

## TESCO PLC BOARD NOMINATIONS AND GOVERNANCE COMMITTEE

### TERMS OF REFERENCE

*The Nominations and Governance 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 the Chairman of the Board, the Senior Independent Director and other Non-executive Directors appointed from time to time by the Board.

All other directors will be entitled to attend meetings of the Committee, subject to the agreement of the chairman of the Committee (the **Chairman**).

##### 1.2 Quorum

The quorum of the Committee will be two, including either the Chairman of the Board or the Senior Independent Director. 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.

##### 1.3 Chairman

The Chairman of the Board will chair the Committee, except when it meets to discuss the Chairman of the Board's succession or performance. In any such case, or in the Chairman of the Board's absence, the Senior Independent Director will chair meetings of the Committee or, in his absence, the remaining members present will elect one of themselves to chair the meeting.

##### 1.4 Secretary

The Company Secretary and/or a Deputy Secretary will attend all meetings of the Committee and the Company Secretary will provide all necessary support to the Committee.

##### 1.5 Attendees

Any person may attend from time to time at the invitation of the Chairman.

##### 1.6 Meetings

The Committee will normally meet twice a year, and will hold ad hoc meetings as required.

The Chairman may convene a meeting of the Committee at any time on reasonable notice to consider any matter falling within these Terms of Reference.

## **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. Reports should:

- (a) if external advertising or advice has not been used, give reasons why they have not been used;
- (b) identify any external search agency used by the Company, and state whether it has any connection with the Company;
- (c) describe the Committee's approach to succession and planning and how both support developing a diverse pipeline;
- (d) describe how the Board's evaluation has been conducted, the outcomes and actions taken and how it has or will influence board composition;
- (e) describe the Board's policy on diversity and inclusion (including related objectives and linkage to company strategy), how it has been implemented and the results in the reporting period; and
- (f) describe the gender balance of those in the senior management and their direct reports.

## **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, via the Company Secretary, will make available to new Members of the Committee a suitable induction process 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 for change 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 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.

### **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.

The responsibilities of the Committee will be:

#### **Nominations and Succession**

- 3.1** to review regularly the structure, size and composition of the Board and its Committees, taking into account, amongst other things, the results of the Board effectiveness review process, the total number of directors, the balance of executive and non-executive directors and the balance of independent non-executive directors, the need to ensure appropriate collective knowledge and experience, the length of service of directors and diversity factors (including the skills mix, regional and industry experience, race and gender);
- 3.2** to evaluate the combination of skills, knowledge, experience, independence and diversity (including of gender, social and ethnic backgrounds and cognitive and personal strengths) on the Board and identify, review and recommend candidates for potential appointment as directors. In identifying suitable candidates, the Committee may use the services of external recruitment search advisors and, where appropriate, external advertisements to facilitate the search;
- 3.3** to regularly review Board succession over the longer term, in order to maintain an appropriate balance of skills and experience, to oversee the development of a diverse pipeline for succession and to ensure progressive refreshing of the Board and its Committees;
- 3.4** to ensure that the chair does not remain in the post beyond nine years from the date of their first appointment to the Board. This period can be extended for a limited time to facilitate effective succession planning and the development of a diverse board, particularly where the chair was an existing non-executive director on appointment;
- 3.5** to regularly review management proposals for the longer term succession to key senior leadership positions in the Group, giving full consideration to the challenges and opportunities facing the Group and the skills and expertise needed in the future;
- 3.6** to keep under review the leadership needs of the organisation, both executive and non-executive, with a view to ensuring the continued ability of the Group to compete effectively in the marketplace;
- 3.7** to regularly review the Group's Talent Management programme;
- 3.8** to review annually the time commitment required of non-executive directors and evaluate whether non-executive directors are committing enough time to fulfil their duties;

- 3.9 to review any matters relating to the continuation in office of any director at any time;
- 3.10 to recommend to the Board the re-election by shareholders of directors under the annual re-election provisions of the UK Corporate Governance Code, having due regard to their performance and ability to continue to contribute to the Board in light of the knowledge, skills and experience required and the need for progressive refreshing of the Board;
- 3.11 to monitor whether satisfactory induction is provided for new directors with respect to their Board and Board committee responsibilities and ensure that an appropriate ongoing training programme is in place for existing directors, in line with market practice;
- 3.12 to ensure that on appointment to the Board, non-executive directors receive a formal letter of appointment setting out clearly what is expected of them in terms of time commitment, committee service and involvement outside board meetings; and
- 3.13 to ensure that an annual review of the effectiveness of the Board, and each committee of the Board, and the contribution of each director is conducted every year, with an independent external review at least every three years.

#### **Governance**

- 3.14 to keep under review and approve changes to the Board's governance framework, including monitoring the Group's compliance with applicable legal, regulatory and listing requirements and recommending to the Board such changes or additional actions as it deems necessary;
- 3.15 to consider in light of governance best practice and developing consensus proposals on:
  - (a) the role of the Board and its Committees;
  - (b) the corporate governance framework;
  - (c) delegation of authority and authority levels; and
  - (d) reserved powers;and to make recommendations to the Board about any changes.
- 3.16 to conduct an annual review of the Conflicts of Interest Register and review any disclosure relating to conflicts of interest to be made public;
- 3.17 to make recommendations to the Board on the independence of Non-executive Directors and the individual's ability to perform his or her duties independently without undue influence from other persons, the number of responsibilities and consequent call on the time of the individual concerned;
- 3.18 to monitor, and require directors and proposed appointees to the Board to disclose, (i) any conflict, or possible conflict, with the interests of the Group and (ii) significant commitments, with an indication of the time involved.

- 3.19 to review and require directors to obtain approval from the Board before undertaking additional external appointments.
- 3.20 to review the terms of office of Non-executive Directors after three years, based on a review of the director's performance;
- 3.21 to ensure an annual performance evaluation of the effectiveness of the Board, and each Committee of the Board, and the contribution of each Director, with the results being reported to the Board; such evaluation to be externally facilitated at least once every three years. Periodically review progress against the action plan to address the results; and
- 3.22 to review and recommend to the Board for approval the Corporate Governance report for inclusion in the Annual Report.

#### **4. OTHER MATTERS**

- 4.1 The Committee is authorised by the Board to obtain, at the Company's expense, outside legal or other professional advice, on any matters within its terms of reference. The Committee shall have access to sufficient resources in order to carry out its duties, including access to the company secretariat for assistance as required.
- 4.2 The Committee will give due consideration to the provisions of the 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.

22 February 2019