



Notice of Tesco PLC Annual General Meeting 2011

11.00 a.m. on 1 July 2011
The East Midlands Conference Centre
University Park
Nottingham NG7 2RJ

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.
If you are in any doubt as to what action to take in relation to the AGM, you should consult appropriate independent advisers. If you have already sold or otherwise transferred all of your shares in Tesco PLC, you should immediately send this document together with the accompanying documents to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Tesco PLC
Company Number 445790
Registered in England and Wales
Registered Office: Tesco House, Delamare Road, Cheshunt, Hertfordshire EN8 9SL

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* Special resolution – requires the support of not less than 75% of the votes cast for the resolution to be carried

Shareholder Information

Our website (www.tescopl.com) contains copies of all corporate reports and other information, including that required by section 311A of the Companies Act 2006, which you can view or download at any time.

If you have a specific question you can write to us at our registered address and we will be pleased to respond.

Equiniti Limited maintains the Company's share register. If you have any enquiries about the AGM or about your shareholding, you can contact Equiniti Limited:

Tesco Shareholder Helpline: 0871 384 2977* From outside the UK: +44 121 415 7053
Lines are open 8.30am to 5.30pm, Monday to Friday.

***Calls to this number are charged at 8p per minute from a BT landline. Charges from other telephony providers may vary.**

Letter from the Chairman

Dear Shareholder

I take pleasure in sending you the Notice of this year's Annual General Meeting (the "AGM") for shareholders of Tesco PLC (the "Company" or "Tesco"), which will be held at The East Midlands Conference Centre, University Park, Nottingham NG7 2RJ at 11.00 a.m. on Friday 1 July 2011. The formal business of the AGM is set out on pages 6 to 9 of this document, together with explanatory notes on each resolution to be considered at the AGM.

The AGM is an important opportunity for all shareholders to express their views by asking questions and voting. We will be holding the meeting in Nottingham this year after holding it in London last year and Glasgow the year before. Holding AGMs at different locations forms part of our continuing plan to meet as many shareholders as possible and recognises the fact that our shareholders, like our customers, are based all over the UK. We are keen for the venue to be easily accessible for as many of our shareholders as possible and have listened to the views of a number of shareholders in choosing the location of this year's AGM.

We recognise nonetheless that many shareholders are unable to attend the meeting in person, so, as in previous years, all resolutions will be decided on a poll. We will be using an electronic polling system. Details of the procedure can be found on page 4 of this document.

Final dividend

Shareholders are being asked to approve a final dividend of 10.09 pence per Ordinary Share for the year ended 26 February 2011. If you approve the recommended final dividend, this will be paid on 8 July 2011 to all shareholders on the register of members at the close of business on 3 May 2011.

The Board

Mr Gareth Bullock and Mr Stuart Chambers have been appointed as directors since last year's AGM. They will each retire from office at this year's AGM in accordance with the Company's Articles of Association and have agreed to offer themselves for re-appointment.

The UK Corporate Governance Code (the "Code") recommends that all directors of FTSE 350 companies seek re-election by shareholders on an annual basis. In accordance with the provisions of the Code, all our other directors will be standing for re-election this year.

New Tesco PLC Performance Share Plan

During the year, the Remuneration Committee undertook a review of executive incentive arrangements, in order to ensure that they remained aligned with the Company strategy and operational goals, in the context of the transition of leadership at Tesco. In carrying out this review of remuneration arrangements, we have followed four guiding principles: to simplify, to have a collegiate approach, to ensure alignment with shareholder interests and business strategy, and to have the right pay for the right performance. Further details of the conclusions of this review are set out in the Directors' Remuneration Report which can be found in the Company's Annual Report and Financial Statements 2011.

As part of this simplification process we will no longer grant share options; we will replace them with an adjusted award of performance shares. We are therefore asking shareholders to approve the renewal of the Performance Share Plan for a further 10 years on broadly its existing terms. We intend to maintain a broadly comparable expected value of packages.

In order to allow for the replacement of share options with a performance share award and to allow for the Remuneration Committee to structure the reward of the CEO so that it is more focused on performance-related elements, the Company is seeking shareholder approval to increase the maximum award opportunity under the long-term incentive plan (PSP) to 350% of base salary. Our current intention is for the maximum performance share award to be 225% of base salary for executive directors and 275% of base salary for the CEO. As is typical market practice, the

Company is seeking approval for this higher limit to ensure that we have sufficient headroom to grant awards in exceptional circumstances. In the event that our normal award policy changes we would expect to write to shareholders in advance.

Website

The Annual Report and Financial Statements 2011 and the Annual Review and Summary Financial Statement 2011 are available on our website www.tescopl.com

If at any time you would like to change your preference on how you receive documents, please contact Equiniti. Equiniti's contact details are set out on page 1 of this document.

The AGM

To help you with questions that you have about Tesco, customer and shareholder enquiries desks will be open before and after the meeting. Please make full use of these services. We are keen to hear and discuss our shareholders' views and there will also be an opportunity for you to ask questions in the meeting itself. However, I would ask you to keep your questions brief to allow everyone who wishes to speak the chance to do so.

Your participation in this annual event is important to us. Details of how to find your way to the venue are set out on page 3 of this document. Even if you are not able to come to the meeting in person you can still vote and I would urge you, regardless of the number of shares you own, to complete, sign and return your Proxy Form.

Alternatively, shareholders may register their proxy appointment and voting instructions electronically via the internet - please see pages 4 and 5 of this document and your Proxy Form for details.

I look forward to seeing you at the AGM and thank you for your continued support.



David Reid

Chairman

11 May 2011

General Information

Notice and admission

This Notice is being sent to all members, to any person nominated by a member of the Company under section 146 of the Companies Act 2006 (the "Act") to enjoy information rights, the directors and the Company's auditors. Members will find an admission card, a Proxy Form and a reply paid envelope enclosed with this Notice. If you are attending the meeting you should bring your admission card with you.

Proxies

Only holders of Ordinary Shares, or their duly appointed representatives, are entitled to attend, speak and vote at the meeting. A proxy does not need to be a member of the Company but must attend the meeting to represent you. Your proxy could be the Chairman, another director of the Company or another person who has agreed to attend to represent you. Your proxy must vote as you instruct and must attend the meeting for your vote to be counted. You can appoint more than one proxy in relation to the meeting, provided that each proxy is appointed to exercise the rights attaching to different shares held by you. Details of how to appoint the Chairman or another person as your proxy using the Proxy Form are set out in the notes to the Proxy Form. Appointing a proxy does not preclude you from attending the meeting and voting in person. If you attend the meeting in person, your proxy appointment will be automatically terminated.

Nominated persons

The right to appoint a proxy does not apply to persons whose Ordinary Shares are held on their behalf by another person and who have been nominated to receive communications from the Company in accordance with section 146 of the Act ("nominated persons"). Nominated persons may have a right under an agreement with the registered shareholder who holds Ordinary Shares on their behalf to be appointed (or to have someone else appointed) as a proxy. Alternatively, if nominated persons do not have such a right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the registered holder of the Ordinary Shares as to the exercise of voting rights.

Corporate representatives

Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member, provided that they do not do so in relation to the same shares.

Audit concerns

Shareholders meeting the threshold requirements set out in section 527 of the Act have the right to require the Company to publish a statement on its website in relation to the audit of the Company's accounts that are to be laid before the meeting or any circumstances connected with an auditor of the Company ceasing to hold office since the previous AGM. The Company may not charge the requesting shareholders for website publication of such a statement. The Company must also forward the statement to the auditors not later than the time when it publishes the statement on the website. The business which may be dealt with at the AGM includes any website statement relating to audit concerns.

Shareholder scams

Some shareholders are targeted by "investment specialists" concerning investment matters. Tesco PLC does not endorse any services offered by these companies. Please note that the only share dealing services that we endorse are included in our mailings.

If you receive an unsolicited call, we recommend that you record the name of the person and organisation and any other information they give you and that you check that they are properly authorised by the FSA before getting involved. You can check at www.fsa.gov.uk/register

If you are concerned about a direct mailing or telephone calls purporting to be from Tesco, please contact us by writing to the Company Secretary,

Tesco PLC, Delamare Road, Cheshunt, Hertfordshire EN8 9SL or by calling us on 01992 632222.

AGM schedule

The 2011 Tesco AGM will be held on Friday 1 July 2011 at The East Midlands Conference Centre, University Park, Nottingham NG7 2RJ. You will have the right to attend, speak and vote at the AGM if you are on the register of members of the Company as at 6.00 p.m. on 29 June 2011. Changes to the register of members after this time will be disregarded in determining the rights of any person to attend, speak and vote at the AGM.

| | |
|-----------|--|
| 9.30 am | Registration desks open Refreshments available in the Conference Theatre |
| 11.00 am | The AGM starts in the Banqueting Suite - Chairman's introduction - Review of results for the 2010/11 financial year - Questions and answers - Poll vote on all resolutions |
| 1.00 p.m. | AGM closes. Refreshments available in the Conference Theatre |

How do I get to the AGM?

The East Midlands Conference Centre is located on University Park. A map showing the location of the Centre can be found at www.nottinghamconferences.co.uk

By Car:

From the M1 North to University Park
Leave the M1 motorway at junction 26 and follow the A610 signposted to Nottingham. After approximately 2.5 miles turn right at the traffic lights onto the A6514 Nottingham ring road (Western Boulevard). Follow the A6514 to Middleton Boulevard and then take the slip road towards the Queen's Medical Centre roundabout. Take the third exit at the roundabout onto the A52, Derby Road. Turn left at the next roundabout (Toby Carvery) onto the A6464 Woodside Road. Turn left at the next roundabout to enter the University Park's West Entrance.

From the M1 South to University Park
Leave the M1 motorway at junction 25 and follow the A52 signposted to Nottingham. After approximately 4.4 miles turn right at the roundabout (Toby Carvery) onto the A6464 Woodside Road. Turn left at the next roundabout to enter the University Park's West Entrance.

For satellite navigation the postcode for University Park is NG7 2RJ. Free car parking is available at the Centre.

By Rail:

The nearest train station to University Park is Beeston Station. Please visit www.nationalrail.co.uk or phone 08457 484950 for further information.

A complimentary shuttle bus service will be provided between Beeston Station and the Centre. A bus will depart from Beeston Station at 9.30 a.m. and again at 10.15 a.m. to take attendees to the AGM. A return service will be available after the refreshments which follow the meeting.

What happens at the AGM?

Registration

If you attend the AGM, please bring your admission card (which accompanies this document) with you. It will authenticate your right to attend, speak and vote and will speed up your admission. You may also find it helpful to bring this Notice with you so that you can refer to it at the AGM.

Accessibility

Special arrangements have been made to help shareholders with disabilities. Sound amplification facilities will be provided for people with hearing difficulties, together with sign language interpretation. There will be facilities for shareholders who are in wheelchairs. Please let us know in advance if you will need wheelchair assistance to ensure appropriate arrangements are in place. Anyone accompanying a shareholder in need of assistance will be admitted to the meeting.

Guests

The AGM is a meeting of shareholders. At the discretion of the Company, and subject to sufficient seating capacity, a shareholder may bring one guest, provided that the shareholder and guest register to enter the meeting together. Guests may not vote or speak at the meeting.

Security

We thank you in advance for your co-operation with our security staff and the security staff of the Centre. You may be asked to pass through our security systems before entering the meeting.

We do not permit cameras or recording equipment at the meeting and we would be grateful if you would ensure you switch off your mobile telephone before the start of the meeting.

We will not permit behaviour which may interfere with anyone's safety or the orderly conduct of the meeting.

How is the business of the meeting conducted?

The business of the meeting

The AGM is held to conduct certain formal business. The formal resolutions which must be put to the meeting are detailed on pages 6 to 9. There will also be an opportunity for you to ask questions relating to the Company.

Asking questions

Any shareholder attending the AGM has the right to ask questions but we would ask you to keep your questions and statements short and relevant to the business of the meeting. There are many shareholders who wish to ask questions and we would like to be able to answer as many as possible. Please be considerate to others who may have waited for some time to ask their question and do not make speeches or ask multiple or repetitive questions.

You can also write to us at our registered address and we will be pleased to respond to any questions you may have, or our customer services and shareholder enquiries teams at the meeting will be pleased to help you.

Voting

Voting on all resolutions will be by way of a poll. Your vote counts whether you are able to attend the meeting or not and we think poll voting is the fairest approach. If you come to the AGM you will be given a hand held voting machine which will contain details of your shareholding. After each resolution is read you will be asked to cast your vote by pressing a button on your machine. All of the votes of the shareholders present will be counted and added to those received by proxy and the provisional final votes will be shown on the screen at the front of the meeting room.

If you have already voted by proxy you will still be able to vote using the electronic poll voting system and your vote on the day will replace your previously lodged proxy vote.

Documents

The following documents are available for inspection:

- (a) copies of the executive directors' service contracts with the Company and the terms of appointment of the non-executive directors;
- (b) a copy of the rules of the Tesco PLC Performance Share Plan 2011 referred to in resolution 25; and
- (c) a copy of the rules of the Tesco PLC Savings-Related Share Option Scheme (1981) referred to in resolution 26.

These documents are available for inspection at:

- (a) the offices of Berwin Leighton Paisner LLP, Adelaide House, London Bridge, London EC4R 9HA; and
- (b) the registered office of the Company, Tesco House, Delamare Road, Cheshunt, Hertfordshire EN8 9SL.

The documents may be inspected at either location described above during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the date of this Notice until the conclusion of the AGM, and will be available for inspection at the place of the AGM from 10.30 a.m. on the day of the AGM until its conclusion.

Voting ahead of the AGM

Even if you cannot attend the AGM, you can still vote by proxy.

Proxy voting

If you wish to vote by proxy on any of the resolutions, you should complete and return your Proxy Form to Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6GG to arrive at least 48 hours before the appointed time of the meeting, that is to say, no later than 11.00 a.m. on 29 June 2011. If you are appointing a person other than the Chairman of the meeting as your proxy, this person should sign the admission card and bring it to the meeting. Your proxy need not be a member, but must attend the meeting for their vote to count. The number of shares you hold as at 6.00 p.m. on 29 June 2011 will determine how many votes you or your proxy will have. You can appoint more than one proxy in relation to the meeting, provided that each proxy is appointed to exercise the rights attaching to different shares held by you.

Details of how to appoint the Chairman or another person as your proxy using the Proxy Form are set out in the notes to the Proxy Form. Appointing a proxy does not preclude you from attending the meeting and voting in person. If you attend the meeting in person, your proxy appointment will be automatically terminated.

Electronic proxy voting

You may, if you wish, register the appointment of a proxy or proxies, or voting instructions for the meeting, electronically by logging on to www.sharevote.co.uk. You will need to use a 24-digit number made up of your Voting ID, Task ID and Shareholder Reference Number printed on your Proxy Form. Full details of the procedure are given on the website. The proxy appointment and/or voting instructions must be received by Equiniti Limited at least 48 hours before the appointed time of the meeting, that is to say, no later than 11.00 a.m. on 29 June 2011. Please note that any electronic communication sent to the Company or the Registrar that is found to contain a computer virus will not be accepted. The use of the internet service in connection with the AGM is governed by Equiniti Limited's conditions of use set out on the website, www.sharevote.co.uk, and may be read by logging on to that site.

Voting ahead of the AGM continued

CREST voting

CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the AGM to be held on 1 July 2011 and any adjournment(s) thereof by using the procedures described in the CREST Manual. These procedures are available via www.euroclear.com/CREST. CREST personal members or other CREST sponsored members, and those CREST members who have appointed voting service providers, should refer to their CREST sponsors or voting service providers, who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK and Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual (available via www.euroclear.com/CREST). The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA19) by 11.00 a.m. on 29 June 2011. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service providers, should note that Euroclear UK and Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider takes) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001, as amended.

Voting rights

As at 10 May 2011 (being the latest practicable date prior to the publication of this document), the Company's issued share capital consisted of 8,035,845,196 Ordinary Shares, carrying one vote each. The Company does not hold any Ordinary Shares in the capital of the Company in treasury. Therefore the total voting rights in the Company as at 10 May 2011 were 8,035,845,196.

Voting results

The results of the voting at the AGM will be announced through a Regulatory Information Service and will appear on our website www.tescopl.com on 1 July 2011 or as soon as reasonably practicable thereafter.

Electronic addresses

You may not use any electronic address provided in this document to communicate with the Company for any purpose other than that expressly stated.

Notice of meeting

The 2011 Annual General Meeting (the “AGM”) of Tesco PLC (the “Company”) will be held at The East Midlands Conference Centre, University Park, Nottingham NG7 2RJ on Friday 1 July 2011 at 11.00 a.m. to consider the following resolutions, which in the case of resolutions 22, 23 and 27 will be proposed as special resolutions with the remainder being proposed as ordinary resolutions:

Resolution 1

That the accounts and reports of the directors and the auditors for the financial year ended 26 February 2011 be received.

The directors are required to present to the AGM the accounts, and the reports of the directors and auditors, for the year ended 26 February 2011. These are contained in the Company’s Annual Report and Financial Statements 2011.

Resolution 2

That the Directors’ Remuneration Report for the financial year ended 26 February 2011 be approved.

The Company is required to ask shareholders to approve the report on directors’ remuneration. A summary of the report is included in the Annual Review and Summary Financial Statement 2011, and the full report is included in the Annual Report and Financial Statements 2011. These can be viewed on the Company’s website and are available to shareholders on request.

Resolution 3

That the final dividend of 10.09 pence per share recommended by the directors be declared.

The final dividend cannot exceed the amount recommended by the directors. The proposed final dividend will be payable on 8 July 2011 to holders of Ordinary Shares registered at the close of business on 3 May 2011 and will bring the total dividend for the year to 14.46 pence per share. Last year the total dividend was 13.05 pence per share.

Resolutions 4 to 18: election and re-election of directors

Mr Gareth Bullock and Mr Stuart Chambers have been appointed as directors since last year’s AGM. In accordance with the Company’s articles of association, they retire at this year’s AGM and resolutions 4 and 5 propose their reappointment. All the other directors will retire at this year’s AGM and submit themselves for re-election in accordance with the UK Corporate Governance Code. Resolutions 6 to 18 propose their re-election.

The Board believes that each of the directors continues to perform effectively and with commitment to their roles. Information about each director is given below the resolution proposing that director’s election or re-election.

Resolution 4

That Gareth Bullock be elected as a director.

Gareth Bullock was appointed a Non-executive Director on 3 July 2010. He was Group Executive Director of Standard Chartered PLC on his retirement in April 2010. He was also responsible for the Group’s risk and special asset management function. He is Senior Independent Director and Chairman of the Remuneration Committee of Spirax-Sarco Engineering Plc.

Resolution 5

That Stuart Chambers be elected as a director.

Stuart Chambers was appointed a Non-executive Director on 3 July 2010. He was Group Chief Executive of NSG Group from 2008 to 2009. Prior to NSG’s acquisition of Pilkington plc in 2006, Stuart was Group Chief Executive of Pilkington plc. Previously he held a number of senior roles at Pilkington plc and the Mars Corporation. He is a Non-executive Director of Smiths Group PLC, where he is Chairman of the Remuneration Committee, and of the Manchester Airport Group PLC.

Resolution 6

That David Reid be re-elected as a director.

David Reid became Non-executive Chairman on 2 April 2004. Prior to his appointment he was Deputy Chairman of Tesco PLC and has served on the Tesco Board since 1985. David is a Non-executive Director (SID) of Reed Elsevier Group PLC and Chairman of both Kwik-Fit Group and the charity Whizz-Kidz. In November 2010 David was appointed one of Prime Minister David Cameron’s Business Ambassadors.

Resolution 7

That Philip Clarke be re-elected as a director.

Philip Clarke was appointed to the Board on 16 November 1998. Prior to his appointment as CEO in March 2011 he was Asia, Europe & IT Director and has previously held a number of roles in store operations, commercial and marketing.

Resolution 8

That Richard Brasher be re-elected as a director.

Richard Brasher was appointed to the Board on 15 March 2004. He joined Tesco in 1986. He has held a number of marketing, commercial and store operations positions, most recently Board Commercial Director, before being appointed UK and ROI CEO in March 2011.

Resolution 9

That Patrick Cescau be re-elected as a director.

Patrick Cescau was appointed a Non-executive Director on 1 February 2009 and became Senior Independent Director in July 2010. He was Group Chief Executive of Unilever from 2005 to 1 January 2009, and prior to this he was Chairman of Unilever plc and Vice Chairman of Unilever NV. He has also been a Non-executive Director of Pearson plc since 2002, becoming Senior Independent Director in April 2010, and IAG (International Consolidated Airlines Group) since September 2010. Patrick was appointed a Chevalier de la Légion d’honneur in 2005. In June 2009, Patrick joined the Board of INSEAD.

Resolution 10

That Karen Cook be re-elected as a director.

Karen Cook was appointed a Non-executive Director on 1 October 2004. She is a Managing Director of Goldman Sachs International and President of Goldman Sachs, Europe. She is also a member of the firm’s European Management Committee and Partnership Committee.

Resolution 11

That Ken Hanna be re-elected as a director.

Ken Hanna was appointed a Non-Executive Director on 1 April 2009. He is Chairman of Inchcape PLC and a Non-Executive Director of Aggreko plc. He was previously Chief Financial Officer of Cadbury PLC until March 2009 and prior to that an Operating Partner of Compass Partners and CFO and then CEO of Dalgety PLC. He has also been CFO of United Distillers and Avis Europe plc.

Resolution 12

That Andrew Higginson be re-elected as a director.

Andrew Higginson was appointed to the Board on 17 November 1997. Prior to his appointment as Chief Executive of Retailing Services in July 2008 he was Group Finance and Strategy Director. He is Chairman of Tesco Bank and a Non-Executive Director of BSkyB plc.

Resolution 13

That Ken Hydon be re-elected as a director.

Ken Hydon was appointed a Non-Executive Director on 23 February 2004 and is Chairman of the Audit Committee. He is also a Non-Executive Director of Reckitt Benckiser plc, The Royal Berkshire NHS Foundation Trust and Pearson plc.

Notice of meeting continued

Resolution 14

That Tim Mason be re-elected as a director.

Tim Mason has been President and Chief Executive Officer, Fresh & Easy Neighbourhood Market since January 2006 and became Deputy Group CEO and Chief Marketing Officer in March 2011. He was appointed to the Board on 16 February 1995. He joined Tesco in 1982.

Resolution 15

That Laurie McIlwee be re-elected as a director.

Laurie McIlwee was appointed to the Board on 27 January 2009 and is Chief Financial Officer. He joined Tesco in 2000 as UK Finance Director and became Distribution Director in 2005. Laurie is a Chartered Management Accountant.

Resolution 16

That Lucy Neville-Rolfe, CMG be re-elected as a director.

Lucy Neville-Rolfe was appointed to the Board as Corporate and Legal Affairs Director on 14 December 2006. She joined Tesco in 1997 from the Cabinet Office. She is Deputy Chair of the British Retail Consortium, a Non-executive Director of ITV plc and the Carbon Trust and a member of the China Britain Business Council, the UK India Business Council and the Corporate Leaders Group on Climate Change.

Resolution 17

That David Potts be re-elected as a director.

David Potts was appointed to the Board on 16 November 1998. He joined Tesco in 1973. From 1997 he directed the integration of our businesses in Northern Ireland and the Republic of Ireland before returning to the UK in 2000 as Director responsible for UK Retail Operations. From 2004, David's responsibilities also included the UK Supply Chain and the Republic of Ireland, before being appointed CEO Asia in March 2011.

Resolution 18

That Jacqueline Tammenoms Bakker be re-elected as a director.

Jacqueline Tammenoms Bakker was appointed a Non-executive Director on 1 January 2009. She was a Director General at the Ministry of Transport in the Netherlands from 2001 to 2007 and has held senior positions at Quest International, McKinsey & Co and Shell. Jacqueline is a Non-executive Director of Vivendi and was appointed a Chevalier de la Légion d'honneur in 2006.

Resolution 19

That PricewaterhouseCoopers LLP be reappointed auditors of the Company, to hold office until the conclusion of the next general meeting at which accounts are laid before the Company.

This resolution proposes the reappointment of PricewaterhouseCoopers LLP as auditors.

Resolution 20

That the remuneration of PricewaterhouseCoopers LLP be determined by the directors.

This resolution gives authority to the directors to determine the auditors' remuneration.

Resolution 21

That, in place of the equivalent authority given to the directors at the last Annual General Meeting (but without prejudice to the continuing authority of the directors to allot equity securities pursuant to an offer or agreement made by the Company before the expiry of the authority pursuant to which such offer or agreement was made), the directors be generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 (the "Act") to allot:

- (a) shares in the Company or grant rights to subscribe for or to convert any securities into shares in the Company up to a maximum aggregate nominal amount of £133,930,753; and in addition
- (b) equity securities of the Company (within the meaning of Section 560 of the Act) in connection with an offer of such securities by way of a rights issue up to an aggregate nominal amount of £133,930,753,

provided that this authority shall expire on the date of the next Annual General Meeting of the Company after the passing of this resolution save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the board may allot equity securities in pursuance of such an offer or agreement as if the authority conferred by this resolution had not expired.

"rights issue" means an offer of equity securities to holders of Ordinary Shares in the capital of the Company on the register on a record date fixed by the directors in proportion as nearly as may be to the respective numbers of Ordinary Shares held by them, but subject to such exclusions or other arrangements as the directors may deem necessary or expedient to deal with any treasury shares, fractional entitlements or legal or practical issues arising under the laws of, or the requirements of any recognised regulatory body or any stock exchange, in any territory.

Under Section 551 of the Act, the directors of a company may allot shares only if authorised to do so. Resolution 21(a) will give the directors authority to issue new shares for general purposes up to a nominal value of £133,930,753, which is equal to approximately one-third of the issued share capital of the Company as at 10 May 2011, being the latest practicable date prior to the publication of this Notice.

The guidance of the Association of British Insurers (the "ABI") provides that in addition to paragraph (a) of resolution 21, the ABI now regard as routine paragraph (b) of resolution 21 which authorises the Board to allot up to a further one-third of the existing issued share capital for use only in connection with fully pre-emptive rights issues. Paragraph (b) of resolution 21 proposes that the directors be further authorised to allot relevant securities up to an aggregate nominal amount equal to £133,930,753 in connection with a rights issue. The aggregate of the amounts in resolution 21 represents approximately two-thirds of the issued share capital of the Company as at 10 May 2011, being the latest practicable date prior to publication of this Notice. This authority will expire at the conclusion of the Annual General Meeting of the Company in 2012.

The ABI guidance includes an expectation that where an additional authority of the kind set out in paragraph (b) of resolution 21 is taken and where:

- (a) the aggregate actual usage of the authority conferred by paragraphs (a) and (b) of resolution 21 exceeds one-third of the nominal amount of the Company's issued ordinary share capital and also,
- (b) in the case of a share issue which is in whole or part by way of a fully pre-emptive rights issue, the monetary proceeds exceed one-third (or such lesser relevant proportion) of the pre-issue market capitalisation of the Company,

all members of the board wishing to remain in office will stand for

Notice of meeting continued

re-election at the next Annual General Meeting of the Company following the decision to make the issue in question.

The Company is proposing this resolution to give the Board flexibility, however, there are no current plans to allot shares except in connection with the Company's employee share schemes.

Resolution 22

That subject to and conditional on the passing of resolution 21, the directors be empowered pursuant to section 570 of the Act to allot equity securities (within the meaning of section 560 of the Act) for cash pursuant to the authority given by resolution 21 and/or to sell equity securities held as treasury shares for cash pursuant to section 727 of the Act, in each case as if section 561(1) of the Act did not apply to any such allotment or sale provided that this power shall be limited:

- (a) to the allotment and/or sale of equity securities in connection with an offer of such securities by way of a rights issue (as defined in resolution 21); and
- (b) to the allotment and/or sale (otherwise than pursuant to sub-paragraph (a) above) of equity securities up to an aggregate nominal value of £20,089,613,

and this authority shall expire on the date of the next Annual General Meeting of the Company after the passing of this resolution save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted or equity securities held as treasury shares to be sold after such expiry and the directors may allot equity securities and/or sell equity securities held as treasury shares in pursuance of such an offer or agreement as if the power conferred hereby had not expired.

This resolution would allow the directors to allot shares for cash and/or sell treasury shares without having to offer such shares to existing shareholders:

- (a) up to a nominal value of £20,089,613, which is approximately 5% of the Company's issued share capital as at 10 May 2011, being the latest practicable date prior to the publication of this Notice; or
- (b) in connection with a rights issue (as defined in resolution 21).

This means that the proportionate interests of existing shareholders could not, without their agreement, be reduced by more than 5% by the issue of new shares for cash. There are no current plans to allot shares except in connection with the Company's employee share schemes and the directors do not intend to issue more than 7.5% of the issued share capital of the Company on a non pre-emptive basis in any rolling three year period without prior consultation with the Institutional Shareholders' Committee.

The authority sought and limits set by this resolution will also apply to any sale or transfer of treasury shares. Your directors consider it prudent to have the flexibility to buy back shares into treasury and subsequently sell or transfer them, if appropriate. This will enable them to act on short notice in appropriate circumstances should that be in the best interests of the Company.

This authority will expire at the conclusion of the Annual General Meeting of the Company in 2012.

The directors intend to seek renewal of the authority and powers set out in resolutions 21 and 22 at each Annual General Meeting of the Company.

Resolution 23

That the Company be generally and unconditionally authorised to make market purchases (within the meaning of section 693(4) of the Act) of Ordinary Shares of 5p each in the capital of the Company ("Shares") on such terms as the directors think fit, and where such Shares are held as treasury shares, the Company may use them for the purposes set out in section 727 of the Act, including for the purpose of its employee share schemes, provided that:

- (a) the maximum number of Shares which may be purchased is 803,584,520 Shares;
- (b) the minimum price, exclusive of any expenses, which may be paid for each Share is 5p;
- (c) the maximum price, exclusive of any expenses, which may be paid for each Share is an amount equal to the higher of:
(i) 105% of the average of the middle market quotations of a Share as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the Share is contracted to be purchased; and (ii) the amount stipulated by Article 5(1) of the Buy-back and Stabilisation Regulation 2003;
- (d) this authority will expire at the close of the next Annual General Meeting of the Company (except in relation to the purchase of Shares, the contract for which was concluded before the expiry of this authority and which will or may be executed wholly or partly after such expiry);
- (e) the Company may make a contract to purchase Shares under this authority before the expiry of the authority which will or may be executed wholly or partly after the expiry of the authority, and may make a purchase of Shares in pursuance of any such contract.

This resolution seeks authority for the Company to buy its own shares. This resolution will renew the authority given at the last Annual General Meeting of the Company, and is limited to 803,584,520 shares, representing approximately 10% of the Company's issued share capital as at 10 May 2011, being the latest practicable date prior to the publication of this Notice. As at 10 May 2011, the total number of options to subscribe for shares in the Company was 313.3 million (approximately 3.9% of the Company's issued share capital and approximately 4.3% of the Company's issued share capital if the full authority proposed by resolution 23 was used and the shares purchased were cancelled). The minimum and maximum prices to be paid for the shares are stated in the resolution. This authority will expire at the conclusion of the Annual General Meeting of the Company in 2012.

Any shares purchased in this way may be cancelled and the number of shares in issue would be reduced accordingly, or they may be held as treasury shares, which may then be cancelled, sold for cash or used to meet the Company's obligations under its employee share schemes. No purchases will be made unless the expected effect will be to increase earnings per share. The purchase of shares by the Company under this authority would be effected by a purchase in the market. It should not be confused with any share dealing facilities that may be offered to shareholders by the Company from time to time.

Notice of meeting continued

Resolution 24

That in accordance with section 366 of the Act, the Company and all companies that are its subsidiaries at any time during the period for which this resolution has effect be authorised to:

- (a) make donations to political parties and/or independent election candidates not exceeding £100,000;
- (b) make political donations to political organisations, other than political parties, not exceeding £100,000;
- (c) incur political expenditure not exceeding £100,000,

during the period beginning with the date of the passing of this resolution and ending on the date of the Company's next Annual General Meeting, provided that the aggregate of all expenditure under paragraphs (a), (b) and (c) shall not exceed £100,000 in total.

For the purpose of this resolution, the terms "political donations", "political expenditure", "independent election candidates", "political parties" and "political organisations" shall have the meaning given by Part 14 of the Act.

The Act requires companies to obtain shareholders' authority before they can make donations to EU political organisations or incur EU political expenditure. The definition of political donations used in the Act is very broad and, as a result, it covers activities that form part of normal relationships that are an accepted part of engaging with stakeholders and opinion-formers to ensure that companies' issues and concerns are considered and addressed. Activities of this nature undertaken by the Company and its subsidiaries are not designed to support any political party or to influence public support for a particular party and would not be thought of as political donations in the ordinary sense of those words. They are entirely non-political in nature and are designed so that the Company can make MPs and others aware of key industry issues and matters affecting the Company. In the financial year ended 26 February 2011, the Company and its subsidiaries spent £55,085 pursuant to equivalent authorities.

The Company's policy is that it does not, directly or through any subsidiary, make what are commonly regarded as donations to any political party. The authorities we are requesting from you are not designed to change that policy. They will, however, ensure that the Company and its subsidiaries act within the provisions of current UK company law and best practice when carrying out activities of the type covered by the Act.

Resolution 25

That:

- (a) the Tesco PLC Performance Share Plan 2011 (the "Plan"), a summary of the principal provisions of which is set out in Appendix 1 to this notice, be approved and adopted; and
- (b) the directors be authorised to do all acts and things necessary to establish and carry the Plan into effect and to establish further plans for the benefit of employees outside the UK, based on the Plan but modified to take account of local tax, exchange control or securities laws in overseas territories, provided that any shares made available under such plans are treated as counting against the limits on individual and overall participation contained in the Plan.

This resolution seeks shareholders' approval for the renewal of the Performance Share Plan for a further 10 years on broadly its existing terms. The Plan allows for awards of up to 350% of base salary in each year.

Resolution 26

That:

- (a) the Tesco PLC Savings-Related Share Option Scheme (1981) (the "Savings Scheme"), a summary of the principal provisions of which is set out in Appendix 2 to this notice, be renewed, approved and adopted; and
- (b) the directors be authorised to do all acts and things necessary to establish and carry the Savings Scheme into effect and to establish further plans for the benefit of employees outside the UK, based on the Savings Scheme but modified to take account of local tax, exchange control or securities laws in overseas territories, provided that any shares made available under such plans are treated as counting against any limits on individual or overall participation contained in the Savings Scheme.

The Savings Scheme expires this year and it is proposed that the Savings Scheme be renewed (with minor changes to take account of changes in legislation) for a further period of ten years.

Resolution 27

That a general meeting other than an annual general meeting may be called on not less than 14 clear days' notice.

This resolution is required to reflect the implementation in August 2009 of the Shareholder Rights Directive. The regulation implementing this Directive increased the notice period for general meetings of the Company to 21 clear days. The Company has been and is currently able to call general meetings (other than an annual general meeting) on 14 clear days' notice and would like to renew this ability. In order to be able to do so, shareholders must have approved the calling of meetings on 14 clear days' notice. Resolution 27 seeks such approval. The approval will be effective until the Company's next Annual General Meeting, when it is intended that a similar resolution will be proposed. The Company will also need to meet the requirements for electronic voting under the Directive before it can call a general meeting on 14 clear days' notice.

The shorter notice period would not be used as a matter of routine for general meetings, but only where the flexibility is merited by the business of the meeting and is thought to be to the advantage of shareholders as a whole. If the proposals at a given meeting are not time-sensitive the Company will not normally use the shorter notice period.

Recommendation

Your directors believe that the proposals in resolutions 1 to 27 are in the best interests of both the Company and its shareholders as a whole. Accordingly, the directors unanimously recommend that you vote FOR all of these resolutions, as they intend to do in respect of their own beneficial holdings.

By order of the Board
Jonathan Lloyd
Company Secretary
Tesco PLC
Tesco House, Delamare Road, Cheshunt, Herts EN8 9SL
11 May 2011

Summary of the principal terms of the Tesco PLC Performance Share Plan 2011

The principal features of the Tesco PLC Performance Share Plan 2011 (the "PSP") are outlined below.

1. Operation

All major decisions relating to the PSP in respect of Executive Directors will be made by the Remuneration Committee. The Board (or a duly authorised committee of the Board) will be responsible for the operation of the PSP for all other employees. In the remainder of this Appendix, the term "the Committee" will refer to the relevant administering body.

The PSP is discretionary and will only operate in those years that the Committee determines. It is currently intended that grants will be made annually.

2. Eligibility

Any person who is an employee of the Company and its subsidiaries (the "Group") (including an Executive Director) is eligible to be granted an award under the PSP (an "Award").

It is currently intended that Executive Directors and other senior employees will participate in the PSP.

3. Form of Awards

Awards may take the form of:

- a conditional right to acquire Ordinary Shares in the Company ("Performance Shares");
- an option to acquire Ordinary Shares in the Company at nil cost ("Nil-Cost Options");
- a gift of free shares forfeitable in the event that specified conditions are not met ("Restricted Share Awards"); and
- such other form that will confer on the participant an equivalent economic benefit (e.g. phantom awards that deliver cash).

The form of Award will be determined by the Committee.

4. Grant of Awards

Awards may be granted in the six weeks following approval of the PSP by the Company in general meeting. Thereafter, Awards may normally only be granted in the six weeks following:

- the announcement by the Company of its results for any period;
- a change in the legislation relating to share plans being proposed or made;
- the commencement of an eligible employee's employment;
- any day on which there are circumstances considered by the Committee to be exceptional.

However, at all times, the grant of Awards will be subject to the Model Code on directors' dealings in securities set out in the Listing Rules.

No Awards may be granted later than ten years after the approval of the PSP by the Company in general meeting.

Awards may be granted over new issued Ordinary Shares, treasury shares or Ordinary Shares purchased in the market. Where Awards are granted over new issued Ordinary Shares or treasury shares (as long as it remains best practice to do so), the issue of these shares will be subject to the limits described in section 6 below.

No payment will be required for the grant of an Award. Awards are not transferable (other than on death) without the consent of the Committee. Awards will not be pensionable.

5. Individual limit

No employee may be granted an Award under the PSP in any financial year over shares worth more than 350% of base salary. In applying this limit no account will be taken of shares representing notional reinvestment of dividends and, if applicable, any additional shares provide solely to take into account any Class 1 (secondary) national insurance liability transferred to the participant.

It is currently intended that the maximum performance share award will be 225% of base salary for Executive Directors and 275% of base salary for the CEO. In the event that our normal award policy changes we would expect to write to shareholders in advance.

The value of an Award will normally be calculated by reference to the closing market price of an Ordinary Share in the Company on the dealing day preceding the date of grant or such averaging period as the Committee may determine.

6. Limit on the issue of shares

The PSP is subject to the following overall limits on the number of new Ordinary Shares which may be subscribed:

- in any ten year period not more than ten per cent of the issued Ordinary Shares of the Company from time to time may be issued pursuant to rights acquired under the PSP and any other employees' share plan operated by the Company; and
- in any ten year period not more than five per cent of the issued Ordinary Shares of the Company from time to time may be issued pursuant to rights acquired under the PSP and any other discretionary share plan operated by the Company.

For the purpose of these limits, Awards or other rights to acquire shares which lapse do not count. However, shares subscribed by the trustee of an employee benefit trust to satisfy rights granted under any employees' share plans operated by the Company and shares transferred from treasury do count towards these limits.

7. Dividends and voting

Participants will have no right to receive dividends or vote in relation to the Ordinary Shares comprised in their Awards prior to the date on which the Ordinary Shares are transferred. However, the Committee may determine (at grant or any time thereafter prior to vesting) that participants should receive an amount equivalent to the dividends that would have been paid on a re-invested basis during the period from grant to vesting (or, in the case of Nil-Cost Options, and if the Committee so decided, exercise), in respect of the number of vested Ordinary Shares comprised in an Award. Such amount may be paid in cash or additional Ordinary Shares (subject to Awards vesting) at the same time that Awards are settled. It is the current intention that participants will be entitled to receive additional Ordinary Shares representing the amount equal to the dividends that would have been paid during the vesting period in relation to the portion of the Award that eventually vests.

8. Vesting of Awards

The Committee, at the date of grant, will determine the vesting arrangements. Vesting of Awards will normally be subject to performance conditions having been satisfied. The performance period for awards will normally be no shorter than three years.

Nil-Cost Options can be exercised, in full or part, subject to the participant discharging any relevant tax liability, no later than the tenth anniversary of the date of the Award (or such earlier date as determined by the Committee).

Appendix 1 continued

Where Performance Shares vest or a Nil-Cost Option is exercised, Ordinary Shares will be transferred to the participant within 30 days (subject to the Model Code on directors' dealings in securities set out in the Listing Rules).

Where Restricted Share Awards vest, these will cease to be subject to forfeiture.

9. Performance conditions

Awards will normally be subject to the satisfaction of performance conditions which will determine the proportion (if any) of the Award which will vest at the end of a performance period.

In relation to those performance conditions:

- the period over which performance will be measured will not normally be less than three years;
- the Committee will ensure that performance conditions are both sufficiently stretching and challenging, and are appropriate for the Company and the prevailing market;
- to the extent that performance conditions are not met, the Awards will lapse; and
- the conditions may be varied in certain circumstances following the grant of an Award so as to achieve their original purpose, but not so as to make their achievement materially more or less difficult.

For awards granted in 2011 it is intended that awards will vest subject to a combination of return on capital employed ("ROCE") and earnings per share ("EPS") performance. The Committee believes that the best way to enhance shareholder value is to grow earnings over the long-term while maintaining a sustainable level of return on capital and therefore believes that this combination of EPS growth and ROCE performance is strongly aligned with the Company's strategic objectives and reflects the drivers of long-term shareholder value.

The ROCE / EPS matrix for the 2011 awards is summarised below:

| | | % of initial award vesting | | |
|---------|-------|----------------------------|--------|---------|
| | | EPS | | |
| Targets | | Threshold | Target | Stretch |
| | | 7% | 10% | 12% |
| ROCE | 14.6% | 45% | 75% | 100% |
| | 13.6% | 20% | 60% | 85% |

In addition, when determining the portion of the Award that vests the Committee will consider the underlying performance of the business to ensure the level of vesting is appropriate.

There will be no provision for retesting of performance.

10. Clawback

Awards may be reduced (or extinguished) at the discretion of the Committee in the following circumstances:

- in the event that there is a material misstatement of the accounts;
- where a participant has, by act or omission, contributed to serious reputational damage to the Group; and /or
- in cases of serious misconduct or fraud.

11. Leaver Provisions

Unvested Awards granted under the PSP will normally lapse on cessation of employment with the Group.

In the event of a participant's death, unless the Committee determines otherwise, an unvested Award will vest immediately, subject to the Committee having regard to the achievement of performance conditions at the date of death and the period of time that has elapsed since the Award was granted. Where Awards are granted in the form of Nil-Cost Options, participants will normally have 12 months in which to exercise their awards.

Where a participant leaves employment as a result of:

- illness, injury or disability,
- redundancy,
- retirement by agreement with the company which employs him; or
- sale of the business or entity that employs him out of the Group,

then normally, unless the Committee determines otherwise, any unvested Awards granted in the financial year during which the participant ceased to be in employment with the Group shall lapse. Awards which have not vested which were granted in earlier financial years will continue in full to the normal vesting date subject to the original performance condition. Where Awards are granted in the form of Nil-Cost Options participants shall have 12 months from the date of vesting in which to exercise their Nil-Cost Options, or in the case of Vested Options from cessation.

If a participant ceases employment in any other circumstances, all unvested Awards will normally lapse, unless the Committee determines otherwise. For Vested Nil-Cost Options, participants have 12 months from cessation of employment to exercise their Nil-Cost Options, except in the case of gross misconduct where Nil-Cost Options shall lapse. If the Committee decides to preserve Awards in other circumstances, it will normally do so on the terms in the previous paragraph.

In addition, in determining the extent to which Awards shall vest in any of the above circumstances, the Committee may also take into account any other relevant circumstances, including the conduct of the participant.

12. Corporate events

In the event of a change of control of the Company as a result of a takeover, reconstruction, scheme of arrangement of the Company (not being an internal reorganisation) or in the event of a voluntary winding up of the Company, the extent to which Awards may vest at that time will be at the discretion of the Committee but taking into account all relevant facts and circumstances, including but not limited to the performance of the Company, the period of time which has elapsed since the date of the Award and having regard to the interests of shareholders.

Alternatively, in the above circumstances, except a winding up, the Committee may permit or require Awards to be exchanged for new Awards of shares in the acquiring company on a comparable basis.

13. Variation of capital

In the event of any variation of share capital, demerger or other corporate event the Committee may make such adjustments as they consider appropriate to the number of Ordinary Shares, nominal value, class and any exercise price relating to Awards.

14. Cash alternative

The Committee may also satisfy Awards in cash or other assets provided the participant receives the same economic value as would have been provided by an Award over Ordinary Shares.

15. Rights attaching to shares

Shares allotted or transferred under the PSP will rank equally with all other Ordinary Shares of the Company for the time being in issue (except for rights attaching to such shares by reference to a record date prior to the exercise of the Award). The Company will apply for the listing of any new Ordinary Shares allotted under the PSP.

16. Alterations to the PSP

The PSP may at any time be altered by the Board in any respect. However, any alterations to the material advantage of participants to the rules governing eligibility, limits on individual participation and the number of new Ordinary Shares available under the PSP, terms of vesting and adjustment of Awards must be approved in advance by shareholders in general meeting. However, an alteration or addition which is minor in nature and made to benefit the administration of the PSP, to comply with the provisions of any existing or proposed legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants or Group companies will not require shareholder approval.

17. Overseas employees

The Committee may grant awards to overseas employees on different terms so as to take account of relevant overseas tax, securities or exchange control laws provided that the awards are not overall more favourable than the terms of awards granted to other employees. A US Addendum and a California Addendum has been added to the Plan to enable the Company to grant awards to US based employees, including those resident in California.

Appendix 2

Summary of the principal terms of the Tesco PLC Savings-Related Share Option Scheme (1981)

The principal features of the Tesco PLC Savings-Related Share Option Scheme (1981) (the "Savings Scheme") are outlined below.

1. Eligibility

All employees of participating companies of the Group who have been employed for a qualifying period determined by the Board not exceeding four years and who are resident and ordinarily resident in the UK for tax purposes are eligible to participate in the Savings Scheme. The Board has discretion to offer participation to other employees.

2. Savings contract

Participants enter into three year or five year savings contracts with an approved savings authority for the purposes of the Savings Scheme to make 36 or, as the case may be, 60 monthly contributions of not less than £5 nor (when aggregated with savings made under any other savings-related share option schemes) more than £250 per month (or such greater amount as may be permitted under the relevant legislation). The Board may determine whether to offer three year and/or five year contracts. Options may only be exercised, if permissible under the Savings Scheme rules, with the available proceeds of the savings contract.

3. Option prices

The price per Ordinary Share at which options may be exercised will be not less than 80 per cent of the middle-market price averaged over the three dealing days immediately preceding the date of invitation to apply for an option.

4. Grant of options

Each option is granted over the number of Ordinary Shares for which the aggregate option price does not exceed the total proceeds payable on maturity of the savings contract. Invitations to apply for options may normally only be made within 42 days of the announcement by the Company of its interim or final results each year. Invitations may be made outside these periods if the Board considers that there are sufficiently exceptional circumstances to justify the issue of invitations at that time. No payment will be required for the grant of an option. Options may be satisfied by using new issued Ordinary Shares or transferring treasury shares or Ordinary Shares purchased in the market.

5. Exercise of options

In normal circumstances, options may only be exercised within six months of the bonus becoming payable under the savings contract (normally the third anniversary of the commencement of a three year savings contract and the fifth anniversary of the commencement of a five year savings contract). An option will normally lapse if the participant ceases to be an employee of the Group. Where, however, a participant ceases to be an employee by reason of injury, disability, redundancy, retirement or a sale of the business or entity which employs him, or voluntarily ceases to be an employee more than three years after the grant of the option, he will have six months from the date of leaving within which to exercise his option. Options may also be exercised on a participant attaining age 60 even though he continues in employment.

If a participant dies, the option may be exercised within 12 months after his death or, if he dies during the six month period after the bonus under the savings contract becoming payable, within 12 months of the bonus becoming payable. In the event of a takeover, reconstruction, amalgamation or voluntary winding-up of the Company, options may within the specified period after the relevant event, be exercised, or in certain circumstances exchanged for options over shares in the acquiring company or a company associated with the acquiring company.

6. Pensionability

Benefits under the Savings Scheme are not pensionable.

7. Terms of options and issue of Ordinary Shares

Options are not transferable (other than on death). As soon as practicable after the exercise of an option, the appropriate number of Ordinary Shares will be allotted and issued or transferred to the optionholder. The Company will apply for the listing of any new Ordinary Shares allotted under the Savings Scheme. Ordinary shares allotted will rank equally with all other Ordinary Shares of the Company in issue on the date of exercise of the option.

8. Repayment of savings

When repayment is due under the savings contract, the participant may either exercise his option in whole or part or simply take the cash payment. A participant may withdraw the proceeds of his savings contract earlier, but if he does so before the option is exercisable, the option will lapse.

9. Variation of capital

In the event of a variation of share capital arising from a capitalisation issue or rights issue or any consolidation, sub-division or reduction of capital of the Company the number and option price of Ordinary Shares subject to options be may subject to adjustment in such manner as the Board may determine provided that the auditors of the Company confirm in writing that the proposed adjustment is in its opinion fair and reasonable.

10. Alterations to the Savings Scheme

The Savings Scheme may at any time be altered by the Board in any respect. However, any alterations to the advantage of participants to the rules governing eligibility, limits on individual participation and the number of new Ordinary Shares available under the Savings Scheme, the adjustments to be made in the event of a variation of share capital and the periods or circumstances in which options may be exercised must be approved in advance by shareholders in general meeting. However, an alteration or addition which is minor in nature and made to benefit the administration of the Savings Scheme, to comply with the provisions of any existing or proposed legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants or Group companies will not require shareholder approval. No option may be granted after 1 July 2021.

11. Limits on the issue of shares

In any ten year period not more than ten per cent of the issued Ordinary Shares of the Company from time to time may be issued pursuant to rights acquired under the Savings Scheme and any other employees' share plan adopted by the Company.

For the purposes of this limit, awards or other rights to acquire shares which lapse do not count. However, shares subscribed by the trustee of an employee benefit trust to satisfy rights granted under any employees' shares plans adopted by the Company and (whilst it continues to be best practice to do so) shares transferred from treasury do count towards these limits.

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