TESCO PLC BOARD AUDIT COMMITTEE

TERMS OF REFERENCE

*The Audit 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 Committee as a whole shall have competence relevant to the sector in which the Company operates and at least one member of the Committee shall have recent and relevant financial experience. The Chairman of the Company may not be a member of the Committee.

1.2 Quorum

The quorum of the Committee will be two members. In the event of difficulty in relation to achievement of a quorum, independent 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.

1.4 Secretary

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

1.5 Attendees

Meetings of the Committee may be attended by the Chairman of the Board, the Group Chief Executive Officer, the Chief Financial Officer and his representatives, the Group General Counsel, the Chief Audit & Risk Officer, representatives of the external auditors and other Directors, employees and third parties at the invitation of the Committee.

1.6 Meetings

The Committee will normally meet five times a year. Two of those meetings will be scheduled so as to allow the Committee to consider the Group's half-year and full-year results. 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 will meet privately, as often as the Committee deems necessary but at least twice a year, with each of (i) the external auditor; and (ii) the Chief Audit and Risk Officer.

1.7 Minutes and Reporting

The minutes of each meeting will be distributed 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 in accordance with paragraph 4 below.

1.8 Disclosure

The membership of the Committee and a description of its duties and activities during the year will be disclosed in the Annual Report of the Company. 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 will make a suitable induction process available to new members of the Committee via the Company Secretary and, for existing members, will make available 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 is concerned with the business of the entire Group and its authority extends to all relevant matters relating to Tesco PLC and its business units and subsidiaries.

The Committee may sub-delegate any of its powers and authority as it sees fit, including, without limitation, through the establishment of sub-committees to consider particular issues and report back to the Committee.

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 and may call any director, officer or employee of the Group to attend any meeting of the Committee as and when required.

The Committee has authority to obtain outside legal or other independent professional advice at the Company's expense and to secure the attendance of outsiders with relevant experience and expertise as necessary. The Committee will have the right to commission studies and any other relevant market data, at reasonable cost to the Company, which it considers necessary in the performance of its duties.

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 will be:

3.1 to consider, and make recommendations to the Board, on the appointment of the external auditor, and assess the objectivity and independence of the external auditor, ensuring that key partners are rotated at appropriate intervals. The Committee shall agree the Company's policy for the employment of former employees of its external auditors and monitor the application of the policy

3.2 to approve the external auditor's remuneration for audit services; to develop, approve and monitor the application of the Group's policy on the provision of non-audit services by the external auditor; to pre-approve any fees in respect of non-audit services provided by the external auditors, subject to permitted levels and delegations established by the Committee and to ensure that the provision of non-audit services does not impair the external auditors' independence or objectivity;

3.3 to review and agree with the external auditors before the audit commences, the nature and scope of the audit and to review the auditors' quality control procedures and steps taken by the auditor to respond to changes in regulatory and other requirements;

3.4 to oversee the process for selecting the external auditor and make appropriate recommendations through the Board to the shareholders to consider at the Annual General Meeting, ensuring that the external audit services contract is put out to tender in accordance with applicable laws and regulations;

3.5 to review, and challenge where necessary, the judgements of management, in relation to the interim and annual financial statements before submission to the Board, paying particular attention to:

(i) critical accounting policies and practices, and any changes in them;
(ii) decisions requiring a major element of judgement;
(iii) the extent to which the financial statements are affected by any unusual transactions in the year and how they are disclosed;
(iv) the clarity and completeness of disclosures;
(v) significant adjustments resulting from the audit;
(vi) the Going Concern assumption, identifying any material uncertainties as to the Group's ability to continue to adopt the going concern basis of accounting in preparing the financial statements over a period of at least twelve months from their date of approval;
(vii) the viability statement, including an assessment of the prospects of the Group, over what period they are assessed and why the period is regarded as appropriate, drawing attention to any qualifications or assumptions as necessary;
(viii) compliance with accounting standards;
(ix) compliance with Stock Exchange and other legal requirements;
(x) reviewing the Company statements on internal control systems and risk management prior to endorsement by the Board;

3.6 to monitor the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance, reviewing and reporting to the Board on significant financial reporting issues and judgements which they contain, having regard to matters communicated to it by the external auditors;

3.7 to provide advice to the Board, where requested, on whether the annual report and financial statements, and any other price-sensitive public reports, taken as a whole, are fair, balanced and understandable and whether the annual report and financial statements provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy;

3.8 to discuss problems and reservations arising from the interim and final audits and any matters the auditors may wish to discuss (in the absence of management, where necessary);

3.9 to review the external auditor's engagement letter, any management letter and management's response and any audit representation letter(s) requested by the external auditor;

3.10 to review and monitor the Group's internal financial controls and the framework and effectiveness of the Group's internal control and risk management systems, including in respect of the Group's key financial, operational and compliance controls, and to report its recommendations to the Board;

3.11 where requested by the Board, to review the approach to the identification and assessment of the principal risks facing the Group, including the management and mitigation of those risks and the consideration of acceptable risk tolerance levels for the Group;

3.12 to review formally the effectiveness of the external and internal audit processes;

3.13 to review the internal audit charter and the internal audit programme ensuring that they remain appropriate to the current needs of the Company and that the internal audit programme is aligned to the Group's principal risks. The Committee shall ensure that the Internal Audit function is adequately resourced, has appropriate access to information and appropriate standing within the Company to enable it to perform its function effectively and in accordance with relevant professional standards;

3.14 to review reports addressed to the Committee from the Internal Audit function and to consider management's response to any major external or internal audit recommendations;

3.15 to approve the appointment or dismissal of the Chief Audit & Risk Officer

3.16 to review the Company's arrangements by which employees and contractors may, in confidence, raise concerns about possible improprieties in financial reporting or other matters. The Committee shall ensure that these arrangements allow for the proportionate and independent investigation of such matters and for appropriate follow up action;

3.17 to review the Company's processes for preparing co-ordinated plans for business continuity;

3.18 to review the Company's processes for the prevention and detection of fraud, bribery and corruption;

3.19 to review and approve the Group's activities with respect to the Group's treasury and tax planning policies and any material changes thereto, and such other policies as may be requested by the Board;

3.20 to review the annual aggregate expenses claims of senior executives against Group policy;

3.21 to review the directors' statement on corporate governance; and

3.22 to consider other topics, as defined by the Board, or considered appropriate by the Committee in the context of the above responsibilities.

4. REPORTING RESPONSIBILITIES

The Chairman of the Committee shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities and shall also formally report to the Board on a regular basis on how it has discharged its responsibilities. This report shall include:

4.1 the significant issues that it considered in relation to the financial statements (required under paragraph 3.6) and how these were addressed;

4.2 its assessment of the effectiveness of the external audit process and its recommendation on the appointment or reappointment of the external auditor; and

4.3 any other issues on which the Board has requested the Committee's opinion.

The Committee shall compile a report on its activities to be included in the Company's annual report. The report should include an explanation of how the Committee has assessed the effectiveness of the external audit process; the significant issues that the Committee considered in relation to the financial statements and how these issues were addressed, having regard to matters communicated to it by the auditor; and such other matters as may be required by the UK Corporate Governance Code and relevant laws and regulation..

5. OTHER MATTERS

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 FCA's Listing and Prospectus Rules and Disclosure Guidance and Transparency Rules.

Adopted on 11 April 2017