

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

If you are in any doubt about the contents of this document or the action you should take, you are recommended to seek your own financial advice as soon as possible from your stockbroker, bank, solicitor, accountant or other appropriate independent financial adviser duly authorised under the Financial Services and Markets Act 2000 (*FSMA*), if you are in the United Kingdom, or from another appropriately authorised independent professional adviser if you are taking advice in a territory outside the United Kingdom.

If you sell or have sold or otherwise transferred all your Ordinary Shares, please send this document together with the accompanying documents at once to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected for delivery to the purchaser or transferee. However, such documents should not be forwarded or transmitted in or into any jurisdiction in which such act would constitute a violation of the relevant laws in such jurisdiction. If you sell or have sold or otherwise transferred only part of your holding of Ordinary Shares in Tesco, you should retain these documents and consult the stockbroker, bank or other agent through whom the sale or transfer was effected.

The release, publication or distribution of this document in jurisdictions other than the United Kingdom may be restricted by law and, therefore, any persons who are subject to the laws of any jurisdiction other than the United Kingdom should inform themselves about, and observe, any applicable requirements. This document has been prepared for the purposes of complying with English law and the Listing Rules and the information disclosed may not be the same as that which would have been disclosed if this document had been prepared in accordance with the laws and regulations of any jurisdiction outside of England.



*(incorporated and registered in England and Wales with registered number 00445790)*

**Special Dividend of 50.93 pence per Existing Ordinary Share, 15 for 19 Share Consolidation  
and  
Notice of General Meeting**

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**The whole document should be read. Your attention, in particular, is drawn to the letter from the Chairman of Tesco that is set out in Part I (*Letter from the Chairman of Tesco*) of this document and which contains a recommendation from the Directors that you vote in favour of the Resolutions to be proposed at the General Meeting.**

Application will be made to the FCA for the New Ordinary Shares arising from the proposed consolidation of the Company's total issued ordinary share capital to be admitted to the premium segment of the Official List and to the London Stock Exchange for the New Ordinary Shares to be admitted to trading on the London Stock Exchange's main market for listed securities, as well as to Euronext Dublin for the New Ordinary Shares to be admitted to listing on the secondary listing segment of the Irish Official List and to trading on Euronext Dublin's main market for listed securities. It is expected that dealings in the Existing Ordinary Shares will continue until 4.30 p.m. on 12 February 2021 and that Admission of the New Ordinary Shares will become effective and dealings for normal settlement will commence at 8.00 a.m. on 15 February 2021.

**Notice of a General Meeting of Tesco to be held at Tesco PLC, Heart building, Shire Park, Welwyn Garden City, Herts, AL7 1TW at 10.30 a.m. on 11 February 2021 is set out in Part IV (*Notice of General Meeting*) of this document.**

**The actions to be taken in respect of the General Meeting are set out in Section 10 of Part I (*Letter from the Chairman of Tesco*) of this document.** Shareholders will find enclosed with this document a Proxy Form for use in connection with the General Meeting. Given prevailing Government guidance in relation to COVID-19, it is proposed that the General Meeting be convened with the minimum quorum of Shareholders present (which will be facilitated by Tesco) in order to conduct the business of the General Meeting. The well-being of our Shareholders is vitally important to us and we ask Shareholders to adhere to the current instructions to stay at home and to instead vote by proxy on the Resolutions set out in the Notice of General Meeting as early as possible. To ensure that your vote is counted, it is particularly important that you appoint the “Chair of the Meeting” as your proxy as any other person who might be appointed will not be allowed access to the General Meeting. In the interests of protecting the health and safety of our Shareholders, colleagues and General Meeting support staff, as well as the public, Shareholders will not be admitted to the General Meeting.

We will continue to closely monitor the latest Government guidance, and how this may affect the arrangements for the General Meeting. If it becomes necessary or appropriate to revise the current arrangements for the General Meeting, further information will be made available on our website at [www.tescopl.com/GM2021](http://www.tescopl.com/GM2021) and/or via RNS.

Despite these exceptional circumstances, the Board is keen to maintain engagement with Shareholders. In order to facilitate this, if you are a Shareholder and would like to ask the Board a question on the formal business of the General Meeting, please email your question to [shareholderquestions@tesco.com](mailto:shareholderquestions@tesco.com) by 10.30 a.m. on 9 February 2021. Answers to questions relating to the formal business of the General Meeting will be published on the Company website at [www.tescopl.com/GM2021](http://www.tescopl.com/GM2021) and will be available on the website until 11 March 2021.

Please complete and sign the Proxy Form (or appoint a proxy electronically, as referred to below) in accordance with the instructions printed on the Proxy Form and return the Proxy Form to Tesco’s Registrars, Equiniti Limited, as soon as possible and, in any event to arrive no later than 10.30 a.m. on 9 February 2021, being the specified time which is not less than 48 hours before the time appointed for the holding of the General Meeting (excluding any part of a day that is not a working day).

If you hold your Ordinary Shares in CREST, you may appoint a proxy by having an appropriate CREST message transmitted. Proxies sent electronically must be sent as soon as possible and, in any event, so as to be received not later than 10.30 a.m. on 9 February 2021 or, in the case of an adjournment, not later than 48 hours (excluding any part of a day that is not a working day) before the time fixed for the holding of the adjourned meeting.

**If you have any questions about this document, the General Meeting or the completion and return of the Proxy Form, please call the Equiniti shareholder helpline between 9.00a.m. and 5.00p.m. (UK time) Monday to Friday (except public holidays in England and Wales) on 0333 207 6381 (calls to this number are charged at national rates, calls from a mobile device may incur network extras) or on +44 333 207 6381 from outside the UK. Please note that calls may be monitored or recorded, and the helpline cannot provide financial, legal or tax advice or advice on the merits of the Special Dividend or Share Consolidation.**

#### **AVAILABILITY OF HARD COPIES**

If you have received this document in electronic form or have been notified that this document is available to view on the Tesco website ([www.tescopl.com/GM2021](http://www.tescopl.com/GM2021)), you may request a hard copy of this document by calling the Equiniti shareholder helpline between 9.00a.m. and 5.00p.m. (UK time) Monday to Friday (except public holidays in England and Wales) on 0333 207

6381 (calls to this number from a landline are charged at national rates, calls from a mobile device may incur network extras) or on +44 333 207 6381 from outside the UK. Please note that calls may be monitored or recorded, and the helpline cannot provide financial, legal or tax advice or advice on the merits of the Special Dividend or Share Consolidation. You may also request that all future documents, announcements and information to be sent to you in relation to the Special Dividend or Share Consolidation should be in hard copy form. Copies of this document will not be provided unless such a request is made, and you are urged to consider the impact on the environment before making such request.

### **IMPORTANT INFORMATION TO OVERSEAS SHAREHOLDERS OR ADR HOLDERS**

It is the responsibility of any person receiving a copy of this document outside the United Kingdom to satisfy themselves as to the full observance of the laws and regulatory requirements of the relevant territory in connection therewith, including obtaining any governmental or other consents which may be required or observing any other formalities required to be observed in such territory and paying any other issue, transfer or other taxes due in such territory. If in doubt, such persons should consult their professional advisers. Persons (including, without limitation, nominees and trustees) receiving this document should not, in connection with the Special Dividend and/or Share Consolidation, distribute or send it into any jurisdiction when to do so would, or might, contravene local securities laws or regulations.

### **INFORMATION REGARDING FORWARD-LOOKING STATEMENTS**

This document contains statements which are, or may be deemed to be, “forward-looking statements” which are prospective in nature. All statements other than statements of historical fact are forward-looking statements. They are based on current expectations and projections about future events and are therefore subject to risks and uncertainties which could cause actual results to differ materially from the future results expressed or implied by the forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of forward-looking words such as “plans”, “expects”, “is expected”, “is subject to”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates”, “believes”, “targets”, “aims”, “projects” or words or terms of similar substance or the negative thereof, are forward-looking statements, as well as variations of such words and phrases or statements that certain actions, events or results “may”, “could”, “should”, “would”, “might” or “will” be taken, occur or be achieved. Such statements are qualified in their entirety by the inherent risks and uncertainties surrounding future expectations or events that are beyond Tesco’s control.

Such forward-looking statements involve known and unknown risks and uncertainties that could significantly affect expected results and are based on certain key assumptions. Many factors may cause actual results, performance or achievements of Tesco to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Important factors that could cause actual results, performance or achievements of Tesco to differ materially from the expectations of Tesco include, among other things, general business and economic conditions globally, industry trends, competition, changes in government and other regulation and policy, including in relation to the environment, health and safety and taxation, labour relations and work stoppages, interest rates and currency fluctuations, changes in its business strategy and political and economic uncertainty, including as a result of global pandemics and other factors. Such forward-looking statements should therefore be construed in light of such factors. Neither Tesco nor any of its Directors, officers or advisers provides any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statements in this document will actually occur. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as at the date hereof.

Other than in accordance with its legal or regulatory obligations (including under the Listing Rules, Market Abuse Regulation and the Disclosure Guidance and Transparency Rules), Tesco is

not under any obligation and Tesco expressly disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

**NO OFFER OR SOLICITATION**

This document is not a prospectus and it does not constitute or form part of any offer or invitation to purchase, acquire, subscribe for, sell, dispose of or issue, or any solicitation of any offer to sell, dispose of, purchase, acquire or subscribe for, any security.

**FINANCIAL INFORMATION**

References to “£”, “GBP”, “pounds”, “pounds sterling”, “p” and “pence” are to the lawful currency of the United Kingdom and references to “USD”, “\$”, “U.S.\$”, “U.S. dollars” or “United States dollars” are to the lawful currency of the United States.

Percentages in tables may have been rounded and accordingly may not add up to 100 per cent. or to the precise sum of the totals expressed in such tables. Certain financial data has been rounded, and, as a result of this rounding, the totals of data presented in this document may vary slightly from the actual arithmetic totals of such data.

**DEFINITIONS**

Capitalised terms have the meanings ascribed to them in Part III (*Definitions*) of this document.

<p style="text-align: center;"><b>TESCO SHAREHOLDER HELPLINE:</b></p> <p style="text-align: center;"><b>0333 207 6381</b></p> <p style="text-align: center;">(calls to this number from a landline are charged at national rates, calls from a mobile device may incur network extras)</p> <p style="text-align: center;"><b>+44 333 207 6381 (FROM OUTSIDE THE UK)</b></p> <p style="text-align: center;"><b>LINES ARE OPEN 9.00 A.M. TO 5.00 P.M. (UK TIME), MONDAY TO FRIDAY (EXCEPT PUBLIC HOLIDAYS IN ENGLAND AND WALES)</b></p> <p style="text-align: center;">EQUINITI MAY RECORD CALLS TO BOTH NUMBERS FOR SECURITY PURPOSES AND TO MONITOR THE QUALITY OF ITS SERVICES. THE TESCO SHAREHOLDER HELPLINE CANNOT PROVIDE ADVICE ON THE MERITS OF THE SPECIAL DIVIDEND OR SHARE CONSOLIDATION OR GIVE ANY FINANCIAL, LEGAL OR TAX ADVICE</p>
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This document is dated 25 January 2021.

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## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Publication and posting of this document, including the Notice of General Meeting	25 January 2021
Latest time and date for receipt of voting instructions in relation to ADSs for the General Meeting	12.00 p.m. (New York time) on 8 February 2021
Latest time and date for receipt of Proxy Forms and CREST Proxy Instructions for the General Meeting	10.30 a.m. on 9 February 2021
Record time and date for entitlement to vote at the General Meeting	6.30p.m. on 9 February 2021
General Meeting	10.30 a.m. on 11 February 2021
Latest time for dealings in Existing Ordinary Shares	4.30 p.m. on 12 February 2021
Shareholder record date for entitlement to the Special Dividend and for the Share Consolidation	6.00 p.m. on 12 February 2021
Record date for participation in the DRIP for the Special Dividend and deadline for receipt of DRIP elections	6.00 p.m. on 12 February 2021
ADR holder record date for the Special Dividend and for the Share Consolidation	5.00 p.m. (New York time) on 12 February 2021
Ordinary Shares (but not ADRs) marked ex-Special Dividend	15 February 2021
Commencement of dealings in New Ordinary Shares on London Stock Exchange and Euronext Dublin (after Share Consolidation)	8.00 a.m. on 15 February 2021
CREST accounts credited with New Ordinary Shares (after Share Consolidation)	15 February 2021
ADR effective date for the Share Consolidation	9.30 a.m. (New York time) on 16 February 2021
Commencement of dealings in new ADSs	9.30 a.m. (New York time) on 16 February 2021
Despatch of share certificates in respect of New Ordinary Shares	No later than 26 February 2021
Payment of the Special Dividend to Shareholders	26 February 2021
Purchase of New Ordinary Shares for DRIP participants commences	26 February 2021
Payment to holders of ADRs	5 business days after payment of the Special Dividend to Shareholders

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**Notes:**

All time references in this document are to UK time unless stated otherwise.

These dates are provided by way of indicative guidance and are subject to change. Certain items in the table are conditional upon approval of Resolutions 1 and 2 of Part IV (*Notice of General Meeting*), as well as Admission occurring. If any of the above times and/or dates change, Tesco will give adequate notice by issuing an announcement through an RIS.

# PART I – LETTER FROM THE CHAIRMAN OF TESCO

## TESCO PLC

(Incorporated and registered in England and Wales with registered number 00445790)

### Directors:

John Allan	(Non-executive Chairman)
Ken Murphy	(Group Chief Executive)
Alan Stewart	(Chief Financial Officer)
Deanna Oppenheimer	(Senior Independent Director)
Mark Armour	(Independent Non-executive Director)
Melissa Bethell	(Independent Non-executive Director)
Stewart Gilliland	(Independent Non-executive Director)
Steve Golsby	(Independent Non-executive Director)
Byron Grote	(Independent Non-executive Director)
Mikael Olsson	(Independent Non-executive Director)
Simon Patterson	(Independent Non-executive Director)
Alison Platt	(Independent Non-executive Director)
Lindsey Pownall	(Independent Non-executive Director)

### Registered Office:

Tesco House  
Shire Park  
Kestrel Way  
Welwyn Garden City  
AL7 1GA

25 January 2021

Dear Shareholder,

**Special Dividend of 50.93 pence per Existing Ordinary Share, 15 for 19 Share Consolidation**

**and**

**Notice of General Meeting**

### 1. Introduction

On 9 March 2020, Tesco announced that it had entered into a conditional agreement with a combination of group entities, namely C.P. Retail Development Company Limited (the **Purchaser**), Charoen Pokphand Holding Co., Ltd, CP All Public Limited Company and C.P. Merchandising Co., Ltd with respect to the sale of Tesco's businesses in Thailand and Malaysia (the **Disposal**), which is comprised of Tesco's entire shareholding in Tesco Stores (Thailand) Limited, Tesco Stores (Malaysia) Sdn Bhd and any respective subsidiaries (the **Asia Business**).

The Disposal was approved by Shareholders at a general meeting held on 14 May 2020 and, following satisfaction of all Conditions, the Disposal completed on 18 December 2020. The consideration for the Disposal has been received and the Company can confirm that it intends to return £4,987,827,804 to Shareholders by way of a proposed special dividend of 50.93 pence per Existing Ordinary Share in the capital of the Company (the **Special Dividend**).

As previously announced, the consideration payable to Tesco pursuant to the Disposal represents an enterprise value of \$10.6 billion (equivalent to £8.2 billion)<sup>1</sup> on a cash and debt free basis. Under the terms of the Disposal this enterprise value was subject to certain price adjustments to reflect the actual cash, debt, lease liabilities, inter-company loans and the working capital position of the Asia Business as at 29 February 2020. The resulting net funds, after making these adjustments, settling the inter-company loans and accounting for both incurred and expected costs in respect of tax, customary transaction fees and the payment to

<sup>1</sup> Conversion calculated, as per the announcement of the Disposal, at a rate of USD1.29: £1.00, which is the average daily closing rate from Monday 2 to Friday 6 March 2020 (being the week prior to the announcement of the Disposal).

Sime Darby Berhad, is £7.8 billion (the **Net Funds**). Tesco has separately incurred costs of £0.2 billion related to hedging costs associated with the Disposal.

Out of the Net Funds, the Board has made a significant pension contribution of £2.5 billion that is expected to eliminate the current funding deficit and significantly reduce the prospect of having to make further pension deficit contributions in the future. Taking account of this, the Company is planning to return £4,987,827,804 to Shareholders, in line with the amount set out in the shareholder circular seeking Shareholder approval for the Disposal as published on 22 April 2020.

To maintain comparability, so far as possible, of the Company's share price before and after the Special Dividend, it is proposed that the Special Dividend be accompanied by a consolidation of the Company's ordinary share capital (the **Share Consolidation**).

The purpose of this document is to provide Shareholders with further details relating to, and to seek Shareholders' approval of, the proposed Special Dividend and related Share Consolidation, as well as to provide you with notice of a General Meeting at which certain Resolutions will be considered and, if thought fit, passed to allow the Special Dividend and Share Consolidation to proceed.

This document also explains why the Board considers the Special Dividend and Share Consolidation to be in the best interests of Shareholders taken as a whole. **Accordingly, the Board unanimously recommends that Shareholders vote in favour of the Resolutions to be proposed at the General Meeting, as each Director intends to do in respect of their own beneficial holdings.**

Shareholders should read the whole of this document and not only rely on the summarised information set out in this letter. Shareholders will find definitions for capitalised terms used throughout this document in Part III (*Definitions*).

## **2. Special Dividend**

The Board is proposing a return of value to Shareholders of £4,987,827,804, representing 50.93 pence per Existing Ordinary Share, in the form of a Special Dividend.

The Board is proposing to pay the Special Dividend to Shareholders on the Register as at 6.00 p.m. on 12 February 2021 in pounds sterling and to ADR holders on the ADR register as at 5.00 p.m. (New York time) on 12 February 2021 (being the close of business on the business day before the ADR effective date for the Share Consolidation) in US dollars.

The Special Dividend is subject to Shareholder approval at the General Meeting. It is also conditional on: (i) Shareholder approval of the Share Consolidation; and (ii) Admission in respect of the New Ordinary Shares taking place by or as soon as practicable after 8.00 a.m. on 15 February 2021.

Assuming these conditions are satisfied, the Special Dividend is expected to be paid to Shareholders on 26 February 2021, and to holders of ADRs 5 business days after the Special Dividend is paid to Shareholders.

## **3. Share Consolidation**

As is common when an amount representing a significant proportion of the market capitalisation of a company is returned to shareholders, the Board recommends that the Special Dividend is combined with an associated Share Consolidation, in this case a consolidation of Existing Ordinary Shares on the basis of 15 New Ordinary Shares with nominal value of 6½ pence for every 19 Existing Ordinary Shares.



The Share Consolidation is intended, so far as possible, to maintain the comparability of the Company's share price and per-share metrics before and after the Special Dividend to reflect the value that will be returned to Shareholders. The total amount of the Special Dividend is equivalent to approximately 21.1 per cent. of the market capitalisation of the Company as at 22 January 2021 (being the latest practicable date prior to the publication of this document). The effect of the Share Consolidation will be to reduce the number of Ordinary Shares outstanding by approximately the same percentage. It is anticipated, therefore, that the market price of each Ordinary Share in the Company should remain at a broadly similar level following the Special Dividend and the Share Consolidation.

As all Existing Ordinary Shares will be consolidated, Shareholders will still hold the same proportion of the Company's ordinary share capital as before the Share Consolidation (subject to any fractional entitlements, which will be dealt with in accordance with the process described in Section 2 of Part II (*Further Details of the Special Dividend and Share Consolidation*) of this document). Although the New Ordinary Shares will have a different nominal value, they will be traded on the London Stock Exchange and Euronext Dublin in the same way as the Existing Ordinary Shares and will carry equivalent rights under the Articles to the Existing Ordinary Shares.

The Share Consolidation is subject to Shareholder approval at the General Meeting. It is also conditional on (i) Shareholder approval of the Special Dividend; and (ii) Admission in respect of the New Ordinary Shares taking place by or as soon as practicable after 8.00 a.m. on 15 February 2021.

Further details of the Special Dividend and Share Consolidation are set out in Sections 1 and 2 of Part II (*Further Details of the Special Dividend and Share Consolidation*) of this document.

#### **4. Additional Resolutions**

At the General Meeting, Shareholder approval will also be sought to renew the annual authorities to enable the Company to make market purchases of its own shares, as well as to allot New Ordinary Shares and to disapply pre-emption rights, to cover the period between the date of the General Meeting and the 2021 AGM.

These renewals (which are set out at Resolutions 3 to 6 of Part IV (*Notice of General Meeting*)) are technical replacements of the existing authorities granted by Shareholders at the 2020 AGM and are required in order to preserve the position that would have been the case had the Share Consolidation not taken place. They are conditional on Shareholder approval of the Special Dividend and Share Consolidation, as well as Admission in respect of the New Ordinary Shares taking place by or as soon as practicable after 8.00 a.m. on 15 February 2021. Shareholders will be asked to renew these authorities at the 2021 AGM and a separate notice for the 2021 AGM will be issued in due course as usual.

Further details and a summary explanation of these Resolutions are set out in Sections 3 to 6 of Part II (*Further Details of the Special Dividend and Share Consolidation*) of this document.

#### **5. American Depositary Receipts**

As outlined above, the Company is proposing to pay the Special Dividend to all ADR holders on the ADR register as at 5.00 p.m. (New York time) on 12 February 2021 (being the close of business on the business day before the ADR effective date for the Share Consolidation) in US dollars (the amount of which is expected to be determined on the date the Special Dividend is paid to Shareholders).

Following the Share Consolidation becoming effective, the Existing Ordinary Shares held by the ADR Depository will be replaced with New Ordinary Shares. As a result of the Share Consolidation, for each existing ADS held at 5.00 p.m. (New York time) on 12 February 2021,

holders will, upon cancellation of their existing ADRs, be issued and receive new ADSs in the ratio of 15 new ADSs for each 19 existing ADSs (to be distributed in accordance with the ADR Deposit Agreement after giving effect to the fees and expenses provided for therein).

Assuming these conditions are satisfied, the Special Dividend is expected to be paid to holders of ADRs 5 business days after the Special Dividend is paid to Shareholders.

Holders of ADRs should read Sections 9 and 10 of Part II (*Further Details of the Special Dividend and Share Consolidation*) of this document which contains important information regarding the Special Dividend and Share Consolidation which is relevant to them, and a description of certain US federal income tax consequences of the Special Dividend and Share Consolidation.

## **6. Share Plans**

A summary of the potential consequences of the Special Dividend and the Share Consolidation for participants in the Share Plans is set out in Section 8 of Part II (*Further Details of the Special Dividend and Share Consolidation*) of this document.

Participants' rights under the Share Plans in relation to the Special Dividend and Share Consolidation will be dealt with according to the rules of the individual plans.

## **7. DRIP**

A summary of the operation of the Company's Dividend Reinvestment Plan in relation to the Special Dividend and Share Consolidation is set out in Section 7 of Part II (*Further Details of the Special Dividend and Share Consolidation*) of this document.

## **8. Taxation**

A summary of the expected tax treatment of the Special Dividend and Share Consolidation and the Company's DRIP for certain categories of UK resident Shareholders, and certain US Shareholders and US Holders of ADRs, is set out in Section 10 of Part II (*Further Details of the Special Dividend and Share Consolidation*) of this document.

**Shareholders and holders of ADRs should read Section 10 of Part II (*Further Details of the Special Dividend and Share Consolidation*) of this document carefully and consider the disclaimers contained therein and, if they are in any doubt as to their tax position, consult their own independent tax advisers.**

## **9. General Meeting**

A notice convening a General Meeting of the Company to be held at Tesco PLC, Heart building, Shire Park, Welwyn Garden City, Herts, AL7 1TW at 10.30 a.m. on 11 February 2021 is set out at Part IV (*Notice of General Meeting*) of this document.

Shareholder approval will be sought in relation to the Special Dividend and the Share Consolidation. Shareholder approval will also be sought in relation to the technical renewal of annual authorities to enable the Company to make market purchases of its own shares, allot New Ordinary Shares and to disapply pre-emption rights, to cover the period between the date of the General Meeting and the 2021 AGM.

## **10. Action to be taken**

Your support is important to us. Please vote on the Resolutions. Given prevailing Government guidance in relation to COVID-19, it is proposed that the General Meeting be convened with the minimum quorum of shareholders present (which will be facilitated by Tesco) in order to conduct the business of the meeting. The well-being of our shareholders is vitally important to

us and we ask Shareholders to adhere to the current instructions to stay at home and to instead vote by proxy on the Resolutions set out in the Notice of General Meeting as early as possible. To ensure that your vote is counted, it is particularly important that you appoint the “Chair of the Meeting” as your proxy as any other person who might be appointed will not be allowed access to the General Meeting. In the interests of protecting the health and safety of our Shareholders, colleagues and General Meeting support staff, as well as the public, Shareholders will not be admitted to the General Meeting.

We will continue to closely monitor the latest Government guidance, and how this may affect the arrangements for the General Meeting. If it becomes necessary or appropriate to revise the current arrangements for the General Meeting, further information will be made available on our website at [www.tescopl.com/GM2021](http://www.tescopl.com/GM2021) and/or via RNS.

I would urge you, regardless of the number of shares you own, to complete, sign and return your Proxy Form (enclosed with this document) to Equiniti Limited as soon as possible, but in any event so as to be received no later than 10.30 a.m. on 9 February 2021, being the specified time which is not less than 48 hours before the time appointed for the holding of the General Meeting (excluding any part of a day that is not a working day).

Alternatively, Shareholders may register their proxy appointment and voting instructions electronically by logging on to [www.sharevote.co.uk](http://www.sharevote.co.uk). Further details of the procedure are set out in the Notice of General Meeting set out in Part IV (*Notice of General Meeting*) at the end of this document.

CREST members may also choose to use the CREST electronic proxy appointment service in accordance with the procedures set out in the Notice of General Meeting set out in Part IV (*Notice of General Meeting*) at the end of this document.

## 11. Recommendation to Shareholders

The Board considers that the Resolutions are in the best interests of Shareholders taken as a whole. **Accordingly, the Board unanimously recommends that you vote in favour of each of the Resolutions to be proposed at the General Meeting.**

The Directors intend to vote in favour of the Resolutions at the General Meeting in respect of their own Ordinary Shares to which they are beneficially entitled, representing approximately 0.015 per cent. of the total issued share capital of Tesco as at 22 January 2021 (being the latest practicable date prior to publication of this document).

Yours faithfully



for and on behalf of Tesco

John Allan  
Chairman

## **PART II – FURTHER DETAILS OF THE SPECIAL DIVIDEND AND SHARE CONSOLIDATION**

### **1. Special Dividend**

The Company intends to pay a Special Dividend of 50.93 pence per Existing Ordinary Share. If Shareholders approve the Special Dividend, the Special Dividend is expected to be paid on 26 February 2021 to those Shareholders on the Register at 6.00 p.m. on 12 February 2021 (and an equivalent in US dollars to those ADR holders on the ADR register at 5.00 p.m. (New York time) on 12 February 2021), with an ex-dividend date where relevant of 15 February 2021.

Resolution 1 at Part IV (*Notice of General Meeting*) is the Resolution in respect of the Special Dividend. Resolution 1 is conditional on Resolution 2 being passed and Admission taking place by or as soon as practicable after 8.00 a.m. on 15 February 2021.

### **2. Share Consolidation**

The effect of the Share Consolidation as proposed in Resolution 2 at Part IV (*Notice of General Meeting*) will be that Shareholders on the Register at close of business on the record date (6.00 p.m. on 12 February 2021) will, on completion of the Share Consolidation, receive:

#### **15 New Ordinary Shares for 19 Existing Ordinary Shares**

and in that proportion for any other number of Existing Ordinary Shares then held. Resolution 2 is conditional on Resolution 1 being passed and Admission taking place by or as soon as practicable after 8.00 a.m. on 15 February 2021.

As all ordinary shareholdings in the Company will be consolidated, the number of Ordinary Shares held by each Shareholder will reduce, but the proportion of the total issued ordinary share capital of the Company held by each Shareholder immediately before and following the Share Consolidation will, save for fractional entitlements and participation in the DRIP, remain unchanged. Apart from having a different nominal value, each New Ordinary Share will carry the same rights as set out in the Company's Articles that currently attach to the Existing Ordinary Shares.

To effect the Share Consolidation, it will be necessary to issue 11 additional Existing Ordinary Shares so that the number of the Company's Existing Ordinary Shares is exactly divisible by 19.

Holders of ADRs should read Sections 9 and 10 of this Part II (*Further Details of the Special Dividend and Share Consolidation*) which contains important information regarding the Special Dividend and Share Consolidation which is relevant to them, and a description of certain US federal income tax consequences of the Special Dividend and Share Consolidation.

#### ***Fractional entitlements***

The Share Consolidation will replace every 19 Existing Ordinary Shares with 15 New Ordinary Shares. If an individual shareholding is not exactly divisible by 19, the Shareholder in question will be left with a fractional entitlement.

Fractional entitlements arising from the Share Consolidation will be aggregated and sold in the market. The value of any one Shareholder's fractional entitlement will not exceed the value of one New Ordinary Share. On the basis that the market price of each Existing Ordinary Share was 241.9p as at 22 January 2021 (being the latest practicable date prior to the publication of this document), the proceeds from the sale of an entitlement to a fraction of a New Ordinary Share should always be less than approximately £2.42.

Due to the cost of postage of a large number of cheques for nominal cash amounts, the proceeds of such sale of fractional entitlements will not be returned to Shareholders. Nor will the proceeds of such sale of fractional entitlements be retained by the Company. Instead, we will donate the sale proceeds from these aggregated New Ordinary Shares to support the food bank activities of the charity The Trussell Trust. More details about our work with The Trussell Trust can be found at [www.tescopl.com/sustainability/partnerships/food-redistribution/](http://www.tescopl.com/sustainability/partnerships/food-redistribution/). However, please note that ADR holders and those Shareholders who hold their shares through the Tesco Share Account will receive the net proceeds of such sale (after deduction of any expenses associated with such sale). Shareholders who hold their shares through the Tesco Share Account will receive the net proceeds by cheque issued by no later than 26 February 2021, together with a statement confirming their new shareholding balance in the Tesco Share Account.

**Effect of proposals**

Following the Share Consolidation and assuming no further shares are issued or repurchased for cancellation between the date of this document and the Share Consolidation becoming effective (other than as required to ensure the number of Existing Ordinary Shares is exactly divisible by 19), the Company’s issued ordinary share capital is expected to comprise 7,731,707,820 New Ordinary Shares.

For purely illustrative purposes, examples of the effects of the Special Dividend and the Share Consolidation in respect of certain holdings of Existing Ordinary Shares are set out below:

<u>Existing Ordinary Shares</u>	<u>New Ordinary Shares</u>	<u>Special Dividend</u>
1.....	0	£0.50
100 .....	78	£50.93
250 .....	197	£127.32
500 .....	394	£254.65
1,000 .....	789	£509.30

These examples do not show fractional entitlements, which will be dealt with in accordance with the process described above. Note that Shareholders holding 1 Existing Ordinary Share would be entitled to a fraction of a New Ordinary Share post-consolidation, however as with all fractional entitlements, such fractional entitlement will be dealt with in accordance with the process described above. As a result, and as set out in the table above, such Shareholders will no longer hold any shares in Tesco following the consolidation.

**3. Authority to allot shares**

Resolution 3 at Part IV (*Notice of General Meeting*) is proposed to replace the existing authority (as granted by Shareholders at the 2020 AGM) for Directors to allot shares. A replacement of this authority is required as a result of the change to the nominal value of the Ordinary Shares in the Company after the Share Consolidation to reflect the new nominal value.

The authority will give the Directors authority to allot New Ordinary Shares up to an aggregate nominal value of £163,224,942, which is equal to approximately one-third of the issued share capital of the Company immediately after the Share Consolidation referred to in Resolution 2 and the authority to allot relevant securities in connection with a rights issue (as defined in Resolution 3) up to a further one-third of the issued share capital of the Company immediately after the Share Consolidation referred to in Resolution 2, being an aggregate nominal amount of £163,224,942.

In total, Resolution 3 will allow the Directors to allot a maximum aggregate of two-thirds of the issued share capital of the Company. The Share Capital Management Guidelines published by The Investment Association consider this to be a routine authority.

As at 22 January 2021, being the latest practicable date prior to the publication of this document, the Company does not hold any treasury shares.

As the intention of Resolution 3 is to replace the existing authority granted at the 2020 AGM and preserve the position that would have been the case had the Share Consolidation not taken place, if Resolution 3 is passed, the authority will expire at the conclusion of the 2021 AGM.

Resolution 3 is proposed to give the Directors flexibility, however, there are no current plans to allot shares pursuant to the authority (except in connection with any possible future scrip dividend programme).

Resolution 3 is conditional on Resolutions 1 and 2 being passed and Admission taking place by or as soon as practicable after 8.00 a.m. on 15 February 2021.

#### **4. Disapplication of pre-emption rights**

Resolution 4 at Part IV (*Notice of General Meeting*) is proposed to replace the existing authority (as granted by Shareholders at the 2020 AGM) for Directors to allot shares for cash and/or sell treasury shares up to a set value without having to offer such shares to existing Shareholders:

- (a) in connection with a rights issue (as defined in Resolution 3); or
- (b) up to an aggregate nominal value of £24,483,741, which is approximately 5% of the Company's issued share capital immediately after the Share Consolidation referred to in Resolution 2.

This disapplication authority is in line with the Pre-Emption Group's Statement of Principles 2015.

This authority will remain in force until the conclusion of the 2021 AGM. There are no current plans to allot shares pursuant to the authority, however, your Directors wish to ensure that the Company has maximum flexibility in managing the Group's capital resources.

The authority sought, and the limits set by this Resolution 4, 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 to sell or to transfer them, if appropriate. This will enable them to act on short notice in appropriate circumstances if that is in the best interests of the Company.

The Directors do not intend to issue pursuant to the authority under Resolution 4 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 Shareholders.

Resolution 4 is conditional on Resolutions 1, 2 and 3 being passed and Admission taking place by or as soon as practicable after 8.00 a.m. on 15 February 2021.

#### **5. Disapplication of pre-emption rights for acquisitions and other capital investment**

Resolution 5 at Part IV (*Notice of General Meeting*) is proposed to replace the existing authority (as granted by Shareholders at the 2020 AGM) for Directors to allot additional shares for cash and/or sell treasury shares up to an aggregate nominal value of £24,483,741, which is approximately 5% of the Company's issued share capital immediately after the Share Consolidation referred to in Resolution 2 without having to offer such shares to existing shareholders, in connection with an acquisition or capital investment:

- (a) which is announced contemporaneously with the issue; or
- (b) which has taken place in the preceding six-month period and is disclosed in the announcement of the issue.

This additional disapplication authority is being sought in line with the Pre-Emption Group's Statement of Principles 2015.

The authority sought and the limits set by this Resolution 5 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 to sell or to transfer them, if appropriate. This will enable them to act on short notice in appropriate circumstances if that is in the best interests of the Company.

Together with Resolution 4 (if passed) this would give the Directors the authority to allot shares for cash and/or sell treasury shares of up to 10% of the issued share capital of the Company, on a non-pre-emptive basis.

This authority will remain in force until the conclusion of the 2021 AGM. There are no current plans to allot shares pursuant to the authority, however your Directors wish to ensure that the Company has maximum flexibility in managing the Group's capital resources.

Resolution 5 is conditional on Resolutions 1, 2 and 3 being passed and Admission taking place by or as soon as practicable after 8.00 a.m. on 15 February 2021.

## **6. Purchase of own shares**

Resolution 6 of Part IV (*Notice of General Meeting*) is proposed to replace the existing authority for the Company to make market purchases of up to 773,170,782 New Ordinary Shares, being 10% of the Company's issued share capital immediately after the Share Consolidation referred to in Resolution 2, and specifies the minimum and maximum prices at which the New Ordinary Shares may be bought.

Any New Ordinary Shares purchased would be effected by a purchase in the market and may either be cancelled or 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.

As at 22 January 2021, being the latest practicable date prior to the publication of this document, the total number of options to subscribe for Ordinary Shares in the Company was 200,095,802 (approximately 2.0% of the Company's issued ordinary share capital and approximately 2.3% of the Company's issued ordinary share capital if the full authority proposed by this Resolution 6 was used and the shares purchased were cancelled).

This authority will remain in force until the conclusion of the 2021 AGM. The Directors confirm that they will exercise the buy back authority only when, in light of the prevailing market conditions, they consider such purchases would result in an increase in earnings per share and would be in the best interests of Shareholders generally.

Resolution 6 is conditional on Resolutions 1 and 2 being passed and Admission taking place by or as soon as practicable after 8.00 a.m. on 15 February 2021.

## **7. Dividend Reinvestment Plan**

The Company currently operates a Dividend Reinvestment Plan (**DRIP**) under which eligible Shareholders may use their dividends to buy additional shares in the Company. Those eligible Shareholders who do not currently participate in the DRIP and who wish to participate in the DRIP in time for the Special Dividend should contact the Company's Registrar, Equiniti, at Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA to request an application form or, for further information, please call the Equiniti shareholder helpline between 9.00a.m. and 5.00p.m. (UK time) Monday to Friday (except public holidays in England and Wales) on 0333 207 6381 (calls to this number from a landline are charged at national rates, calls from a mobile device may incur network extras) or on +44 333 207 6381 from outside the UK. Please note that

calls may be monitored or recorded, and the helpline cannot provide financial, legal or tax advice or advice on the merits of the Special Dividend or Share Consolidation.

In order for an eligible Shareholder to participate in the DRIP for the Special Dividend, a completed application form must be received by Equiniti by 6.00 p.m. on 12 February 2021. Conversely, any Shareholder who is currently a participant in the DRIP, but who does not wish their Special Dividend to be reinvested in additional New Ordinary Shares, should notify Equiniti to revoke their participation by no later than 6.00 p.m. on 12 February 2021, to ensure that this instruction is implemented. However, if a Shareholder wants to remain in the DRIP for the Special Dividend (but not for future dividends thereafter) then they must not revoke their participation until after the date of payment of the Special Dividend.

CREST Shareholders should complete a Dividend Election Input Message in order to participate in the DRIP for the Special Dividend.

All existing evergreen or recurring instructions relating to the DRIP (including any recurring DRIP mandates received in paper or by electronic means via CREST) will apply in respect of the Special Dividend and will operate in respect of the New Ordinary Shares, unless and until revoked. However, CREST Shareholders should note that, although the DRIP will continue to apply to the New Ordinary Shares, the election may not be viewable in CREST following the Share Consolidation. In order to view the election, CREST Shareholders are advised to delete the current instruction, indicating a non-CREST election in their message, and to submit a new instruction under the new ISIN. CREST Shareholders are advised to do this after the date of payment of the Special Dividend.

## **8. Share Plans**

Participants' rights under the Share Plans in relation to the Special Dividend and Share Consolidation will be dealt with according to the rules of the individual plans. The overall objective is to ensure that, notwithstanding the Special Dividend and Share Consolidation, the value of awards under the Share Plans is preserved, subject to normal market fluctuations.

With the exception of the Tesco PLC Share Incentive Plan, participants in the Share Plans do not hold Ordinary Shares and instead have either a right to receive Ordinary Shares in the future or an option to acquire Ordinary Shares. As a result, participants will generally not receive the Special Dividend and the Share Consolidation will not apply to their awards. Where that is the case, the effect of the Special Dividend and Share Consolidation when taken together is that the value of the awards should remain at a broadly similar level. However, in some cases, participants will receive the value of the Special Dividend through dividend equivalents paid on their awards. In those circumstances, the value of the awards would be increased disproportionately, and the Board has therefore concluded it would be appropriate to adjust those awards to ensure that their value remains at a broadly similar level following the Special Dividend and Share Consolidation.

Accordingly, the Board has decided on the following steps in respect of outstanding awards.

### ***The Savings Related Share Option Schemes and the Booker Group Plc Performance Share Plan 2008***

In accordance with the applicable plan rules, participants in the Savings Related Share Option Schemes and the Booker Group Plc Performance Share Plan 2008 are not eligible to receive a dividend equivalent that reflects the value of the Special Dividend. However, as the Share Consolidation will also not apply in respect of the awards, the value of these awards should remain at a broadly similar level following the Special Dividend and the Share Consolidation. The Remuneration Committee will therefore not make adjustments to subsisting awards under the Savings Related Share Option Schemes and the Booker Group Plc Performance Share Plan 2008 in respect of the Special Dividend and Share Consolidation.



Participants in the Savings Related Share Option Schemes and the Booker Group Plc Performance Share Plan 2008 will be contacted in due course with further information about the Special Dividend and Share Consolidation, confirming that there will be no adjustment to awards and that participants are not required to take any action at this time.

### ***The Executive Incentive Plans***

In accordance with the applicable plan rules, participants in the Executive Incentive Plans are eligible to receive a dividend equivalent reflecting the value of the Special Dividend. However, as the Share Consolidation will not apply in respect of the awards, the value of these awards would be disproportionately increased relative to shareholders. Therefore, the Remuneration Committee will make appropriate adjustments to subsisting awards under the Executive Incentive Plans to take account of the Special Dividend and Share Consolidation to ensure the value of these awards remains at a broadly similar level following the Special Dividend and Share Consolidation.

Participants in the Executive Incentive Plans will be contacted in due course with further information about the Special Dividend and Share Consolidation and the proposed adjustments. Such participants are not required to take any action at this time.

### ***Tesco PLC Share Incentive Plan***

In accordance with the plan rules, all Existing Ordinary Shares held by the trustee of the Tesco PLC Share Incentive Plan on behalf of the participants in the Tesco PLC Share Incentive Plan will receive the Special Dividend and be consolidated.

The trustee of the Tesco PLC Share Incentive Plan will contact participants in the Tesco PLC Share Incentive Plan in due course with further information about the Special Dividend and Share Consolidation and the implications for their holdings in the plan. The trustee will also set out how participants in the Tesco PLC Share Incentive Plan may instruct the trustee how to vote at the General Meeting.

## **9. ADRs**

### ***Voting by ADR holders***

The ADR Depositary, as nominee shareholder of the Existing Ordinary Shares underlying the ADR Deposit Agreement, will be entitled to vote the Existing Ordinary Shares in accordance with written instructions timely received by the ADR holders who are on the ADR register.

ADR holders who are on the ADR register as at 5.00 p.m. (New York time) on 19 January 2021 will be eligible to provide the ADR Depositary with voting instructions for the General Meeting. In order for the voting instructions to be accepted for the purposes of voting in the General Meeting, the ADR Depositary Bank must receive such voting instructions no later than 12.00 p.m. (New York time) on 8 February 2021.

Holders of ADRs who wish to vote at the General Meeting should take steps to present their ADRs to the ADR Depositary for cancellation and (upon compliance with the terms of the ADR Deposit Agreement, including payment of the ADR Depositary's fees and any applicable taxes and governmental charges) take delivery of Existing Ordinary Shares in an account maintained in CREST so as to become registered members of the Company prior to the General Meeting record date. Taking these steps would usually enable attendance at the General Meeting. However, given prevailing Government guidance in relation to COVID-19 and the current instructions to stay at home, on this occasion even if such steps are taken, in the interests of safety, such holders will not be admitted to the General Meeting.

### ***Special Dividend and Share Consolidation***

The Company is proposing to pay the Special Dividend to all ADR holders on the ADR register as at 5.00 p.m. (New York time) on 12 February 2021 (being the close of business on the business day before the ADR effective date for the Share Consolidation) in US dollars (the amount of which is expected to be determined on the date the Special Dividend is paid to Shareholders).

Following the Share Consolidation becoming effective, the Existing Ordinary Shares held by the ADR Depositary will be replaced with New Ordinary Shares. As a result of the Share Consolidation, for each existing ADS held at 5.00 p.m. (New York time) on 12 February 2021 (being the close of business on the business day before the ADR effective date), all holders will, upon cancellation of their existing ADRs, be issued and receive new ADSs in the ratio of 15 new ADSs for each 19 existing ADSs and, in connection with the Special Dividend, will also be paid accordingly per ADS in US dollars (to be distributed in accordance with the ADR Deposit Agreement after giving effect to the fees and expenses provided for therein). All fractions to which holders of existing ADRs would otherwise have been entitled will be aggregated and sold in the market as soon as practicable after the Share Consolidation becomes effective and the net proceeds of sale will be distributed to ADR holders.

Existing ADSs each represent 3 Existing Ordinary Shares. Following the Share Consolidation, the new ADSs will each continue to represent 3 New Ordinary Shares.

Following the Share Consolidation becoming effective, the ADR Depositary will inform ADR holders on the ADR register regarding the mechanics of the cancellation of their existing ADRs as described below.

For those ADR holders who hold a book-entry position through the Direct Registration System (the **DRS**), the ADR Depositary will automatically cancel the existing ADRs and mail a new DRS Statement advising the number of new ADSs to be credited to the holder's account along with the Special Dividend (to be distributed in accordance with the ADR Deposit Agreement after giving effect to the fees provided therein). No action will be necessary on the part of the ADR holder.

For those ADR holders who hold ADRs in physical certificated form, instructions for the cancellation of such certificated ADRs will be set out in the Letter of Transmittal. If such holders do not surrender their certificates for cancellation, they will not receive the new entitlement and all dividends will be held until such time as they surrender their old certificates. ADR holders who are not on the ADR register and therefore hold their ADSs through a broker, financial institution or other nominee or otherwise, must rely on the procedures of such broker, financial institution or other nominee.

## **10. Taxation**

### ***United Kingdom Taxation***

The following statements are intended only as a general guide and relate only to certain limited aspects of the UK taxation treatment of the Special Dividend, the related Share Consolidation and the DRIP. They are based on current UK law and what is understood to be the current practice of HMRC as at the date of this document, both of which may change, possibly with retroactive effect. They apply only to Shareholders who are resident and, in the case of individuals domiciled, for tax purposes in (and only in) the UK (except insofar as express reference is made to the treatment of non-UK residents), who hold their shares as an investment (other than where a tax exemption applies, for example where the shares are held in an individual savings account or pension arrangement) and who are the absolute beneficial owner of both the shares and any dividends paid on them. The tax position of certain categories of Shareholders who are subject to special rules is not considered and it should be noted that they may incur liabilities to UK tax on a different basis to that described below. This includes

persons acquiring their shares in connection with employment, dealers in securities, insurance companies, collective investment schemes, charities, exempt pension funds, temporary non-residents and non-residents carrying on a trade, profession or vocation in the UK.

**The statements summarise the current position and are intended as a general guide only. Shareholders who are in doubt as to their tax position or who may be subject to tax in a jurisdiction other than the UK are strongly recommended to consult their own professional advisers.**

### **Special Dividend**

The Company is not required to withhold UK tax when paying a dividend. Liability to tax on the Special Dividend will depend upon the individual circumstances of a Shareholder.

#### **A. UK resident individual Shareholders**

Under current UK tax rules specific rates of tax apply to dividend income. These include a nil rate of tax (the “nil rate band”) for the first £2,000 of non-exempt dividend income in any tax year and different rates of tax for dividend income that exceeds the nil rate band. No tax credit attaches to dividend income. For these purposes “dividend income” includes UK and non-UK source dividends and certain other distributions in respect of shares.

An individual Shareholder who is resident for tax purposes in the UK and who receives the Special Dividend will not be liable to UK tax to the extent that (taking account of any other non-exempt dividend income received by the Shareholder in the same tax year) that dividend falls within the nil rate band.

To the extent that (taking account of any other non-exempt dividend income received by the Shareholder in the same tax year) the dividend exceeds the nil rate band, it will be subject to income tax at 7.5 per cent. to the extent that it falls below the threshold for higher rate income tax. To the extent that (taking account of other non-exempt dividend income received in the same tax year) it falls above the threshold for higher rate income tax then the dividend will be taxed at 32.5 per cent. to the extent that it is within the higher rate band, or 38.1 per cent. to the extent that it is within the additional rate band. For the purposes of determining which of the taxable bands dividend income falls into, dividend income is treated as the highest part of a Shareholder’s income. In addition, dividends within the nil rate band which would (if there was no nil rate band) have fallen within the basic or higher rate bands will use up those bands respectively for the purposes of determining whether the threshold for higher rate or additional rate income tax is exceeded.

#### **B. UK resident corporate Shareholders**

For UK resident corporate Shareholders, it is likely that the Special Dividend would fall within one or more of the classes of dividend qualifying for exemption from corporation tax. However, it should be noted that the exemptions are not comprehensive and are also subject to anti-avoidance rules.

#### **C. Non-UK resident Shareholders**

Shareholders resident outside the UK for tax purposes will commonly not be subject to UK taxation on dividends. A Shareholder resident outside the UK may be subject to non-UK taxation on dividend income under local law. A Shareholder who is resident outside the UK for tax purposes should consult their own tax adviser concerning their tax position in respect of the Special Dividend.

## **Share Consolidation**

It is expected that, for the purposes of UK taxation on chargeable gains, the Share Consolidation will be treated as follows:

- (a) the New Ordinary Shares arising from the Share Consolidation will result from a reorganisation of the share capital of the Company. Accordingly, to the extent that a Shareholder receives New Ordinary Shares, the Shareholder should not be treated as making a disposal of all or part of the Shareholder's holding of Existing Ordinary Shares by reason of the Share Consolidation being implemented, and the New Ordinary Shares which replace a Shareholder's holding of Existing Ordinary Shares (the **New Holding**) as a result of the Share Consolidation will be treated as the same asset acquired at the same time as the Shareholder's holding of Existing Ordinary Shares was acquired;
- (b) as described in Section 2 of this Part II (*Further Details of the Special Dividend and Share Consolidation*) above, fractional entitlements arising under the Share Consolidation are to be aggregated and sold, with the realised net proceeds to be donated to support the food bank activities of the charity The Trussell Trust, other than ADR holders and those Shareholders who hold their shares through the Tesco Share Account, who will receive the net proceeds of such sale (after deduction of any expenses associated with such sale). More details about our work with The Trussell Trust can be found at [www.tescopl.com/sustainability/partnerships/food-redistribution/](http://www.tescopl.com/sustainability/partnerships/food-redistribution/). A Shareholder's fractional entitlement, if any, will be less than one New Ordinary Share, and the related proceeds donated to support the food bank activities of the charity The Trussell Trust, effectively on the Shareholder's behalf, will thus be less than the price of one New Ordinary Share. Notwithstanding either the de minimis nature of such proceeds or the fact that they will not be received by the Shareholder, they are normally, in practice, required to be deducted from the base cost of the Shareholder's New Holding. In the unlikely event that either such proceeds exceed the base cost or if a Shareholder is not entitled to any New Ordinary Shares under the Share Consolidation, there should be a disposal and resulting chargeable gain;
- (c) on a subsequent disposal of the whole or part of the New Ordinary Shares comprised in the New Holding, a Shareholder may, depending on his or her circumstances, be subject to tax on the amount of any chargeable gain realised; and
- (d) non-UK resident Shareholders who do not have a branch or agency (or, in the case of a non-resident company, a permanent establishment) in the UK will generally not be subject to UK tax on disposal of the Ordinary Shares.

## **DRIP**

It is expected that, for the purposes of UK taxation, Shareholders who elect to use the cash Special Dividend to buy additional shares under the DRIP will be treated as follows:

- (a) an individual Shareholder, for income tax purposes, will be treated in the same manner as if he or she received the Special Dividend in cash. For capital gains tax purposes, the cost of the additional shares acquired with the Special Dividend, including any dealing charges and stamp duty or stamp duty reserve tax, should be the base cost of the additional shares purchased on the individual Shareholder's behalf; and
- (b) a corporate Shareholder, for corporation tax purposes, will be treated in the same manner as if it received the Special Dividend in cash. For the purposes of corporation tax on chargeable gains, the cost of the additional shares acquired with the Special Dividend, including any dealing charges and stamp duty or stamp duty reserve tax, should be the base cost of the additional shares purchased on the corporate Shareholder's behalf.

### **Transactions in Securities anti-avoidance**

Under the provisions of Chapter 1 of Part 13 Income Tax Act 2007 (for individuals) and Part 15 Corporation Tax Act 2010 (for companies), in each case as amended, HM Revenue and Customs can, in certain circumstances, counteract tax advantages arising in relation to certain transactions in securities. It is not expected that these provisions should be engaged in respect of the Special Dividend, and no clearance has been or will be sought by the Company from HM Revenue and Customs in relation to their applicability to the Special Dividend.

### ***United States Federal Income Taxation***

The following discussion is a general summary based on current law of certain US federal income tax considerations relevant to the Special Dividend and Share Consolidation. This discussion is not a complete description of all tax considerations that may be relevant; it is not a substitute for tax advice. It addresses only US Holders (as defined below) that hold Existing Ordinary Shares or ADRs and receive the Special Dividend, that hold their Existing Ordinary Shares or ADRs as capital assets, and that use the US dollar as their functional currency. This discussion does not address the tax treatment of US Holders subject to special rules, such as banks and other financial institutions, insurance companies, dealers in currencies and securities, traders in securities that elect to mark-to-market, regulated investment companies, real estate investment trusts, tax-exempt entities, pass-through entities (including S-corporations), persons owning directly, indirectly or constructively 10 per cent. or more of the Company's share capital, investors liable for alternative minimum tax, persons holding the Existing Ordinary Shares or ADRs as part of a hedge, straddle, conversion, constructive sale or other integrated financial transaction, or persons holding the Existing Ordinary Shares or ADRs in connection with a permanent establishment or fixed base outside the United States. It also does not address US federal taxes other than income tax, US state and local tax or non-US tax considerations.

As used in this section, ***US Holder*** means a beneficial owner of the Existing Ordinary Shares or ADRs that is, for US federal income tax purposes (a) a citizen or individual resident of the United States, (b) a corporation or other business entity treated as a corporation created or organised under the laws of the United States, any state thereof, or the District of Columbia, (c) a trust subject to the control of one or more US persons and the primary supervision of a US court or (d) an estate the income of which is subject to US federal income tax without regard to its source.

The US federal income tax treatment of a partner in a partnership (or an entity or arrangement treated as a partnership) for US federal income tax purposes that holds the Existing Ordinary Shares or ADRs generally will depend on the status of the partner and the activities of the partnership. US Holders that are partnerships should consult their own tax advisors regarding the specific US federal income tax consequences to their partners of the partnership's acquisition, ownership and disposition of the Existing Ordinary Shares or ADRs.

This following discussion assumes that the Company has not been, and for the current year will not be a passive foreign investment company (***PFIC***) for US federal income tax purposes. Whether the Company is, or was a PFIC is a factual determination that is made annually. If the Company were to be treated as a PFIC during a US Holder's holding period with respect to the Company, such US Holder would not be eligible for the preferential rates available to non-corporate US Holders on dividend income from the Company as described under the heading "Special Dividend" and would also be required to pay a special addition to US tax on the Special Dividend. US Holders should consult their own tax advisers regarding the potential application of the PFIC rules.

This discussion further assumes that the ADRs are treated for US federal income tax purposes as ownership of the Existing Ordinary Shares or New Ordinary Shares (as applicable) represented by the ADRs.

## **Special Dividend**

The gross amount of the Special Dividend paid on the Existing Ordinary Shares should be included in a US Holder's gross income as ordinary dividend income from foreign sources on the day actually or constructively received, to the extent paid out of current or accumulated earnings and profits of the Company. Since the Company does not maintain accounts of its earnings and profits according to US tax principles, US Holders should assume that the Special Dividend will be treated as dividend income.

The Special Dividend will not be eligible for the dividends-received deduction generally available to US corporations. Non-corporate US Holders which satisfy a minimum holding period and certain other requirements may be able to qualify for preferential rates on the Special Dividend if the Company qualifies for benefits under the income tax treaty between the United States and the United Kingdom (the *Treaty*). The Company believes that it qualifies under the Treaty.

If the Special Dividend is paid in non-US currency, it will be included in income in a US dollar amount based on the exchange rate in effect on the date of receipt whether or not the currency is converted into US dollars or otherwise disposed of at that time. A US Holder's tax basis in the non-US currency will equal the US dollar amount included in income. Any gain or loss realised on a subsequent disposition or conversion of non-US currency for a different US dollar amount generally will be US source ordinary income or loss. If the Special Dividend paid in non-US currency is converted into US dollars on the day the Special Dividend is received, the US Holder will generally not be required to recognise foreign currency exchange gain or loss in respect of the Special Dividend.

A dividend that exceeds certain thresholds in relation to a US Holder's tax basis in its shares could be characterised as an "extraordinary dividend" unless the US Holder has held its shares for more than two years prior to the dividend announcement date. If a non-corporate US Holder receives an extraordinary dividend, it will be required to treat any loss on the sale of the shares in respect of which such extraordinary dividend is paid as a long-term capital loss to the extent of the extraordinary dividends received that qualify for the reduced dividend tax rate described above. US Holders should consult their tax advisors regarding whether receipt of the Special Dividend will be considered an extraordinary dividend and the tax considerations relevant to them in such an event.

Dividends and foreign currency gains will be subject to the 3.8 per cent. Medicare tax on net investment income applicable to certain non-corporate US Holders.

## **Share Consolidation**

A US Holder will not recognise a gain or loss in connection with the exchange of Existing Ordinary Shares for New Ordinary Shares or an exchange of ADRs in the Share Consolidation, except to the extent of cash received in lieu of an entitlement to a fractional New Ordinary Share (a "fractional entitlement"). The difference between the US Holder's tax basis allocable to the fractional entitlement and the cash received in lieu of such entitlement, each determined in US dollars, will be a capital gain or loss which will be a long-term capital gain or loss if the US Holder has held its ADR or Existing Ordinary Share for more than one year at the effective time of the Share Consolidation.

A US Holder that receives pounds sterling on the sale of fractional entitlements will realise an amount equal to the US dollar value of the pounds sterling received at the spot rate on the date of sale (or, in the case of a cash basis or an electing accrual basis US Holder, and provided that the New Ordinary Shares are treated as regularly traded on a qualifying exchange, the settlement date). A US Holder that does not determine the amount realised using the spot rate on the settlement date will recognise a foreign currency gain or loss equal to the difference between the US dollar value of the pounds sterling received based on the spot exchange rates in effect on the date of sale or other disposition and the settlement date. A US Holder will have

a tax basis in the pounds sterling received equal to the US dollar value of the pounds sterling received at the spot rate on the settlement date. Any gain or loss realised on a subsequent disposition or conversion of the pounds sterling for a different US dollar amount generally will be US source ordinary income or loss.

Any gain recognised in respect of a fractional entitlement or foreign currency exchange gain may be subject to the 3.8 per cent. Medicare tax on net investment income applicable to certain non-corporate US Holders.

A US Holder's tax basis in its New Ordinary Shares or ADRs will equal its aggregate tax basis in its Existing Ordinary Shares, or Existing Ordinary Shares represented by the ADRs, reduced by any amount allocable to a fractional entitlement for which cash is received. A US Holder's holding period for its New Ordinary Shares or ADRs will include its holding period of the Existing Ordinary Shares exchanged therefor (or in the case of ADRs, will include the holding period of the Existing Ordinary Share represented by such ADRs).

### **Information reporting and backup withholding**

Payment of the Special Dividend and sales proceeds in respect of fractional entitlements made into the United States or through certain US-related financial intermediaries may be reported to the US Internal Revenue Service (*IRS*) unless the holder is a corporation or otherwise establishes a basis for exemption. Backup withholding may apply to reportable payments unless the holder makes the required certification, including providing its taxpayer identification number or otherwise establishes a basis for exemption. Any amount withheld may be credited against a US Holder's US federal income tax liability or refunded to the extent it exceeds the holder's liability, provided the required information is timely furnished to the IRS.

Certain US Holders are required to report information to the IRS with respect to the New Ordinary Shares or ADRs which are not held through an account with a financial institution (in which case the account may be reportable if maintained by a foreign financial institution). Investors who fail to report required information could become subject to substantial penalties. Potential investors are encouraged to consult with their own tax advisers about these and any other reporting obligations arising from the Special Dividend and Share Consolidation.

**THE DISCUSSION ABOVE IS A GENERAL SUMMARY. IT DOES NOT COVER ALL TAX MATTERS THAT MAY BE OF IMPORTANCE TO A PARTICULAR SHAREHOLDER. EACH SHAREHOLDER IS URGED TO CONSULT ITS OWN TAX ADVISER ABOUT THE TAX CONSEQUENCES TO IT OF THE SPECIAL DIVIDEND AND SHARE CONSOLIDATION IN LIGHT OF THE SHAREHOLDER'S OWN CIRCUMSTANCES.**

### **11. Dealings and settlement**

Application will be made to the FCA for the New Ordinary Shares arising from the proposed consolidation of the Company's total issued ordinary share capital to be admitted to the premium segment of the Official List and to the London Stock Exchange for the New Ordinary Shares to be admitted to trading on the London Stock Exchange's main market for listed securities, as well as to Euronext Dublin for the New Ordinary Shares to be admitted to listing on the secondary listing segment of the Irish Official List and to trading on Euronext Dublin's main market for listed securities. It is expected that dealings in the Existing Ordinary Shares will continue until 4.30 p.m. on 12 February 2021 and that Admission of the New Ordinary Shares will become effective and dealings for normal settlement will commence at 8.00 a.m. on 15 February 2021.

The current ISIN (GB0008847096) in relation to Existing Ordinary Shares will be disabled in CREST as at 6.00 p.m. on 12 February 2021. A new ISIN (GB00BLGZ9862) in relation to the New Ordinary Shares will come into effect at 8.00 a.m. on 15 February 2021.

With effect from the Share Consolidation, share certificates in respect of Existing Ordinary Shares will no longer be valid. However, share certificates in respect of New Ordinary Shares will only be issued following the Share Consolidation. It is therefore important that, if you hold certificates in respect of your Existing Ordinary Shares, you retain them for the time being. New share certificates in respect of the New Ordinary Shares are expected to be posted by no later than 26 February 2021 to those Shareholders who hold their shares in certificated form. These will replace existing certificates which should then be destroyed. Pending the receipt of new certificates, transfers of New Ordinary Shares held in certificated form will be certified against the Register. The new share certificates in respect of the New Ordinary Shares are despatched to Shareholders at their own risk. Please note, if you are a gone away shareholder your share certificate in respect of the New Ordinary Shares will not be issued until you contact the Registrar.

Shareholders who hold their entitlement to New Ordinary Shares in uncertificated form through CREST will have their CREST accounts adjusted to reflect their entitlement to New Ordinary Shares on 15 February 2021.

Shareholders who hold their shares through the Tesco Share Account will be sent a statement confirming the New Ordinary Share balance held on their behalf in the Tesco Share Account by no later than 26 February 2021.

Holders of ADRs should refer to Section 9 of this Part II (*Further Details of the Special Dividend and Share Consolidation*) for more details.

## **12. Documents available for inspection**

Copies of this document will be available for inspection on the Company's website [www.tescopl.com/GM2021](http://www.tescopl.com/GM2021) from the date of this document up to and including the date of the General Meeting and for the duration of the General Meeting.

**Dated 25 January 2021**



## PART III – DEFINITIONS

The following definitions apply throughout this document unless the context requires otherwise:

<b>2020 AGM</b>	the annual general meeting of Tesco held on 26 June 2020
<b>2021 AGM</b>	the annual general meeting of Tesco to be held in or around June 2021
<b>Act</b>	the Companies Act 2006
<b>Admission</b>	UK Admission and Irish Admission
<b>ADR</b>	American depositary receipt evidencing any number of ADSs, issued by the ADR Depositary in accordance with the provisions of the ADR Deposit Agreement
<b>ADR Deposit Agreement</b>	the deposit agreement entered into between the Company, the ADR Depositary and holders from time to time of ADRs issued under it
<b>ADR Depositary</b>	JPMORGAN CHASE BANK, N.A. in its capacity as the ADR depositary under the ADR Deposit Agreement
<b>ADS</b>	American depositary share, representing three Ordinary Shares in the Company
<b>Articles</b>	the articles of association of Tesco
<b>Asia Business</b>	has the meaning set out in Section 1 of Part I ( <i>Letter from the Chairman of Tesco</i> )
<b>Board</b>	board of Directors of Tesco
<b>Conditions</b>	the conditions set out in the share purchase agreement dated 9 March 2020 and entered into between, <i>inter alia</i> , the Sellers and the Purchaser in connection with the Disposal, as described in more detail in the class 1 circular sent to Shareholders on 22 April 2020
<b>CREST</b>	the UK-based system for the paperless settlement of trades in listed securities, of which Euroclear UK & Ireland Limited is the operator in accordance with the Uncertificated Securities Regulations 2001 (SI 2001/3755)
<b>Directors</b>	the Executive Directors and Non-executive Directors of Tesco
<b>Disposal</b>	has the meaning set out in Section 1 of Part I ( <i>Letter from the Chairman of Tesco</i> )
<b>Dividend Election Input Message</b>	the KMIN instruction which Shareholders who hold their Ordinary Shares through CREST use to elect to receive dividends in the form of Ordinary Shares
<b>DRIP</b>	the dividend reinvestment plan operated by the Company
<b>DRS</b>	the Direct Registration System

<b>DRS Statement</b>	the statement advising ADR holders of the number of ADSs held via the Direct Registration System
<b>Euronext Dublin</b>	the Irish Stock Exchange plc, trading as Euronext Dublin
<b>Executive Directors</b>	the executive Directors of Tesco, currently Ken Murphy and Alan Stewart
<b>Executive Incentive Plans</b>	the: <ul style="list-style-type: none"> <li>(a) Listing Rule 9.4.2 Buyout Awards 2014 and 2015 – Alan Stewart</li> <li>(b) Tesco PLC Deferred Bonus Plan 2019</li> <li>(c) Tesco PLC Executive Incentive Plan 2004</li> <li>(d) Tesco PLC 2014 Executive Incentive Plan</li> <li>(e) Tesco PLC Group Bonus Plan</li> <li>(f) Tesco PLC Long Term Incentive Plan 2015</li> <li>(g) Tesco PLC Performance Share Plan 2011</li> </ul>
<b>Existing Ordinary Shares</b>	the ordinary shares of five pence each in the capital of Tesco prior to the Share Consolidation
<b>FCA</b>	the Financial Conduct Authority of the UK, its predecessors or its successors from time to time, including, as applicable, in its capacity as the competent authority for the purposes of Part VI of FSMA
<b>FSMA</b>	the Financial Services and Markets Act 2000, as amended
<b>General Meeting</b>	the general meeting of Tesco to be held in connection with the Special Dividend and Share Consolidation at Tesco PLC, Heart building, Shire Park, Welwyn Garden City, Herts, AL7 1TW at 10.30 a.m. on 11 February 2021
<b>Group</b>	Tesco and its consolidated subsidiaries and subsidiary undertakings
<b>Irish Admission</b>	admission of the New Ordinary Shares to the secondary listing segment of the Irish Official List and to trading on Euronext Dublin’s main market for listed securities
<b>Irish Official List</b>	the official list maintained by the Euronext Dublin
<b>IRS</b>	has the meaning set out in Section 10 of Part II ( <i>Further Details of the Special Dividend and Share Consolidation</i> )
<b>Letter of Transmittal</b>	an exchange form in respect of the ADSs to be sent by the ADR Depository to ADR holders
<b>Listing Rules</b>	the Listing Rules made by the FCA for the purposes of Part VI of FSMA
<b>Net Funds</b>	has the meaning set out in Section 1 of Part I ( <i>Letter from the Chairman of Tesco</i> )

<b>New Holding</b>	has the meaning set out in Section 10 of Part II ( <i>Further Details of the Special Dividend and Share Consolidation</i> ) of this document.
<b>New Ordinary Shares</b>	the ordinary shares of 6 $\frac{1}{3}$ pence each in the capital of Tesco following the Share Consolidation
<b>Non-executive Directors</b>	the non-executive Directors of Tesco, currently John Allan, Mark Armour, Melissa Bethell, Stewart Gilliland, Steve Golsby, Byron Grote, Mikael Olsson, Deanna Oppenheimer, Simon Patterson, Alison Platt and Lindsey Pownall
<b>Notice of General Meeting</b>	the notice of the General Meeting, as set out in Part IV ( <i>Notice of General Meeting</i> ) of this document
<b>Official List</b>	the official list maintained by the FCA
<b>Ordinary Shares</b>	prior to the Share Consolidation, the Existing Ordinary Shares and, after the Share Consolidation, the New Ordinary Shares
<b>PFIC</b>	has the meaning set out in Section 10 of Part II ( <i>Further Details of the Special Dividend and Share Consolidation</i> )
<b>Proxy Form</b>	the form of proxy in connection with the General Meeting, which accompanies this document
<b>Purchaser</b>	C.P. Retail Development Company Limited a company incorporated under the laws of Thailand, whose registered office is at 313 C.P. Tower, 14th Floor, Silom Road, Silom Sub-district, Bangrak District, Bangkok, Thailand and whose registered number is 0105563042102
<b>Register</b>	the register of members of the Company
<b>Resolutions</b>	the resolutions set out in Part IV ( <i>Notice of General Meeting</i> )
<b>RIS</b>	a Regulatory Information Service that is approved by the FCA and that is on the list of Regulatory Information Services maintained by the FCA
<b>Savings Related Share Option Schemes</b>	the: <ul style="list-style-type: none"> <li>(a) Booker Group Plc Savings Related Share Option Plan 2008</li> <li>(b) Tesco PLC Savings-Related Share Option Scheme 1981</li> <li>(c) Tesco PLC Irish Savings Related Share Option Scheme 2000</li> </ul>
<b>Sellers</b>	THL and THBV
<b>Share Consolidation</b>	the proposed consolidation of Existing Ordinary Shares on the basis of 15 New Ordinary Shares with nominal value of 6 $\frac{1}{3}$ pence for every 19 Existing Ordinary Shares
<b>Share Plans</b>	the: <ul style="list-style-type: none"> <li>(a) Booker Group Plc Performance Share Plan 2008</li> </ul>

	(b) Tesco PLC Share Incentive Plan
	(c) Executive Incentive Plans
	(d) Savings Related Share Option Schemes
<b>Shareholders</b>	the holders of Ordinary Shares from time to time
<b>Special Dividend</b>	the proposed special dividend of 50.93 pence per Existing Ordinary Share
<b>Tesco or Company</b>	Tesco PLC, incorporated in England and Wales with registered number 00445790 and whose registered office is at Tesco House, Shire Park, Kestrel Way, Welwyn Garden City AL7 1GA, United Kingdom
<b>THBV</b>	Tesco Holdings B.V., incorporated in the Netherlands and whose registered office is at Willemsparkweg 150 hs, 1071 HS, Amsterdam, Netherlands
<b>THL</b>	Tesco Holdings Limited, incorporated in England and Wales with registered number 00243011 and whose registered office is at Tesco House, Shire Park, Kestrel Way, Welwyn Garden City AL7 1GA, United Kingdom
<b>Treaty</b>	has the meaning set out in Section 10 of Part II ( <i>Further Details of the Special Dividend and Share Consolidation</i> )
<b>UK</b>	the United Kingdom of Great Britain and Northern Ireland
<b>UK Admission</b>	admission of the New Ordinary Shares to the premium listing segment of the Official List and to trading on the London Stock Exchange's main market for listed securities
<b>US</b>	the United States of America
<b>US Holder</b>	has the meaning set out in Section 10 of Part II ( <i>Further Details of the Special Dividend and Share Consolidation</i> )

## PART IV – NOTICE OF GENERAL MEETING

### Tesco PLC (the Company)

(Company number 00445790)

#### NOTICE OF GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that a **GENERAL MEETING** of the Company will be held at Tesco PLC, Heart building, Shire Park, Welwyn Garden City, Herts, AL7 1TW at 10.30 a.m. on 11 February 2021, for the purposes of considering and, if thought fit, passing the following Resolutions.

Resolutions 1 to 3 will be proposed as ordinary resolutions and Resolutions 4 to 6 will be proposed as special resolutions.

For the purposes of these Resolutions, capitalised terms used but not defined herein shall (unless the context otherwise requires) have the meaning ascribed to them in the Company's circular to Shareholders dated 25 January 2021 of which this notice forms part.

Resolutions 3 to 6 are technical replacements of the existing authorities granted by Shareholders at the 2020 AGM and are required in order to preserve the position that would have been the case had the Share Consolidation not taken place. Shareholders will be asked to renew these authorities at the 2021 AGM.

#### ORDINARY RESOLUTIONS

##### Resolution 1 – Special Dividend

THAT, subject to and conditional on:

- (a) admission of the new ordinary shares of 6 $\frac{1}{3}$  pence each in the capital of the Company to:
  - (i) the premium listing segment of the Official List and to trading on the London Stock Exchange's main market for listed securities and; (ii) the secondary listing segment of the Irish Official List and to trading on Euronext Dublin's main market for listed securities, in each case becoming effective at 8.00 a.m. on 15 February 2021 (or such later time and/or date as the Directors may in their absolute discretion determine) (**Admission**); and
- (b) the passing of Resolution 2,

a dividend of 50.93 pence per existing ordinary share of 5 pence each in the capital of the Company be, and is hereby declared to be, paid to each Shareholder on the register of members of the Company at 6.00 p.m. on 12 February 2021.

##### Resolution 2 – Share Consolidation

THAT, subject to and conditional on the passing of Resolution 1 and Admission (as defined in Resolution 1), every 19 existing ordinary shares of 5 pence each in the capital of the Company (the **Existing Ordinary Shares**) in issue and outstanding as at 6.00 p.m. on 12 February 2021 (or such other time and date as the Directors may in their absolute discretion determine) be and are hereby consolidated into 15 new ordinary shares of 6 $\frac{1}{3}$  pence each in the capital of the Company (the **New Ordinary Shares**), such shares having the same rights and being subject to the same restrictions (save as to nominal value) as the Existing Ordinary Shares in the capital of the Company as set out in the Company's current Articles, provided that where such consolidation results in any member being entitled to a fraction of a New Ordinary Share, such fraction shall, so far as possible, be aggregated with the fractions of a New Ordinary Share to which other members of the Company may be entitled and the Directors be and are hereby authorised to sell (or appoint any other person to sell), on behalf of the relevant members, all the New Ordinary Shares representing such fractions at the best price reasonably obtainable to

any person. For the purposes of implementing such sale: (i) any Director (or any person appointed by the Directors) shall be and is hereby authorised to execute an instrument of transfer on behalf of the relevant members entitled to such fractions and to do all acts and things the Directors consider necessary or expedient to effect the transfer of such fractional entitlements to, or in accordance with the directions of, any buyer of any such fractional entitlements; and (ii) other than ADR holders and Shareholders who hold their shares through the Tesco Share Account, each of whom will receive the net proceeds of such sale (after deduction of any expenses associated with such sale), the proceeds of such sale (net of expenses) will be donated to support the food bank activities of the charity The Trussell Trust.

### **Resolution 3 – Authority to allot shares**

THAT, subject to and conditional on the passing of Resolutions 1 and 2 and Admission (as defined in Resolution 1), in place of the equivalent authority given to the Directors at the last annual general meeting of the Company (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) new ordinary shares of 6½ pence each in the capital of the Company (the **New Ordinary Shares**) or to grant rights to subscribe for, or to convert any securities into New Ordinary Shares in the Company up to a maximum aggregate nominal amount of £163,224,942; and, in addition,
- (b) equity securities (as defined in section 560 of the Act) of the Company up to an aggregate nominal amount of £163,224,942 in connection with an offer of such securities by way of a rights issue,

provided that this authority shall expire at the end of the next annual general meeting of the Company, save that the Company may, before such expiry, make an offer or agreement which would or might require rights to subscribe for or to convert any securities into New Ordinary Shares to be granted or equity securities to be allotted after such expiry and the Directors may allot equity securities or grant such rights under any such offer or agreement as if the authority conferred by this Resolution 3 had not expired.

‘rights issue’ means an offer of equity securities to:

- (i) holders of New Ordinary Shares on the register on a record date fixed by the Directors in proportion (as nearly as may be practicable) to their existing holdings; and
- (ii) holders of other equity securities as required by the rights of those securities or as the Directors otherwise consider necessary, 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.

## **SPECIAL RESOLUTIONS**

### **Resolution 4 – Disapplication of pre-emption rights**

THAT, subject to and conditional on the passing of Resolutions 1, 2 and 3 and Admission (as defined in Resolution 1), the Directors be empowered pursuant to section 570 of the Companies Act 2006 (the **Act**) to allot equity securities (as defined in section 560 of the Act) for cash pursuant to the authority given by Resolution 3 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 3); 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 £24,483,741,

such authority to expire at the end of the next annual general meeting of the Company 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.

#### **Resolution 5 – Disapplication of pre-emption rights for acquisitions and other capital investment**

THAT, subject to and conditional on the passing of Resolutions 1, 2 and 3 and Admission (as defined in Resolution 1), the Directors be empowered pursuant to section 570 of the Companies Act 2006 (the **Act**) in addition to any authority granted under Resolution 4, to allot equity securities (as defined in section 560 of the Act) for cash pursuant to the authority given by Resolution 3 and/or to sell equity securities held as treasury shares for cash pursuant to section 727 of the Act, as if section 561(1) of the Act did not apply to any such allotment or sale, provided that this power shall be:

- (a) limited to the allotment and/or sale of equity securities up to an aggregate nominal value of £24,483,741; and
- (b) used only for the purposes of financing (or refinancing, if the authority is to be used within six months after the original transaction) a transaction which the Directors determine to be an acquisition or other capital investment of a kind contemplated by the Pre-Emption Principles most recently published by the Pre-Emption Group prior to the date of this Notice,

such authority to expire at the end of the next annual general meeting of the Company, 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.

#### **Resolution 6 – Purchase of own shares**

THAT, subject to and conditional on the passing of Resolutions 1 and 2 and Admission (as defined in Resolution 1), the Company be generally and unconditionally authorised to make market purchases (within the meaning of section 693(4) of the Companies Act 2006) of new ordinary shares of 6½ pence each in the capital of the Company (the **New Ordinary Shares**), on such terms as the Directors think fit, provided that:

- (a) the maximum number of New Ordinary Shares which may be purchased is 773,170,782;
- (b) the minimum price, exclusive of any expenses, which may be paid for each New Ordinary Share is 6½ pence;

- (c) the maximum price, exclusive of any expenses, which may be paid for each New Ordinary Share is an amount equal to the higher of:
  - (i) 105% of the average of the middle market quotations of a New Ordinary Share as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the New Ordinary Share is contracted to be purchased; and
  - (ii) the amount equal to the higher of the price of the last independent trade of an ordinary share and the highest current independent bid for an ordinary share on the trading venue where the purchase is carried out; and
- (d) this authority will expire at the end of the next annual general meeting of the Company, except in relation to the purchase of New Ordinary Shares under this authority the contracts for which are made before the expiry of this authority and which are executed wholly or partly thereafter.

*By order of the Board*  
Robert Welch  
Company Secretary

25 January 2021

**Registered Office:**

Tesco House  
Shire Park, Kestrel Way  
Welwyn Garden City, AL7 1GA



## Shareholder Notes

### The General Meeting

1. Given prevailing Government guidance in relation to COVID-19, it is proposed that the General Meeting be convened with the minimum quorum of shareholders present (which will be facilitated by Tesco) in order to conduct the business of the meeting. The well-being of our shareholders is vitally important to us and we ask Shareholders to adhere to the current instructions to stay at home and to instead vote by proxy on the Resolutions set out above as early as possible. To ensure that your vote is counted, it is particularly important that you appoint the “Chair of the Meeting” as your proxy as any other person who might be appointed will not be allowed access to the General Meeting. In the interests of protecting the health and safety of our Shareholders, colleagues and General Meeting support staff, as well as the public, Shareholders will not be admitted to the General Meeting.
2. We will continue to closely monitor the latest Government guidance, and how this may affect the arrangements for the General Meeting. If it becomes necessary or appropriate to revise the current arrangements for the General Meeting, further information will be made available on our website at [www.tescopl.com/GM2021](http://www.tescopl.com/GM2021) and/or via RNS.

### Explanations of the Resolutions

3. Explanations of the Resolutions are set out in Sections 1 to 6 inclusive of Part II (*Further Details of the Special Dividend and Share Consolidation*) of the circular to Shareholders published by the Company on 25 January 2021 of which this Notice of General Meeting forms part.

### Eligibility to vote

4. Only persons entered in the register of members of the Company at 6.30 p.m. on 9 February 2021 or, in the event that the meeting is adjourned, 6.30 p.m. on the date which is two working days prior to the reconvened meeting, shall be entitled to vote at the meeting. Changes to entries on the register after this time shall be disregarded in determining the rights of any person to vote at the meeting or adjourned meeting. Voting on the Resolutions will be by way of a poll. Although those on the register at 6.30 p.m. on the relevant date would ordinarily be invited to attend the meeting, given prevailing Government guidance in relation to COVID-19, we ask Shareholders to adhere to the current instructions to stay at home and to instead vote by proxy on the Resolutions set out above as early as possible (please see Note 5 below). In the interests of protecting the health and safety of our Shareholders, colleagues and General Meeting support staff, as well as the public, Shareholders will not be admitted to the General Meeting. Please see Note 20 if you would like to submit a question relating to the Special Dividend and Share Consolidation ahead of the meeting.

### Appointment of proxies

5. As we are asking Shareholders to adhere to the current instructions to stay at home and instead to vote by proxy, in order to retain flexibility given the current situation, we recommend appointing the “Chair of the Meeting” as your proxy to vote on your behalf. It is particularly important to consider appointing the “Chair of the Meeting” as your proxy as, if you appoint some other person, that other person will not be able to attend the General Meeting to cast votes as your proxy. Details of how to appoint the Chair of the Meeting or another person as your proxy using the Proxy Form are set out in the notes to the Proxy Form.
6. Where no specific instruction is given, your proxy may vote at his/her own discretion or refrain from voting, as he/she sees fit. 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. If you are appointing more than one proxy, you should indicate the number of shares for which each proxy is authorised to act on your holding. Failure to specify the number of shares to which each Proxy Form relates or specifying a number which, when taken together with the number of shares set out in the other proxy appointments, is in excess of the number of shares held by the member may result in the proxy appointment being invalid. A proxy need not be a Shareholder of the Company. However, as noted above, it is particularly important to consider appointing the “Chair of the Meeting” as your proxy as, if you appoint some other person, that other person will not be able to attend the General Meeting to cast votes as your proxy.

### Appointment of proxies using hard copy Proxy Forms

7. To appoint a proxy using the hard copy Proxy Form, you should complete and return your Proxy Form to Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, to arrive no later than 10.30 a.m. on 9 February 2021, being the specified time which is not less than 48 hours before the appointed time of the meeting (excluding any part of a day that is not a working day). Please note that voting online is quicker and more secure than paper voting. We encourage all Shareholders to vote by proxy as soon as possible.

### Appointment of proxies electronically

8. 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](http://www.sharevote.co.uk). You will need to use your Voting ID, Task ID and Shareholder

Reference Number which are printed on your Proxy Form. Full details of the procedure are given on the website. Alternatively, Shareholders who have already registered with Equiniti Registrars' online portfolio service, Shareview, can appoint their proxy electronically by logging on to their portfolio at [www.shareview.co.uk](http://www.shareview.co.uk). Once logged in, click "View" on the "My Investments" page. Click on the link to vote and follow the on-screen instructions.

9. The proxy appointment and/or voting instructions must be received by Equiniti Limited no later than 10.30 a.m. on 9 February 2021, being the specified time which is not less than 48 hours before the time appointed for the holding of the General Meeting (excluding any part of a day that is not a working day). Please note that any electronic communication sent to the Company or Equiniti Limited as Tesco's Registrar that is found to contain a computer virus will not be accepted. The use of the internet service in connection with the General Meeting is governed by Equiniti Limited's conditions of use set out on the website, [www.sharevote.co.uk](http://www.sharevote.co.uk), and may be read by logging on to that site.
10. If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

#### **Attending in person after voting by proxy**

11. Submitting a Proxy Form in advance does not prevent you from attending and voting at the meeting in person. However, given prevailing Government guidance in relation to COVID-19, we ask Shareholders to adhere to the current instructions to stay at home and to instead vote by proxy on the Resolutions set out above as early as possible. To ensure that your vote is counted, it is particularly important that you appoint the "Chair of the Meeting" as your proxy as any other person who might be appointed will not be allowed access to the General Meeting. In the interests of protecting the health and safety of our Shareholders, colleagues and General Meeting support staff, as well as the public, Shareholders will not be admitted to the General Meeting.

#### **CREST – appointing a proxy**

12. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy voting service may do so for the meeting and any adjournment(s) thereof by using the procedures described in the CREST Manual. These procedures are available via [www.euroclear.com](http://www.euroclear.com). 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.

#### **Authentication of CREST Proxy Instruction**

13. 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](http://www.euroclear.com)). 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 10.30 a.m. on 9 February 2021. 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 system) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

#### **CREST system timings**

14. 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 or her CREST sponsor or voting service provider takes) such action as shall be necessary to ensure that a message is transmitted by 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.

#### **Circumstances of invalidity**

15. 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.

#### **Appointment of proxy by joint members**

16. In the case of joint holders, where more than one of the joint holders completes a proxy appointment, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).

### **Nominated persons**

17. Any persons whose 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 Companies Act 2006 (***Nominated Persons***) may have a right under an agreement with the registered Shareholder who holds shares on their behalf to be appointed (or to have someone else appointed) as a proxy.
18. 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. The statement of members' rights to appoint proxies set out in these notes does not apply to nominated persons. The rights described to appoint proxies can only be exercised by registered holders of shares.

### **Corporate representatives**

19. Any corporation which is a member of the Company 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. If two or more corporate representatives purport to vote in respect of the same shares:
  - (a) if they purport to exercise the power in the same way as each other, the power is treated as exercised in that way; and
  - (b) in other cases, the power is treated as not exercised.

### **Asking questions at the meeting**

20. Despite these exceptional circumstances, the Board is keen to maintain engagement with shareholders. In order to facilitate this, if you are a shareholder and would like to ask a question on the formal business of the meeting, please email your question to [shareholderquestions@tesco.com](mailto:shareholderquestions@tesco.com) by 10.30 a.m. on 9 February 2021. Answers to questions relating to the formal business of the General Meeting will be published on the Company website at [www.tescopl.com/GM2021](http://www.tescopl.com/GM2021) and will be available on the website until 11 March 2021.
21. Any questions submitted that are not relevant to the business of the meeting will be forwarded for the attention of the relevant executive or the Registrar. Please note that the Company must answer any such question relating to the business being dealt with at the meeting but no such answer need be given if:
  - (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information;
  - (b) the answer has already been given on a website in the form of an answer to a question; or
  - (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

### **Availability of this Notice and other information**

22. A copy of this notice, information regarding the meeting and other information required by section 311A of the Companies Act 2006, can be found at [www.tescopl.com/GM2021](http://www.tescopl.com/GM2021).

### **Issued share capital and total voting rights**

23. As at 22 January 2021 (being the latest practicable date prior to the publication of this document), the Company's issued share capital consisted of 9,793,496,561 Existing Ordinary Shares, carrying one vote each. The Company does not hold any Existing Ordinary Shares in the capital of the Company in treasury. Therefore, the total voting rights in the Company as at 22 January 2021 were 9,793,496,561.

