure, in order to reinforce positive and responsible behaviour by senior management.

Performance related remuneration

The remuneration structures for Executive Directors and other key executives are tailored to emphasise the delivery of strong year-on-year earnings growth as well as sustained performance in the longer term. More than two-thirds of total remuneration (excluding pension) is linked to performance.

Long-term performance is rewarded through delivery of shares and short-term performance through a combination of cash and compulsory deferred shares. This ensures continued emphasis on strong annual performance combined with long-term executive share ownership, providing a strong link between the incentives received and shareholder value.

Performance measures

The Executive Directors have a range of performance targets across the various incentive plans which reflect the objectives of the Group and their own responsibilities. Targets are generally set to reward performance improvement over prior periods.

The measures are summarised in the table below and are based on:

- delivery of improved bottom-line financial results, measured through earnings, both in the present year and sustainably over time;
- enhancement of profitability, measured through return on capital, whilst growing the business;
- achievement of durable improvements in the underlying drivers of performance such as cost reduction, energy efficiency, reduced environmental impact and sales growth, captured through the corporate measures; and
- laying foundations for future performance through measures such as developing new sales footage, developing people, implementing community programmes, also captured through the corporate measures.

Short-term Performance Measures					
Measures	Participation	Incentivises	Maximum potential % of salary	Performance period	Delivered via
Earnings per share	All Executive Directors	Year on year earnings growth	125% (US CEO 62.5%)	One year	Annual cash and annual deferred share bonuses (3-year deferral)
Corporate objectives	All Executive Directors	Delivery of strategic business priorities, entrepreneurial spirit and building framework for future growth	55% (US CEO 27.5%)	One year	Annual cash and annual deferred share bonuses (3-year deferral)
Total shareholder return	All Executive Directors	Share price and dividend growth	20% (US CEO 10%)	One year	Annual deferred share bonuses (3-year deferral)
Specific US objectives	US CEO	Delivery against financial and strategic milestones for US business	200%	One year	Annual cash and annual deferred share bonuses (3-year deferral)
Specific US objectives	Group CEO	Delivery against financial and strategic milestones for US business	50%	One year	Annual deferred share bonuses (3-year deferral)

Long-term Performance Measures					
Measures	Participation	Incentivises	Maximum potential % of salary (unless otherwise stated)	Performance period	Delivered via
EPS relative to RPI	All Executive Directors	Longer-term earnings growth	200%*	Three years	Executive share options
Group ROCE	All Executive Directors	Long-term business success and shareholder returns	100%	Three years	Performance Share Plan
International ROCE	All Executive Directors except US CEO	Long-term business success and shareholder returns	50%	Three years	Performance Share Plan
US EBIT and ROCE	US CEO	Establishment of successful US business	2 million shares	2010/11 – 2013/14	US Long Term Incentive Plan
US EBIT and ROCE Group ROCE International ROCE	Group CEO	Entrepreneurial spirit and establishment of new businesses within whole Group performance	2.5 million shares	2010/11 – 2013/14	Group New Business Incentive Plan

* This is the amount on which the number of shares under option is calculated. The actual realisable value of these options will depend on any growth in share price between the date of grant and the date of exercise.



Directors' remuneration report continued

Participation in the various elements is governed by the Remuneration Committee and individual Executives are awarded incentives under the elements which are most relevant to their sphere of responsibility.

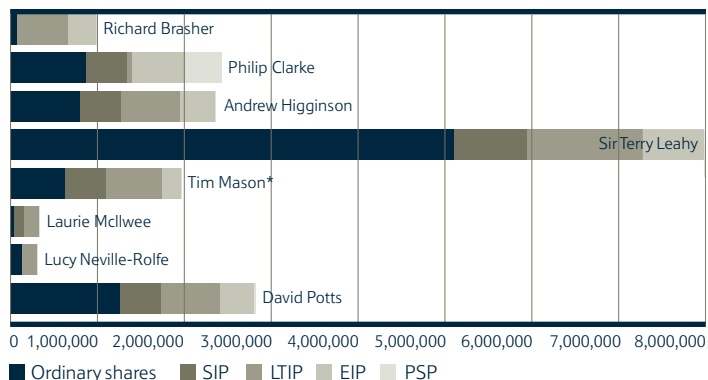
If performance is lower than the maximum targets, incentive payments will reduce accordingly and will be zero if threshold levels of performance are not attained. The Committee has reviewed the performance conditions for each of the incentive arrangements against the Group's business strategy, its growing global leadership, its position as one of the rising companies at the top of the FTSE 100 and the intensely competitive sector in which it operates, and has concluded that they provide a set of comprehensive and robust measures of management's effort and success in creating shareholder value.

Share ownership guidelines

The Remuneration Committee believes that Executive Directors holding shares aligns their interests with shareholders and demonstrates their ongoing commitment to the business. Executive Directors are required to build and maintain a shareholding with a value at least equal to their basic salary. New appointees will typically be allowed three years to establish this shareholding. Full participation in the long-term Performance Share Plan is conditional upon this. All Executive Directors currently satisfy this requirement.

Shares held by Executive Directors

as at 28 February 2009



* Tim Mason sold 631,384 ordinary shares on 22 April 2009.

Includes ordinary shares and awards of shares and nil cost options made to Directors which remain subject only to a holding period. Excludes unexercised vested executive share options.

Funding of equity awards

Executive incentive arrangements are funded by a mix of newly issued shares and shares purchased in the market. Where shares are newly issued the Company complies with ABI dilution guidelines on their issue. The current dilution usage of executive plans is c.4% of shares in issue.

Fixed remuneration

Basic pay

Basic pay is designed to attract and retain talented individuals. It needs to reflect individual capability and any changes in responsibilities as the Group faces new opportunities and challenges. As the Group continues to diversify into new product areas and services, as well as expanding internationally, it seeks to reflect this in the benchmarking that is used. We examine salary levels at the major retailers, the leading FTSE companies and ensure consideration is given to international competitors. We also take into account pay conditions throughout the Group in deciding executive annual salary increases. The average increase for senior management below Board level last year was 5%, whereas for other staff the average increase was typically around 4%. Basic salaries are typically increased with effect from 1 July each year and the Remuneration Committee will be taking into account the current economic climate in setting salaries for the coming year.

Director	Basic salary 1 July 2008 £000
Richard Brasher	792
Philip Clarke	792
Andrew Higginson	792
Sir Terry Leahy	1,375
Tim Mason	792
Laurie McIlwee*	550
Lucy Neville-Rolfe	554
David Potts	792

* Salary on appointment 27 January 2009.

Pensions

Pension provision is central to our ability to foster loyalty and retain experience which is why Tesco wants to ensure that the Tesco PLC Pension Scheme is a highly valued benefit. All Executive Directors are members of the Tesco PLC Pension Scheme which provides a pension of up to two-thirds of base salary on retirement, normally at age 60, dependent on service. The Final Salary Scheme is now closed to new entrants but has been replaced throughout the organisation by a different defined-benefit pension scheme based on career average earnings. Since April 2006, following implementation of the regulations contained within the Finance Act 2004, Executive Directors have been eligible to receive the maximum pension that can be provided from the registered pension scheme. The balance of any pension entitlement for all Executive Directors is delivered through an unapproved retirement benefits scheme (SURBS). Except for Tim Mason, the SURBS is 'secured' by using a fixed charge over a cash deposit in a designated account.

Over the last few years pension contributions by our Executive Directors have been increasing progressively. In 2008/9 the level of contribution was 7% of salary which is in line with senior management's contribution levels. Contributions will rise over the next three years to 10% by 2011/12. Further details of the pension benefits earned by the Directors can be found on page 56.

All employee share schemes

The Executive Directors are eligible to participate in the Company's all employee share schemes on the same terms as UK employees.

- **Shares In Success.** Shares in the Company are allocated to participants in the scheme up to HMRC approved limits (currently £3,000 per annum). The amount of profit allocated to the scheme is determined by the Board, taking account of Company performance.
- **Buy as You Earn.** An HMRC approved share purchase scheme under which employees invest up to a limit of £110 on a four-weekly basis to buy shares at the market value in Tesco PLC.
- **Save as You Earn.** An HMRC approved savings-related share option scheme under which employees save up to a limit of £250 on a four-weekly basis via a bank/building society with an option to buy shares in Tesco PLC at the end of a three-year or five-year period at a discount of up to 20% of the market value. There are no performance conditions attached to SAYE options.

Other benefits

The Executive Directors are eligible for car benefits, life assurance, disability and health insurance and staff discount.

2008/9 Performance measurement

Short-term performance 2008/9

Earnings per share

The reported underlying diluted Group EPS for 2008/9 was 28.92p, an increase of 7% on last year.

Corporate objectives

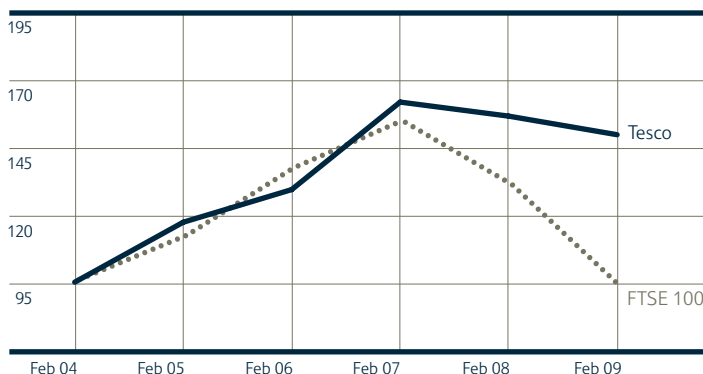
The corporate objectives are based on our balanced scorecard, the Steering Wheel. Corporate objectives for the awards made in respect of the financial year 2008/9 included increasing sales from new space; specific profit targets for international businesses and for retailing services; like-for-like sales growth and the development of the non-food business; focus on developing trading models internationally; enhancing talent

management and capability; embedding the new international Community Plans; and reducing our environmental impact. Most targets were met at the stretch level.

Total shareholder return

The graph below highlights the Group's total shareholder return performance over the last five financial years, relative to the FTSE 100 index of companies. This index has been selected to provide an established and broad-based comparator group of retail and non-retail companies of similar scale to Tesco.

Total shareholder return (TSR) 1 March 2004 to 28 February 2009



TSR is the notional return from a share or index based on share price movements and declared dividends.

The Committee considers TSR performance against the FTSE 100 and a comparator group of international retailers that includes Ahold, Carrefour, J Sainsbury, Metro, Morrisons, Safeway Inc, Target and Walmart.

Following the Remuneration Committee's consideration of the extent to which the various performance measures in respect of the 2008/9 award have been achieved, the Executive Directors have been awarded 90% of the potential maximum for the cash element and 90% of the potential maximum for the deferred shares element of that part of their annual bonus which is measured by reference to EPS, corporate objectives and TSR.

US objectives

The additional awards to Tim Mason and Sir Terry Leahy were subject to performance conditions which measure the progress of the US business against a range of aggressive targets related to the development of this business.

During 2008/9 advances were made on most measures including store development, sales growth, cost management and customer factors. However, the economic downturn did result in a constraint over the year on the pace of growth against the demanding development objectives. The Remuneration Committee has assessed the bonus outturn for 2008/9 and Tim Mason has been awarded 45% of the potential maximums for the cash and deferred shares elements of that part of his annual bonus which is measured by reference to US-specific targets, and Sir Terry Leahy has been awarded 45% of the potential maximum for the deferred shares element of that part of his annual bonus which is measured by reference to US-specific targets.

Long-term performance 2008/9

Earnings per share

The three-year performance period for the 2006/7 Executive Option grant over shares with a value of 200% of salary at the date of grant ended at the financial year end 2008/9. Vesting of these options is conditional on the achievement of earnings per share performance conditions, with the first 100% subject to the achievement of underlying diluted EPS growth of at least RPI plus 9% over three years with the balance vesting for achieving growth of at least RPI plus 15%. There is no re-testing of performance. The increase in underlying diluted EPS relative to RPI over the three years from 2006/7 to 2008/9 exceeded 15% and these options will therefore vest in full on the third anniversary of their grant.

Return on capital employed

Following the completion of the three-year performance period for the 2006/7 PSP award, the Committee considered the level of performance against the target for the first 75% of the PSP award of achieving post-tax Group ROCE of 13.4% by the end of FY 2008/9. Post-tax ROCE (calculated on a like-for-like basis with the target originally set) at the end of FY 2008/9 was 13.3%, so 70 of the first 75% of the award will vest. The Committee also exercised its judgement as to the extent to which the remaining 25% of the PSP award should vest as a result of superior ROCE performance, taking into account factors including the level of ROCE achieved, the expected ROCE for additional and existing capital investment, whether capital spend was in line with strategic objectives and balanced short-term and long-term investment needs, the level of sales and underlying profit growth and whether this reflected other developments in the marketplace. Having considered these factors in detail the Committee concluded that 20 of the remaining 25% of the award should vest.

Future performance targets

The Committee has determined that no change is required for the coming year in the form of incentive arrangements, nor in the relative balance between them. The maximum opportunity under incentive arrangements will remain the same for the forthcoming year (as set out on page 51). The same principles as described earlier were also adopted in the determination of performance targets, i.e. emphasis on continuous improvement, and recognition of the need to deliver underlying improvements and continue to develop for the future whilst delivering current financial objectives.

Short-term performance

We are not able to disclose specific future targets for reasons of commercial sensitivity, however it is intended that performance will continue to be measured against stretching EPS, TSR and Corporate Objective targets. For the Group CEO and US CEO a portion of the annual bonus will continue to relate to the performance of the US business.

Long-term performance

Earnings per share

Options were granted in 2008/9 to Executive Directors over shares with a value of 200% of salary with an exercise price equal to the market value at the date of grant and any gain is therefore dependent on increasing the share price between the date of grant and exercise. Vesting of these options is conditional on the achievement of earnings per share performance conditions, with the first 100% subject to the achievement of underlying diluted EPS growth of at least RPI plus 9% over three years and the balance vesting for achieving growth of at least RPI plus 15%. Performance against this target will be measured at the end of 2010/11 to determine the level of vesting.

Return on capital employed – Group and international

The rules of the Performance Share Plan allow awards to be made over shares up to 150% of salary. In the year ended 28 February 2009 awards were made to all the Executive Directors except Tim Mason over Tesco PLC shares equal to 150% of salary. An award was made to Tim Mason over Tesco PLC shares equal to 100% of salary.

For all the Executive Directors, awards over up to 100% of salary will vest (together with reinvested dividends) subject to the achievement of Group ROCE targets. The awards over the equivalent of a further 50% of salary made to the Executive Directors other than Tim Mason will vest (together with reinvested dividends) subject to the achievement of targets based on International ROCE to incentivise and reward delivery of higher returns from invested capital outside the UK (but excluding the US).

The first 75% of the awards will vest on a straight-line basis at the end of the three-year performance period, with 25% vesting for baseline performance and the full 75% vesting for maximum performance against target. The target in respect of the first 75% of the 2008/9 PSP award is achievement of 14.2% Group ROCE and 9.0% International ROCE at the end of the three-year performance period in 2010/11. The remaining 25% of the award will vest for superior Return on Capital performance as judged by the Remuneration Committee taking into account the factors outlined above.



To find out more go to
www.tesco.com/annualreport09

Directors' remuneration report continued

If the Remuneration Committee exercises its judgement to allow some, or all, of the remaining 25% of the PSP awards to vest, we will describe in the Directors' Remuneration Report in the relevant year those factors taken into account in determining the level of the award which would vest. There is no re-testing of performance in respect of any targets.

Return on capital employed – US

The Group is seeking to build a substantial presence in the US which in time has the potential to become a significant source of value for our shareholders. The Tesco PLC US Long Term Incentive Plan 2007 (the US LTIP) has been designed to deliver reward only if the US business realises this potential.

The US CEO was made an award of two million shares under the US LTIP in 2007. Awards were also made to other senior members of the US management team. No other Executive Directors will participate in the Plan. Awards under the plan vest based on the ROCE and EBIT performance of the US business as set out on page 61.

A key part of the Group's long-term strategy is to consider new business ventures which have the potential for significant long-term value creation for our shareholders. The Group New Business Incentive Plan (Group Plan) supports this initiative. Initially only the Group CEO will participate in the Group Plan. However, awards may be made to other employees at the discretion of the Remuneration Committee in the future where this is appropriate to do so in order to support the Group's new business ventures.

An award of 2.5 million shares was made to the Group CEO in November 2007. This award will vest based on the ROCE and EBIT performance of the US business as set out on page 61, however the plan also requires Group and International ROCE targets to be met and any payouts under this plan will be scaled back on a pro rata basis to the extent they are not met.

As the Company's US venture is currently the most developed new business initiative, the award made to the Group CEO under the Group Plan is focused on the performance of the US venture, although the Remuneration Committee has the flexibility to consider and include other new business development opportunities within the proposed award. In addition, the Remuneration Committee will consider the findings of the Governance Oversight Committee (described below) and opinions of the Audit Committee as to whether the level of reported results achieved reflects the underlying financial performance of the Company when considering if, and the extent to which, the award made to the Group CEO will vest.

Service agreements

The Executive Directors all have rolling service agreements with no fixed expiry date. These contracts are terminated on notice of 12 months by the Company and six months' notice by the Executive. If an Executive Director's employment is terminated (other than pursuant to the notice provisions in the service agreement or by reason of resignation or unacceptable performance or conduct) the Company will pay a sum calculated on the basis of basic salary and the average annual bonus paid for the last two years. No account will be taken of pension. Termination payments will be subject to mitigation. This means that amounts will be paid in instalments to permit mitigation. If the termination occurs within one year of retirement, the termination payment will be reduced accordingly. To reflect his length of service with Tesco and the early age of his appointment as CEO, Sir Terry Leahy's service agreement provides for his full pension entitlement to become available on retirement on or after his 57th birthday.

The Remuneration Committee has agreed that new appointments of Executive Directors will normally be on a notice period of 12 months. The Committee reserves the right to vary this period to 24 months for the initial period of appointment and for the notice period to then revert to 12 months. The service agreements are available to shareholders to view on request from the Company Secretary.

Outside appointments

Tesco recognises that its Executive Directors may be invited to become Non-executive Directors of other companies. Such non-executive duties can broaden experience and knowledge which can benefit Tesco. Subject to approval by the Board, Executive Directors are allowed to accept non-executive appointments and retain the fees received, provided

that these appointments are not likely to lead to conflicts of interest. Executive Directors' biographies can be found on page 43 of this Report. Fees retained for any non-executive directorships are set out below.

	Company in which non-executive directorship held	Fee retained in 2008/9 (£000)
Philip Clarke	Whitbread PLC	55
Andrew Higginson	BskyB PLC	60
Lucy Neville-Rolfe	The Carbon Trust	19

Non-executive Directors

Non-executive Directors have letters of appointment setting out their duties and the time commitment expected. The letters are available to shareholders to view from the Company Secretary upon request. The Chairman meets with each Non-executive Director separately to review individual performance. All Non-executive Directors are subject to re-election by shareholders every three years at the Annual General Meeting and their appointment can be terminated by either party without notice. Charles Allen and Harald Einsmann, each having served over ten years, will submit themselves for re-election every year subject to the Chairman having reviewed their performance and concluded that they remain independent and continue to add value.

The remuneration of the Non-executive Directors is determined by the Chairman and the Executive Committee after considering external market research and individual contribution. Non-executive Directors' fees were reviewed during the year and the basic fee was increased to £65,000 per annum. The Chairs of the Audit and Remuneration Committees receive £30,000 (in addition to their basic non-executive fee) and Non-executive Directors who are members of these Committees receive an additional £12,000 for each Committee. The Senior Independent Non-executive Director, Rodney Chase, who is also the Deputy Chairman, receives a total fee of £135,000 per annum. The Remuneration Committee determines the Chairman's remuneration, having regard to time commitment and packages awarded to Chairmen of other companies of a similar size and complexity. David Reid, Non-executive Chairman, receives an annual fee of £610,000 this year and has the benefit of a company car and chauffeur.

The Remuneration Committee

The Remuneration Committee (the Committee) is governed by formal Terms of Reference. They are reviewed annually and this year they were updated to reflect an increased level of oversight of senior management packages. The Terms of Reference are available from the Company Secretary upon request or can be viewed at www.tesco.com/boardprocess.

Composition of the Committee

The Committee consists entirely of independent Non-executive Directors. The members of the Committee during the year were Charles Allen (Chairman of the Committee), Patrick Cescau, Rodney Chase, Karen Cook, E Mervyn Davies and Harald Einsmann. Patrick Cescau was appointed a member of the Remuneration Committee effective from 1 February 2009. E Mervyn Davies resigned from the Company during the year due to a conflict of interest. Ken Hanna joined the Committee on 1 April 2009. The directors' biographies can be found on page 43 of this Report.

No member of the Committee has any personal financial interest in the matters being decided, other than as a shareholder, nor any day-to-day involvement in running the business of Tesco. Jonathan Lloyd, the Company Secretary, is Secretary to the Committee. David Reid, Non-executive Chairman, and Sir Terry Leahy, Chief Executive of the Group, both attend meetings at the invitation of the Committee. They are not present when their own remuneration is being discussed.

The Committee is supported by the Group Personnel and Finance functions and has continued to use the services of Deloitte LLP whom it appointed as an external, independent advisor. Deloitte LLP also provided advisory services in respect of corporate tax planning, share schemes, international taxation, corporate finance and treasury to the Group during the year. Members' attendance at Committee meetings is listed in the Corporate Governance section on page 45 of this Report.

Role of the Committee

The Committee's purpose is to:

- determine and recommend to the Board the remuneration policy for the Chairman and Executive Directors;
- ensure the level and structure of remuneration is designed to attract, retain, and motivate the Executive Directors needed to run the Company;
- agree performance frameworks and targets, and review performance against these;
- monitor the level and structure of remuneration for senior management; and
- ensure the remuneration relationship between the Executive Directors and senior executives of the Company below this level is appropriate.

The Committee normally meets at least four times a year and has a rolling schedule of items within its remit. In the financial year ended 28 February 2009 the Committee met ten times. During the year the Committee reviewed its own performance and agreed steps to enhance its effectiveness.

Governance Oversight Committee

The Governance Oversight Committee (GOC) has been established to review and report at the end of each financial year on the allocation of capital and other Group resources. The GOC comprises the Senior Independent Director of the Company (who chairs the GOC), the

Chairman of the Audit Committee and the Chairman of the Remuneration Committee. The Chairman attends the GOC and the Company Secretary serves as its secretary. The GOC reports its findings to the Remuneration Committee each year. The Remuneration Committee takes these into account along with the view of the Audit Committee to ensure that financial performance against targets is indicative of strong and robust business performance. If appropriate, vesting under the plans may be adjusted by the Remuneration Committee (in respect of Executive Directors) or the Board (in respect of all other employees who are participants). In accordance with the Combined Code, any such adjustments to vesting for Executive Directors will be reported to shareholders in the Remuneration Report at the relevant time.

Compliance

In carrying out its duties, the Remuneration Committee gives full consideration to best practice. The Committee was constituted and operated throughout the period in accordance with the principles outlined in the Listing Rules of the Financial Services Authority derived from the Combined Code on Corporate Governance. The auditors' report, set out on page 67, covers the disclosures referred to in this report that are specified for audit by the Financial Services Authority. This report also complies with disclosures required by the Director Remuneration Report Regulations 2002. Details of Directors' emoluments and interests are set out on pages 55 to 64 of this Report.

Charles Allen

Chairman of the Remuneration Committee

Tables 1-11 are audited information.

Table 1 Directors' emoluments

	Fixed emoluments			Performance-related emoluments			Total 2008/9 £000	Total 2007/8 £000
	Salary £000	Allowances £000	Benefits ³ £000	Short-term cash £000	Short-term deferred shares £000	Long-term ⁴ £000		
Executive Directors								
Richard Brasher	778	–	65	712	712	–	2,267	2,116
Philip Clarke	778	–	38	712	712	480	2,720	2,749
Andrew Higginson	778	–	59	712	712	493	2,754	2,810
Sir Terry Leahy	1,356	–	85	1,238	1,547	876	5,102	5,472
Tim Mason – base salary ¹	778	312	218	712	712	493	3,225	3,797
Tim Mason – supplement ¹	200	–	–	180	180	–	560	733
Tim Mason – total	978	312	218	892	892	493	3,785	4,530
Laurie McIlwee ²	38	–	5	24	24	–	91	–
Lucy Neville-Rolfe	538	–	70	499	499	–	1,606	1,451
David Potts	778	–	37	712	712	480	2,719	2,718
Non-executive Directors								
Charles Allen	91	–	–	–	–	–	91	85
Patrick Cescau ²	5	–	–	–	–	–	5	–
Rodney Chase	129	–	–	–	–	–	129	118
Karen Cook	73	–	–	–	–	–	73	67
E Mervyn Davies	55	–	–	–	–	–	55	79
Harald Einsmann	73	–	–	–	–	–	73	67
Ken Hydon	91	–	–	–	–	–	91	85
Carolyn McCall	10	–	–	–	–	–	10	67
David Reid (Chairman)	601	–	56	–	–	–	657	675
Jacqueline Tammenoms Bakker ²	9	–	–	–	–	–	9	–
Total	7,159	312	633	5,501	5,810	2,822	22,237	23,089

1 Tim Mason's salary is made up of a base salary and a non-pensionable salary supplement (shown separately). Allowances are made up of compensation payments for additional tax due on equity awards made prior to his move to the US. Tim Mason's benefits are made up of car, travel, medical, tax related costs and services and free shares awarded under the all employee Share Incentive Plan.

2 Laurie McIlwee, Patrick Cescau and Jacqueline Tammenoms Bakker were appointed during the year. Figures in table 1 are shown from their date of appointment.

3 With the exception of Tim Mason, benefits are made up of car benefits, chauffeurs, disability and health insurance, staff discount, gym/leisure club membership and free shares awarded under the all employee Share Incentive Plan.

4 The long-term bonus figures shown in table 1 relate to the additional 12.5% enhancements allocated in May 2008 on short-term and long-term awards under the old bonus scheme. The long-term bonuses awarded on 8 July 2008 under the Performance Share Plan were awarded in the form of nil cost options with the exception of Tim Mason who received an unfunded promise to deliver shares. Details of these awards are shown in table 6.



To find out more go to
www.tesco.com/annualreport09

Directors' remuneration report continued

Table 2 Directors' pension details

Executive Directors are members of the Tesco PLC Pension Scheme which provides a pension of up to two-thirds of base salary on retirement, normally at the age of 60, dependent upon service. The Scheme also provides for dependants' pensions and lump sums on death in service. The Scheme is a defined-benefit pension scheme, which is approved by HMRC.

	Age at 28 February 2009	Years of Company service	Total accrued pension at 28 February 2009 ^{1,2} £000	Increase in accrued pension during the year £000	(a) Increase in accrued pension during the year (net of inflation) £000	Transfer value of (a) at 28 February 2009 (less Director's contributions) £000	Transfer value of total accrued pension at 23 February 2008 (old basis) ³ £000	Transfer value of total accrued pension at 23 February 2008 (new basis) ³ £000	Transfer value of total accrued pension at 28 February 2009 £000	Increase in transfer value (less Director's contributions) £000
Richard Brasher	47	22	332	39	24	218	2,767	3,075	3,030	(45)
Philip Clarke	48	34	363	32	16	153	3,343	3,695	3,530	(165)
Andrew Higginson	51	11	292	40	27	313	2,882	3,140	3,354	214
Sir Terry Leahy ⁴	53	30	775	70	34	835	10,141	10,894	12,130	1,236
Tim Mason	51	27	395	34	17	188	4,123	4,490	4,493	3
Laurie McIlwee ⁵	46	8	105	33	33	292	n/a	620	918	298
Lucy Neville-Rolfe	56	11	205	39	30	468	2,444	2,597	3,216	619
David Potts	51	36	399	35	17	196	4,285	4,664	4,705	41

1 The accrued pension is that which would be paid annually on retirement at 60 based on service to 28 February 2009.

2 Some of the Executive Directors' benefits are payable from an unapproved pension arrangement. This is secured by a fixed and floating charge on a cash deposit.

3 The basis used for calculating transfer values was revised during the year because changes in financial conditions meant that the previous basis for calculating transfer values, used since 2007, no longer produced reasonable values. Transfer values at 23 February 2008 have been restated using the new method of comparative purposes.

4 Sir Terry Leahy is entitled to retire at any age from 57 to 60 inclusive with an immediate pension of two-thirds of base salary.

5 Laurie McIlwee was promoted to the Board on 27 January 2009. The increase in accrued pension shown is based on the increase since his date of promotion. Similarly, the transfer value as at 23 February 2008 is based on the value of his pension as at date of promotion.

Table 3 Gains made on executive share options

Executive share option scheme and discretionary share option plan

	Date of grant	Date exercisable	Date of exercise	Number of options exercised	Option price (pence)	Market price at exercise	Total	Value realisable ¹	
								2008/9 £000	2007/8 £000
Richard Brasher	–	–	–	–	–	–	–	–	–
Philip Clarke	–	–	–	–	–	–	–	–	935
Andrew Higginson	–	–	–	–	–	–	–	–	–
Sir Terry Leahy	30.09.98	30.09.01	30.09.08	126,832	164.00	369.20	126,832	260	–
Tim Mason	–	–	–	–	–	–	–	–	–
Laurie McIlwee ²	–	–	–	–	–	–	–	–	–
Lucy Neville-Rolfe	–	–	–	–	–	–	–	–	274
David Potts	–	–	–	–	–	–	–	–	956
Total				126,832			126,832	260	2,165

1 The value realisable from shares acquired on exercise is the difference between the market value at exercise and the exercise price of the option, although the shares may have been retained.

2 Laurie McIlwee was appointed on 27 January 2009. Figures shown in this table are from the date of his appointment.

3 Gains made on Save As You Earn share options are not included above. These are detailed in table 5.

4 Gains made on nil cost options awarded under the Performance Share Plan and Executive Incentive Plan are not included above. These are detailed in table 6 and table 9.

Table 4 Share options held by Directors and not exercised at 28 February 2009

Executive share option schemes (1994) and (1996) and discretionary share option plan (2004)

	Date of grant	Options as at 23 February 2008	Options granted in year ¹	Options exercised in year ²	Options as at 28 February 2009	Exercise price (pence)	Date from which exercisable	Expiry date
Richard Brasher	26.06.2000	106,613	–	–	106,613	205.00	26.06.2003	26.06.2010
	26.04.2001	101,215	–	–	101,215	247.00	26.04.2004	26.04.2011
	15.04.2002	100,386	–	–	100,386	259.00	15.04.2005	15.04.2012
	14.04.2003	151,900	–	–	151,900	197.50	14.04.2006	14.04.2013
	30.04.2004	296,150	–	–	296,150	253.25	30.04.2007	30.04.2014
	22.04.2005	255,795	–	–	255,795	312.75	22.04.2008	22.04.2015
	08.05.2006	345,261	–	–	345,261	318.60	08.05.2009	08.05.2016
	08.05.2007	278,627	–	–	278,627	473.75	08.05.2010	08.05.2017
	12.05.2008	–	353,114	–	353,114	427.00	12.05.2011	12.05.2018
Total		1,635,947	353,114	–	1,989,061			

Table 4 Share options held by Directors and not exercised at 28 February 2009 continued

Executive share option schemes (1994) and (1996) and discretionary share option plan (2004)

	Date of grant	Options as at 23 February 2008	Options granted in year ¹	Options exercised in year ³	Options as at 28 February 2009	Exercise price (pence)	Date from which exercisable	Expiry date
Philip Clarke	22.04.2005	379,856	–	–	379,856	312.75	22.04.2008	22.04.2015
	08.05.2006	404,896	–	–	404,896	318.60	08.05.2009	08.05.2016
	08.05.2007	298,844	–	–	298,844	473.75	08.05.2010	08.05.2017
	12.05.2008	–	353,114	–	353,114	427.00	12.05.2011	12.05.2018
Total		1,083,596	353,114	–	1,436,710			
Andrew Higginson	30.04.2004	434,353	–	–	434,353	253.25	30.04.2007	30.04.2014
	22.04.2005	379,856	–	–	379,856	312.75	22.04.2008	22.04.2015
	08.05.2006	404,896	–	–	404,896	318.60	08.05.2009	08.05.2016
	08.05.2007	298,844	–	–	298,844	473.75	08.05.2010	08.05.2017
	12.05.2008	–	353,114	–	353,114	427.00	12.05.2011	12.05.2018
Total		1,517,949	353,114	–	1,871,063			
Sir Terry Leahy	30.09.1998	126,832	–	126,832	–	164.00	30.09.2001	30.09.2008
	30.11.1999	228,901	–	–	228,901	173.00	30.11.2002	30.11.2009
	20.04.2000	17,673	–	–	17,673	209.50	20.04.2003	20.04.2010
	26.06.2000	780,487	–	–	780,487	205.00	26.06.2003	26.06.2010
	26.04.2001	647,773	–	–	647,773	247.00	26.04.2004	26.04.2011
	15.04.2002	642,471	–	–	642,471	259.00	15.04.2005	15.04.2012
	14.04.2003	939,747	–	–	939,747	197.50	14.04.2006	14.04.2013
	30.04.2004	766,041	–	–	766,041	253.25	30.04.2007	30.04.2014
	22.04.2005	658,673	–	–	658,673	312.75	22.04.2008	22.04.2015
	08.05.2006	709,353	–	–	709,353	318.60	08.05.2009	08.05.2016
	08.05.2007	523,556	–	–	523,556	473.75	08.07.2010	08.05.2017
	12.05.2008	–	618,548	–	618,548	427.00	12.05.2011	12.05.2018
Total		6,041,507	618,548	126,832	6,533,223			
Tim Mason	15.04.2002	358,301	–	–	358,301	259.00	15.04.2005	15.04.2012
	30.04.2004	434,353	–	–	434,353	253.25	30.04.2007	30.04.2014
	22.04.2005	379,856	–	–	379,856	312.75	22.04.2008	22.04.2015
	08.05.2006	404,896	–	–	404,896	318.60	08.05.2009	08.05.2016
	10.08.2007	333,319	–	–	333,319	424.75	10.08.2010	10.08.2017
	12.05.2008	–	353,114	–	353,114	427.00	12.05.2011	12.05.2018
	Total		1,910,725	353,114	–	2,263,839		
Laurie McIlwee ²	22.04.2005	105,500	–	–	105,500	312.75	22.04.2008	22.04.2015
	08.05.2006	108,286	–	–	108,286	318.60	08.05.2009	08.05.2016
	08.05.2007	77,192	–	–	77,192	473.75	08.07.2010	08.05.2017
	12.05.2008	91,335	–	–	91,335	427.00	12.05.2011	12.05.2018
Total		382,313	–	–	382,313			
Lucy Neville-Rolfe	22.04.2005	108,050	–	–	108,050	312.75	22.04.2008	22.04.2015
	08.05.2006	116,133	–	–	116,133	318.60	08.05.2009	08.05.2016
	08.05.2007	189,973	–	–	189,973	473.75	08.05.2010	08.05.2017
	12.05.2008	–	231,850	–	231,850	427.00	12.05.2011	12.05.2018
Total		414,156	231,850	–	646,006			
David Potts	22.04.2005	379,856	–	–	379,856	312.75	22.04.2008	22.04.2015
	08.05.2006	404,896	–	–	404,896	318.60	08.05.2009	08.05.2016
	08.05.2007	298,844	–	–	298,844	473.75	08.05.2010	08.05.2017
	12.05.2008	–	353,114	–	353,114	427.00	12.05.2011	12.05.2018
Total		1,083,596	353,114	–	1,436,710			
Total		14,069,789	2,615,968	126,832	16,558,925			

¹ Executive share options are subject to performance conditions measured over three years as set out on page 53. EPS growth for the period 2005/6 to 2007/8 exceeded RPI growth by 42%, therefore share options awarded on 22 April 2005 vested in full on 22 April 2008. Executives have until the tenth anniversary of the date of grant to exercise their options.

² Laurie McIlwee was appointed on 27 January 2009. Figures shown in this table are from his date of appointment.

³ The market price at exercise is shown in table 3. The share price at 28 February 2009 was 333.20 pence. The share price during the 53 weeks to 28 February 2009 ranged from 285.90 pence to 437.00 pence.



Directors' remuneration report continued

Table 5 Share options held by Directors and not exercised at 28 February 2009

Savings-related share option scheme (1981)

	Date of grant	As at 23 February 2008	Options granted in year	Options exercised in year ¹	As at 28 February 2009	Exercise price (pence)	Value realisable 2008/9 £000	Value realisable 2007/8 £000
Richard Brasher	06.11.2003	1,625	–	1,625	–	195.00	2	5
	04.11.2004	1,424	–	–	1,424	232.00	–	–
	02.11.2005	1,298	–	–	1,298	248.00	–	–
	08.11.2006	1,066	–	–	1,066	307.00	–	–
	07.11.2007	819	–	–	819	410.00	–	–
	05.11.2008	–	1,077	–	1,077	311.00	–	–
			6,232	1,077	1,625	5,684		2
Philip Clarke	06.11.2003	1,625	–	1,625	–	195.00	2	5
	04.11.2004	1,424	–	–	1,424	232.00	–	–
	02.11.2005	1,298	–	–	1,298	248.00	–	–
	08.11.2006	1,066	–	–	1,066	307.00	–	–
	07.11.2007	819	–	–	819	410.00	–	–
	05.11.2008	–	1,077	–	1,077	311.00	–	–
			6,232	1,077	1,625	5,684		2
Andrew Higginson	06.11.2003	1,625	–	1,625	–	195.00	2	5
	04.11.2004	1,424	–	–	1,424	232.00	–	–
	02.11.2005	1,298	–	–	1,298	248.00	–	–
	08.11.2006	1,066	–	–	1,066	307.00	–	–
	07.11.2007	819	–	–	819	410.00	–	–
	05.11.2008	–	1,077	–	1,077	311.00	–	–
			6,232	1,077	1,625	5,684		2
Sir Terry Leahy	06.11.2003	1,625	–	1,625	–	195.00	2	5
	04.11.2004	1,424	–	–	1,424	232.00	–	–
	02.11.2005	1,298	–	–	1,298	248.00	–	–
	08.11.2006	1,066	–	–	1,066	307.00	–	–
	07.11.2007	819	–	–	819	410.00	–	–
	05.11.2008	–	1,077	–	1,077	311.00	–	–
			6,232	1,077	1,625	5,684		2
Tim Mason	06.11.2003	1,625	–	1,625	–	195.00	2	5
	04.11.2004	1,424	–	–	1,424	232.00	–	–
	02.11.2005	1,298	–	–	1,298	248.00	–	–
	08.11.2006	1,066	–	–	1,066	307.00	–	–
	07.11.2007	819	–	–	819	410.00	–	–
	05.11.2008	–	1,077	–	1,077	311.00	–	–
			6,232	1,077	1,625	5,684		2

Table 5 Share options held by Directors and not exercised at 28 February 2009 continued

Savings-related share option scheme (1981)

	Date of grant	As at 23 February 2008	Options granted in year	Options exercised in year ¹	As at 28 February 2009	Exercise price (pence)	Value realisable 2008/9 £000	Value realisable 2007/8 £000
Laurie Mcllwee ²	06.11.2003	1,625	–	1,625	–	195.00	2	–
	02.11.2005	754	–	754	–	248.00	1	–
	08.11.2006	615	–	–	615	307.00	–	–
	07.11.2007	819	–	–	819	410.00	–	–
	05.11.2008	1,077	–	–	1,077	311.00	–	–
			4,890	–	2,379	2,511		3
Lucy Neville-Rolfe	06.11.2003	1,625	–	1,625	–	195.00	2	5
	04.11.2004	1,424	–	–	1,424	232.00	–	–
	02.11.2005	1,298	–	–	1,298	248.00	–	–
	08.11.2006	1,066	–	–	1,066	307.00	–	–
	07.11.2007	819	–	–	819	410.00	–	–
	05.11.2008	–	1,077	–	1,077	311.00	–	–
		6,232	1,077	1,625	5,684		2	5
David Potts	06.11.2003	1,625	–	1,625	–	195.00	2	5
	04.11.2004	1,424	–	–	1,424	232.00	–	–
	02.11.2005	1,298	–	–	1,298	248.00	–	–
	08.11.2006	1,066	–	–	1,066	307.00	–	–
	07.11.2007	819	–	–	819	410.00	–	–
	05.11.2008	–	1,077	–	1,077	311.00	–	–
		6,232	1,077	1,625	5,684		2	5
Total		48,514	7,539	13,754	42,299			

¹ Save As You Earn is an all employee share scheme. Options are not subject to performance conditions. All options are exercisable from 1 February in the year which is six years from the year of grant. All options expire 6 months from their exercise date (i.e. on 1 August of the relevant year). All directors exercised their options granted on 6 November 2003 on 2 February 2009 when the market price was 347.40 pence. Laurie Mcllwee exercised his option granted on 2 November 2005 on 18 February 2009 when the market price was 342.30 pence. No options lapsed in the year.

² Laurie Mcllwee was appointed on 27 January 2009. Figures shown in this table are from the date of his appointment.



Directors' remuneration report continued

Table 6 Long-Term Performance Share Plan

	Date of award/ grant	Share price on award date (pence)	As at 23 February 2008	Shares awarded/ options granted in year ³	Shares released/ options exercised in year	As at 28 February 2009	Date of release/date from which exercisable	Expiry date ⁴
Richard Brasher	28.07.2004	253.45	118,367	–	–	118,367	28.07.2008	28.07.2014
	12.10.2005	302.75	191,565	6,083	–	197,648	12.07.2009	12.10.2015
	20.07.2006	346.25	196,807	6,249	–	203,056	20.07.2010	20.07.2016
	14.11.2007	471.10	240,045	7,622	–	247,667	14.07.2010	14.11.2017
	08.07.2008	353.76	–	339,360	–	339,360	08.07.2011	08.07.2018
Total			746,784	359,314	–	1,106,098		
Philip Clarke	28.07.2004	253.45	175,774	–	–	175,774	28.07.2008	28.07.2014
	12.10.2005	302.75	224,654	7,133	–	231,787	12.07.2009	12.10.2015
	20.07.2006	346.25	211,086	6,703	–	217,789	20.07.2010	20.07.2016
	14.11.2007	471.10	240,045	7,622	–	247,667	14.07.2010	14.11.2017
	08.07.2008	353.76	–	339,360	–	339,360	08.07.2011	08.07.2018
Total			851,559	360,818	–	1,212,377		
Andrew Higginson	28.07.2004	253.45	175,774	–	–	175,774	28.07.2008	28.07.2014
	12.10.2005	302.75	224,654	7,133	–	231,787	12.07.2009	12.10.2015
	20.07.2006	346.25	211,086	6,703	–	217,789	20.07.2010	20.07.2016
	14.11.2007	471.10	240,045	7,622	–	247,667	14.07.2010	14.11.2017
	08.07.2008	353.76	–	339,360	–	339,360	08.07.2011	08.07.2018
Total			851,559	360,818	–	1,212,377		
Sir Terry Leahy	28.07.2004	253.45	304,794	–	–	304,794	28.07.2008	28.07.2014
	12.10.2005	302.75	393,582	12,498	–	406,080	12.07.2009	12.10.2015
	20.07.2006	346.25	369,810	11,743	–	381,553	20.07.2010	20.07.2016
	14.11.2007	471.10	420,484	13,352	–	433,836	14.07.2010	14.11.2017
	08.07.2008	353.76	–	589,465	–	589,465	08.07.2011	08.07.2018
Total			1,488,670	627,058	–	2,115,728		
Tim Mason ¹	28.07.2004	253.45	90,431	–	–	90,431	28.07.2008	28.07.2014
	12.10.2005	302.75	224,654	5,957	106,385	124,226	12.07.2009	12.10.2015
	25.08.2006	346.25	211,086	6,703	–	217,789	20.07.2010	–
	14.11.2007	471.10	160,030	5,081	–	165,111	14.07.2010	–
	08.07.2008	353.76	–	226,240	–	226,240	08.07.2011	–
Total			686,201	243,981	106,385	823,797		
Laurie McIlwee ²	20.07.2006	346.25	52,808	–	–	52,808	20.07.2009	–
	10.10.2007	465.50	41,890	–	–	41,890	10.07.2010	–
	08.07.2008	353.76	62,141	–	–	62,141	08.07.2011	–
Total			156,839	–	–	156,839		
Lucy Neville-Rolfe ²	18.01.2006	312.25	29,820	639	30,459	–	18.07.2008	–
	20.07.2006	346.25	57,417	1,818	–	59,235	20.07.2009	–
	14.11.2007	471.10	157,610	5,003	–	162,613	14.07.2010	14.11.2017
	08.07.2008	353.76	–	237,552	–	237,552	08.07.2011	08.07.2018
Total			244,847	245,012	30,459	459,400		
David Potts	28.07.2004	253.45	175,774	–	–	175,774	28.07.2008	28.07.2014
	12.10.2005	302.75	224,654	7,133	–	231,787	12.07.2009	12.10.2015
	20.07.2006	346.25	211,086	6,703	–	217,789	20.07.2010	20.07.2016
	14.11.2007	471.10	240,045	7,622	–	247,667	14.07.2010	14.11.2017
	08.07.2008	353.76	–	339,360	–	339,360	08.07.2011	08.07.2018
Total			851,559	360,818	–	1,212,377		
Total			5,878,018	2,557,819	136,844	8,298,993		

1 Tim Mason's awards since 2006 have been made in the form of unfunded promises. Following approval by the Remuneration Committee Tim Mason part exercised his 2005 award on 12 July 2008 at a share price of 355.25 pence in order to fund a US tax liability.

2 Laurie McIlwee was appointed on 27 January 2009. His awards shown above were made in the form of restricted shares under the senior management Performance Share Plan. Figures shown in this table are from his date of appointment. Lucy Neville-Rolfe's 2006 awards were also made in the form of restricted shares under the senior management Performance Share Plan. On 18 July 2008, 30,459 shares were released to Lucy Neville-Rolfe at a share price of 375.75p.

3 The Performance Share Plan replaced the long-term Executive Incentive Scheme. The first award under the new plan was made in 2004. All awards except those described in notes 1 and 2 above have been made in the form of nil cost options. The awards are subject to performance conditions based on Return on Capital Employed targets. The Group ROCE for 2007/8 was 12.9%, therefore targets for PSP awards granted on 12 October 2005 were met in full and these awards vested. Executives are required to retain these vested awards for a further 12 months with the exception of Tim Mason (see note 1). Shareholder approval was obtained at the 2007 AGM for the removal of the requirement for any vested shares to be retained for a further 12 months. This applies to awards made after July 2007. All awards are increased to reflect dividend equivalents as each dividend is paid with the exception of the 2004 award on which no dividends accrue.

4 No options lapsed in the year under this Plan.

Table 7 Group New Business Incentive Plan

	Date of award/grant	Share price on award date (pence)	As at 23 February 2008	Shares awarded/ options granted in year	Options exercised/ shares released in year	As at 28 February 2009	Date from which exercisable	Expiry date
Sir Terry Leahy	14.11.2007	482.00	2,500,000	79,393	–	2,579,393	Four tranches 2011-2014	14.11.2017
Total				79,393	–	2,579,393		

- The Group New Business Incentive Plan (2007) was approved by shareholders on 29 June 2007. The awards made under this plan will normally vest in four tranches, four, five, six and seven years after the date of award for nil consideration. The award is in the form of nil cost options. Awards may be adjusted to take account of any dividends paid or that are payable in respect of the number of shares earned.
- The vesting of the award made to the Group CEO under this Plan will be conditional upon achievement against Group and International performance conditions. The performance conditions under this award will be aligned with the targets set for awards made under the Performance Share Plan (PSP) in each of the years 2007 to 2009, which will become capable of vesting between 2010 and 2012. If less than threshold performance is achieved for each of these PSP awards then no portion of the Group Plan award will become capable of vesting. If maximum Group and International performance is achieved for each of these PSP awards (i.e. the 2007 – 2009 PSP awards vest in full in 2010 – 2012), then the whole of the Group Plan award will become eligible for vesting, subject to achievement of the appropriate new business performance targets referred to below. If Group and International performance for any of these PSP awards is between threshold and maximum levels then the Group award will become eligible for vesting on a pro rata basis, subject always to the achievement of the appropriate new business targets referred to below.
- Once performance against the Group and International targets has been determined, the extent to which the award made to the Group CEO under this Plan is capable of vesting will be conditional on the financial performance of the specified new business ventures, as determined by the Remuneration Committee.

Summary of US business performance conditions

ROCE hurdle	2010/11	2011/12	2012/13	2013/14
Maximum performance	6% ROCE	9% ROCE	11% ROCE	12% ROCE
Target performance	4% ROCE	6% ROCE	8% ROCE	10% ROCE
Vesting percentage (% of maximum award)				
Vesting levels at maximum performance	Up to 25%	Up to 50%	Up to 75%	Up to 100%
Vesting levels at target performance	Up to 6.25%	Up to 10%	Up to 12.5%	Up to 18.75%

Table 8 US Long Term Incentive Plan

	Date of award/grant	Share price on award date (pence)	As at 23 February 2008	Shares awarded in year	Shares released in year	As at 28 February 2009	Date of release
Tim Mason	14.11.2007	482.00	2,000,000	63,514	–	2,063,514	Four tranches 2011-2014
Total				63,514	–	2,063,514	

- The US Long Term Incentive Plan (2007) was approved by shareholders on 29 June 2007. The awards made under this plan will normally vest in four tranches, four, five, six and seven years after the date of award for nil consideration. Vesting will normally be conditional on the achievement of specified performance targets related to the return on capital employed in the US business over the seven-year plan. The targets are set out under table 7.
- The maximum number of shares which may be awarded under the US LTIP is two million shares to the US CEO and 1.5 million shares to any other participant. An award of two million shares was made to Tim Mason, US CEO, in November 2007. Awards may be adjusted to take account of any dividends paid or that are payable in respect of the number of shares earned. The extent to which awards will vest under the US LTIP is conditional on the financial performance of the Company's US business, based on the achievement of stretching Earnings Before Interest and Tax (EBIT) and Return On Capital Employed (ROCE) targets set by reference to the US long-term business plan.
- A percentage of the EBIT of the US business for the relevant years may be allocated to an EBIT pool (the 'profit pool'). The profit pool will be capped at 10% in any one year and is expected to be approximately 5% of cumulative EBIT over the four measurement years (2010/11 to 2013/14). The portion of an award which may vest will be determined by reference to the value of the EBIT pool as well as performance against the ROCE hurdles for the relevant year, as outlined in the table above. To the extent that the ROCE hurdles for any one year are met (either in full or in part), but there is insufficient value in the profit pool to fund the vesting of awards, then the actual vesting in that year will be scaled back so that the profit pool is not exceeded. That portion of the award that has not paid out in that year due to the profit pool being restricted may vest in future years, provided that the profit pool in any later year permits this.
- The targets for the US LTIP have been based on the business plan in respect of the initial phase of the US business. The Remuneration Committee has the responsibility to review these targets in light of the scale and scope of the US business in order to ensure that they remain appropriate and challenging. In particular, the Remuneration Committee will seek the input of the Audit Committee and the Governance Oversight Committee in order to ensure that financial performance against the targets is indicative of strong and robust business performance. Any material adjustments made in respect of the targets will be reviewed and approved by the Audit Committee and will be disclosed in the Company's Remuneration Report.



Directors' remuneration report continued

Table 9 Executive Incentive Plan¹

	Date of award/grant	Share price on award (pence)	As at 23 February 2008	Shares awarded/ options granted	Shares released/ options exercised	As at 28 February 2009	Date of release/date from which exercisable	Expiry date ³
Richard Brasher	20.05.2005	311.00	102,636	3,229	–	105,865	20.05.2008	20.05.2015
	26.05.2006	318.50	172,945	5,491	–	178,436	26.05.2009	26.05.2016
	24.05.2007	456.75	145,594	4,622	–	150,216	24.05.2010	24.05.2017
	02.05.2008	424.05	–	149,192	–	149,192	02.05.2011	02.05.2018
Total			421,175	162,534	–	583,709		
Philip Clarke	20.05.2005	311.00	152,415	4,795	–	157,210	20.05.2008	20.05.2015
	26.05.2006	318.50	202,817	6,440	–	209,257	26.05.2009	26.05.2016
	24.05.2007	456.75	156,159	4,959	–	161,118	24.05.2010	24.05.2017
	02.05.2008	424.05	–	149,192	–	149,192	02.05.2011	02.05.2018
Total			511,391	165,386	–	676,777		
Andrew Higginson	20.05.2005	311.00	152,415	4,795	–	157,210	20.05.2008	20.05.2015
	26.05.2006	318.50	202,817	6,440	–	209,257	26.05.2009	26.05.2016
	24.05.2007	456.75	156,159	4,959	–	161,118	24.05.2010	24.05.2017
	02.05.2008	424.05	–	149,192	–	149,192	02.05.2011	02.05.2018
Total			511,391	165,386	–	676,777		
Sir Terry Leahy	20.05.2005	311.00	264,290	8,316	–	272,606	20.05.2008	20.05.2015
	26.05.2006	318.50	355,326	11,284	–	366,610	26.05.2009	26.05.2016
	24.05.2007	456.75	273,581	8,687	–	282,268	24.05.2010	24.05.2017
	02.05.2008	424.05	–	403,030	–	403,030	02.05.2011	02.05.2018
Total			893,197	431,317	–	1,324,514		
Tim Mason ²	20.05.2005	311.00	152,415	4,795	–	157,210	20.05.2008	20.05.2015
	24.05.2007	456.75	177,470	5,635	–	183,105	24.05.2010	–
	02.05.2008	424.05	–	299,078	–	299,078	02.05.2011	–
Total			329,885	309,508	–	639,393		
Lucy Neville-Rolfe	24.05.2007	456.75	74,452	2,363	–	76,815	24.05.2010	24.05.2017
	02.05.2008	424.05	–	97,957	–	97,957	02.05.2011	02.05.2018
Total			74,452	100,320	–	174,772		
David Potts	20.05.2005	311.00	152,415	4,795	–	157,210	20.05.2008	20.05.2015
	26.05.2006	318.50	202,817	6,440	–	209,257	26.05.2009	26.05.2016
	24.05.2007	456.75	156,159	4,959	–	161,118	24.05.2010	24.05.2017
	02.05.2008	424.05	–	149,192	–	149,192	02.05.2011	02.05.2018
Total			511,391	165,386	–	676,777		
Total			3,252,882	1,499,837	–	4,752,719		

¹ The Executive Incentive Plan replaced the short-term Executive Incentive Scheme. The first award under the new plan was made in 2005. The awards are subject to performance conditions based on TSR, earnings per share and corporate objectives. The awards are increased to reflect dividend equivalents as each dividend is paid.

² Since 2007 Tim Mason's awards have been made in the form of an unfunded promise. His 2005 award was made in the form of nil cost options.

³ No options lapsed in the year under the Executive Incentive Plan.

Table 10 Directors' interests in the Long-Term Incentive Plan

	Year of release	Award date	Number of shares as at 23 February 2008	Shares awarded ³	Shares released	Number of shares as at 28 February 2009	Value of shares released £000s	Release date	Market price on release (pence)
Philip Clarke	2009	10.04.02	164,538	25,983	190,521	–	668	19.02.09	350.70
	2009	04.05.04	340,886	53,831	394,717	–	1,384	19.02.09	350.70
	2010	09.04.03	218,410	34,491	–	252,901	–	09.04.10	–
	2011	04.05.04	179,884	28,407	–	208,291	–	04.05.11	–
Total			903,718	142,712	585,238	461,192	2,052		
Andrew Higginson	2009	10.04.02	179,639	28,368	208,007	–	729	19.02.09	350.70
	2009	04.05.04	340,886	53,831	394,717	–	1,384	19.02.09	350.70
	2010	09.04.03	228,119	36,024	–	264,143	–	09.04.10	–
	2011	04.05.04	179,884	28,407	–	208,291	–	04.05.11	–
Total			928,528	146,630	602,724	472,434	2,113		
Sir Terry Leahy	2009	10.04.02	322,117	50,869	372,986	–	1,308	19.02.09	350.70
	2009	04.05.04	601,210	94,943	696,153	–	2,441	19.02.09	350.70
	2010	09.04.03	409,471	64,664	–	474,135	–	09.04.10	–
	2011	04.05.04	317,250	50,100	–	367,350	–	04.05.11	–
Total			1,650,048	260,576	1,069,139	841,485	3,749		
Tim Mason	2009	10.04.02	179,639	28,368	208,007	–	729	19.02.09	350.70
	2009	04.05.04	340,886	53,831	394,717	–	1,384	19.02.09	350.70
	2010	09.04.03	228,119	36,024	–	264,143	–	09.04.10	–
	2011	04.05.04	179,884	28,407	–	208,291	–	04.05.11	–
Total			928,528	146,630	602,724	472,434	2,113		
Laurie McIlwee ^{1 2}	2009	24.05.06	52,804	–	52,804	–	185	19.02.09	350.70
	2010	24.05.07	58,863	–	–	58,863	–	24.05.10	–
	2011	21.05.08	62,383	–	–	62,383	–	21.05.11	–
Total			174,050	–	52,804	121,246	185		
Lucy Neville-Rolfe ¹	2009	24.05.06	57,935	1,834	59,769	–	210	19.02.09	350.70
Total			57,935	1,834	59,769	–	210		
David Potts	2009	10.04.02	164,538	25,983	190,521	–	668	19.02.09	350.70
	2009	04.05.04	340,886	53,831	394,717	–	1,384	19.02.09	350.70
	2010	09.04.03	218,410	34,491	–	252,901	–	09.04.10	–
	2011	04.05.04	179,884	28,407	–	208,291	–	04.05.11	–
Total			903,718	142,712	585,238	461,192	2,052		
Total			5,546,525	841,094	3,557,636	2,829,983	12,474		

1 Bonus shares shown for Laurie McIlwee and Lucy Neville-Rolfe were awarded under the senior management bonus scheme before they joined the Board. These shares can not be retained for an additional three-year period and enhanced.

2 Laurie McIlwee was appointed on 27 January 2009. Figures shown in this table are from the date of his appointment.

3 This Plan has been replaced by the Performance Share Plan and Executive Incentive Plan.

Date of award	10.04.02	09.04.03	04.05.04	24.05.06	24.05.07	21.05.08
Award price (pence)	248.00	197.25	248.75	316.88	456.63	415.45



Directors' remuneration report continued

Table 11 Disclosable interests of the Directors, including family interests

	28 February 2009		23 February 2008 (or on appointment if later)	
	Ordinary shares ¹	Options to acquire ordinary shares ²	Ordinary shares ¹	Options to acquire ordinary shares ²
Executive Directors				
Richard Brasher	189,825	3,684,552	184,221	2,810,138
Philip Clarke	1,344,598	3,331,548	1,438,835	2,452,778
Andrew Higginson	1,287,438	3,765,901	1,384,926	2,887,131
Sir Terry Leahy	5,992,724	12,558,542	6,067,985	10,929,606
Tim Mason	4,365,664	2,641,390	3,882,995	2,384,457
Laurie McIlwee ³	320,878	384,824	340,149	387,203
Lucy Neville-Rolfe	197,903	1,226,627	227,650	652,450
David Potts	1,737,555	3,331,548	1,803,574	2,452,778
Non-executive Directors				
Charles Allen	–	–	–	–
Patrick Cescau	–	–	–	–
Rodney Chase	–	–	–	–
Karen Cook	–	–	–	–
E Mervyn Davies ⁴	2,400	–	2,400	–
Dr Harald Einsmann	303,209	–	246,054	–
Ken Hydon	30,093	–	30,093	–
Carolyn McCall ⁴	6,556	–	6,556	–
David Reid (Chairman)	193,825	–	193,515	–
Jacqueline Tammenoms Bakker	–	–	–	–
Total	15,972,668	30,924,932	15,808,953	24,956,541

1 Ordinary shares shown in this table include restricted shares held by Laurie McIlwee and Lucy Neville-Rolfe under the Performance Share Plan shown in table 6 which are subject to future performance conditions, shares held under a promise by Tim Mason under the Performance Share Plan shown in table 6 which are subject to future performance conditions, the US Long Term Incentive Plan shown in table 8 which are subject to future performance conditions and the Executive Incentive Plan shown in table 9 which are subject to a holding period, shares held under the Long Term Incentive Plan shown in table 10 which are subject to a holding period and shares held under the all employee Share Incentive Plan which are subject to a holding period. Between 28 February 2009 and 20 April 2009, 483 shares were purchased by Executive Directors as part of the Buy As You Earn scheme and Tim Mason sold 631,384 ordinary shares.

2 Options to acquire ordinary shares shown in this table comprise options held under the Executive Share Option schemes and Discretionary Share Option Plan shown in table 4, Save As You Earn scheme shown in table 5, and nil cost options held under the Performance Share Plan, Group New Business Incentive Plan and Executive Incentive Plan shown in tables 6, 7 and 9 respectively.

3 Laurie McIlwee was appointed on 27 January 2009. Figures for 2007/8 shown in this table are from the date of his appointment.

4 Carolyn McCall and E Mervyn Davies resigned from the Board on 10 April 2008 and 31 October 2008 respectively.