

TESCO PLC BOARD REMUNERATION COMMITTEE

TERMS OF REFERENCE

*The Remuneration Committee (the **Committee**) is a committee of the Board of Directors of Tesco PLC (the **Board**), from which it derives its authority and to which it regularly reports.*

1. CONSTITUTION AND PROCESS

1.1 Membership

Membership will comprise at least three independent Non-executive Directors of Tesco PLC (“the Company”), to be nominated by the Board from time to time. The Chairman of the Company may also serve as a member if he or she was considered independent on appointment as Chairman.

1.2 Quorum

The quorum of the Committee will be two members. In the event of difficulty in relation to achievement of a quorum, Non-executive Directors who are not members of the Committee may be co-opted as members for individual meetings. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

1.3 Chairman

An independent Non-executive Director appointed by the Board will chair the Committee. In the absence of the Chairman of the Committee, or an appointed deputy, the remaining members present will elect one of themselves to chair the meeting. The Chairman of the Board will not chair meetings of the Committee.

1.4 Secretary

The Company Secretary or their nominee will attend meetings of the Committee and will provide all necessary support to the Committee. The Company Secretary or their nominee should ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration of issues.

1.5 Attendees

The Group Chief Executive Officer, Head of Human Resources, external advisors and others, as appropriate, may attend meetings at the invitation of the Committee.

1.6 Meetings

The Committee will normally meet four times a year. Ad hoc meetings may also be held. The Chairman or any member of the Committee or the Company Secretary may convene a meeting of the Committee at any time on reasonable notice to consider any matter falling within these Terms of Reference. The Committee may meet privately at the request of the Chairman of the Committee.

1.7 Minutes and Reporting

The minutes of each meeting will be circulated to all directors and attendees as appropriate, taking into account any conflicts of interest which may exist. Reports will be made to the Board following each meeting of the Committee by the Chairman of that meeting.

1.8 Disclosure

The Committee will ensure that applicable provisions under relevant laws and regulations relating to disclosure are fulfilled including, but not limited to, a directors' remuneration report including a report on the Company's remuneration policy (which will be subject to a binding shareholder vote at least every three years) and a report on the implementation of that policy in each financial year (which will be subject to an annual advisory shareholder vote).

The Chairman of the Committee, or a deputy chosen from its membership, will be available at the Annual General Meeting of the Company to answer questions which relate to the work of the Committee.

1.9 Training

The Committee, via the Company Secretary, will make a suitable induction process available to new members of the Committee and, for existing members, ongoing training where appropriate and as discussed with the Committee.

1.10 Committee self-assessment

The Committee will conduct an annual self-assessment of its performance and effectiveness, including its Terms of Reference, and report conclusions and recommendations to the Board.

2 SCOPE OF AUTHORITY

The Committee is a committee of the Board to which it will report on a regular basis.

The Committee has authority to investigate any matters within its responsibilities and to obtain such information as it may require from any director, officer or employee of the Group. The Committee has authority to obtain external legal or other professional advice at the Company's expense and will have the right to commission remuneration and benefits studies and any other relevant market data, at reasonable cost to the Company, which it considers necessary in the performance of its duties.

The Committee does not have any authority with respect to the remuneration of Non-executive Directors which is determined by the Board of the Company. The remuneration of the Chairman of the Board will be determined by the Remuneration Committee.

3 RESPONSIBILITIES OF THE COMMITTEE

In carrying out their responsibilities, Committee members must act in accordance with the statement of Directors' Duties set out in Sections 171-177 of the Companies Act 2006 and the UK Corporate Governance Code.

The responsibilities of the Committee are:

- 3.1 to establish and keep under review a formal and transparent policy on executive remuneration and, in consultation with the Chairman of the Board and the Company's Chief Executive Officer, determine the remuneration packages of individual Executive Directors and Senior Management within this policy. For the avoidance of doubt, Senior Management shall ordinarily consist of Executive Committee members. In doing so, the Committee shall ensure that remuneration packages (comprising base salary and short and long-term incentives, benefits, pension arrangements and service contracts) are:

- appropriate in the context of each individual's responsibility and seniority;
- consistent with the overall financial and business position of the Group and its position relative to other companies;
- fair in light of each individual's personal performance and experience; and
- take into account all factors which it deems necessary including relevant legal and regulatory requirements, the provisions and recommendations of the UK Corporate Governance Code and relevant guidance.

The objective of such policy shall be to ensure that members of the executive management of the Company are provided with appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the long term success of the Company;

- 3.2 to ensure performance-related elements of remuneration are transparent, stretching and rigorously applied, form a significant proportion of the total remuneration package and are designed to align the Directors' and Senior Management's interests with those of shareholders;
- 3.3 to approve new long term incentive schemes and significant changes to existing schemes, subject to shareholder approval and the design of incentive schemes, to set performance targets annually for all performance related incentive schemes (including share schemes), to confirm achievement of performance and awards to be made under the schemes and direct the general administration of the schemes;
- 3.4 to monitor compliance with the overall limits on the issue of the Company's shares for such schemes established from time to time by Institutional Investors' representative bodies;
- 3.5 to be sensitive to pay and employment conditions within the Group and in particular to consider any major changes in employee benefit structures throughout the Group when determining executive remuneration. The Committee should ensure that the remuneration relationship between the Executive Directors and Senior Management is appropriate. In particular, the Committee is to approve any individual remuneration arrangements below the Board (whether for new joiners or existing colleagues) that exceed 65% of the median for the Senior Management calculated on a total reward basis (salary, annual bonus and long-term incentives) considering the target or expected values of incentives provided. Furthermore, the Committee shall approve any specific sign-on payments for individual recruits below Board level that exceed a value of 200% of starting salary;
- 3.6 to approve the policy for executive pension arrangements, service contracts and terminations;
- 3.7 to consider on appointment the potential compensation commitments in the event of early termination and to approve the content of any termination package in respect of any departing Executive Directors, Senior Management and individuals with packages that exceed 65% of the median for Senior Management calculated on a total reward basis where this is outside of the approved policy. The approach towards termination payments should be to avoid paying for poor performance whilst dealing fairly with cases where departure is not due to poor performance and to ensure that the duty to mitigate the loss is recognised;
- 3.8 to ensure that the Chairman of the Committee maintains contact as required with its principal shareholders about remuneration;
- 3.9 to review the ongoing appropriateness and relevance of the remuneration policy;
- 3.10 to agree a policy for authorising claims for expenses from the directors; and

3.11 to consider any other matters as referred to the Committee by the Board.

4. OTHER MATTERS

4.1 4.2 The Committee will give due consideration to the provisions of the UK Corporate Governance Code and all applicable laws and regulations, including the Companies Act 2006 and the requirements of the UKLA's Listing, Prospectus and Disclosure and Transparency Rules and appropriate Institutional Investor guidance.

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