Value. Quality. Service.

Tesco PLC Annual Report and Financial Statements

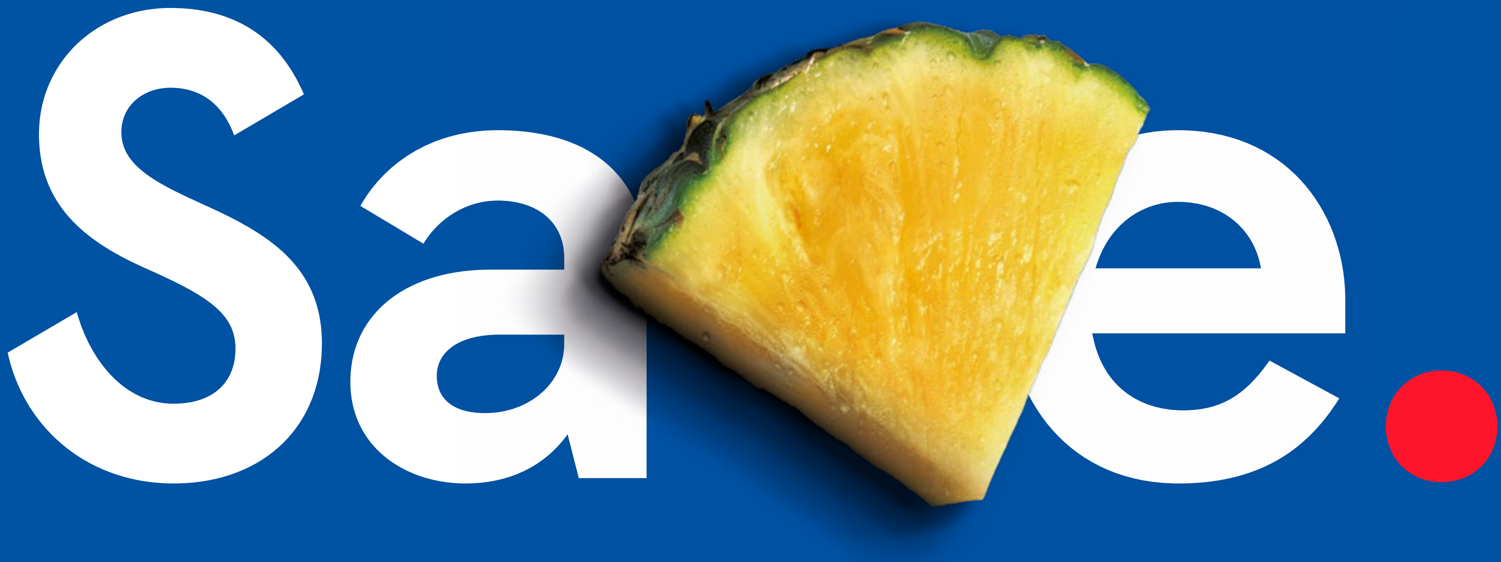
2025.

At Tesco, we pride ourselves on our commitment to deliver for our customers.

We focus on doing the basics brilliantly and leading on the things that truly matter to customers, including...

...Value.

We want to make sure that our customers are getting the best products at the best prices every day at Tesco, whether they're shopping for potatoes, shirts or phone deals. We continued to invest in lowering prices this year through our combination of Aldi Price Match, Low Everyday Prices and Clubcard Prices.



Up to
£392*
annual savings per customer with Clubcard Prices

Added an average of
c.650
products per market to our Low Price Guarantee in Central Europe

More than
800
prices locked for Booker catering customers between October 2024 and January 2025

* Clubcard Prices saving of up to £392 is based on the top 25% of Tesco Clubcard members and large store sales between 6 January 2024 and 4 January 2025. Tesco Clubcard Price saving versus regular Tesco price.

...Quality.

We take care of the quality of our products from the very start of the supply chain, with our farmers and growers, through manufacturing and packaging, to the presentation in our stores. Thanks to a strong focus on product quality across our range, our quality perception has improved 153 bps this year.

1,000
new products launched

15%
increase in Tesco Finest sales in the UK

600
products improved

£2.5bn
annual sales of Finest

...Service.

It is our mission to be easily the most convenient retailer. That means making sure that products are available when customers want them, that our stores are easy to shop and that our app offers everything they need in one place.

24/7.

Grocer 33
Award for availability 2024

1,500
stores offering Whoosh, for delivery in as little as 20 minutes

18m
Tesco app users

Hello.

Welcome to our Annual Report 2025.

Tesco was built to be a champion for customers, serving them every day with affordable, healthy and sustainable food. Our commitment to our customers extends beyond our stores, and into every community we serve – in the UK, Republic of Ireland (ROI), Slovakia, the Czech Republic and Hungary. We invest in communities to help them thrive, through supporting schools and children's groups, food banks and other good causes.

Our purpose guides every part of the Group. Serving our customers, communities and planet a little better every day is what we do.

For integrated content in this report and further reading, please click on the links below:

Task Force on Climate-related Financial Disclosures (TCFD)
TCFD content has been integrated across the Annual Report and can be found using the index on **page 36** and wherever you see this icon: T

A responsible business
Download our Sustainability report: tescoplc.com/sustainabilityreport2025

Our people
People content has been integrated across the Annual Report.

Further reading
Please visit our website: tescoplc.com/investors

Highlights of the year

224/25...

Performance highlights

Group sales[Δ(a)]
£63.6bn
3.5%
(2024: £61.5bn)

UK market share (sales value)[(e)]
28.3%
+67bps
(2024: 27.6%)

Net debt[Δ(c)]
£(9,454)m
2.4%
(2024: £(9,684)m)

Adjusted operating profit[Δ(b)]
£3,128m
10.6%
(2024: £2,829m)

Adjusted diluted EPS[Δ(b)]
27.38p
17.0%
(2024: 23.41p)

Group net promoter score[(f)]
28pts
9pts
(2024: 19pts)

Dividend per share
13.70p
13.2%
(2024: 12.10p)

Free cash flow[Δ(d)]
£1,750m
(15.2)%
(2024: £2,063m)

Statutory measures (on a continuing operations basis)

Revenue
£69.9bn
2.5%
(2024: £68.2bn)

Operating profit
£2,711m
(3.9)%
(2024: £2,821m)

Profit before tax
£2,215m
(3.2)%
(2024: £2,289m)

Statutory diluted EPS
23.13p
(5.7)%
(2024: 24.53p)

The performance of the Banking operations has been presented as a discontinued operation to the date of disposal. The Insurance and Money Services business has been presented on a continuing basis and therefore within headline performance measures. Further details on discontinued operations can be found in **Note 8**.

Δ Alternative performance measures (APMs) – the Group has defined and outlined the purpose of its APMs in the Glossary starting on **page 228**.
(a) Group sales exclude VAT and fuel.
(b) Adjusted operating profit and Adjusted diluted EPS exclude the impact of adjusting items. Refer to **Note 5 on page 151.**
(c) Net debt now includes Insurance and Money Service, with the prior year reported on a consistent basis. The impact of the prior year is to reduce Net debt by £80m. Further information on Net debt can be found in **Note 32 on page 209**.
(d) Free cash flow is an APM defined and outlined in the Glossary starting on **page 228**. See the Glossary starting on **page 228** for details of changes to APMs.
(e) UK market share based on Kantar Grocers Total Till Roll on a 12-week basis ending 23 February 2025.
(f) Basis – Tesco Global Brand tracker on a three-month rolling basis.

Who we are.

We are Tesco.

We are Tesco, a multinational grocery retailer, with its headquarters in the United Kingdom.

We serve millions of customers every week, in stores and online, and provide additional services across the Tesco family.

Serving our customers, communities and planet a little better every day.

Tesco at a glance continued

The value our businesses bring to customers and the Group

TESCO

Tesco is a leading multinational grocery retailer, which aims to serve customers affordable, healthy and sustainable food. We have a relentless focus on value and quality across large stores, convenience and online.

www.tesco.com

one stop

One Stop is a retail convenience business with more than 1,000 shops across the UK. The focus this year has been to provide customers in local communities with quality products and services at great prices.

www.onestop.co.uk

BOOKER

Booker is the UK's leading food and drink wholesaler, delivering great choice, price and service to a wide range of customers – including caterers, independent retailers and other businesses. Booker also owns symbol brands including Budgens, Londis and Premier.

www.booker.co.uk

TESCO mobile

Tesco Mobile is the UK's largest mobile virtual network operator, serving more than 5.5 million UK customers. Established in 2003 as a joint venture between Tesco and O2, it has grown into an award-winning network with more than 500 phone shops. This year, the focus has been on unlocking the power of Clubcard to deliver unique value and service for customers.

www.tescomobile.com

dunnhumby

dunnhumby is a global leader in customer data science. It works with brands, grocery retail, retail pharmacy and retail financial services to provide technology, software and consultancy services. Its insights help retailers and brands to truly put the customer first, through engaging experiences which enhance loyalty and growth.

www.dunnhumby.com

TESCO Insurance and Money Services

Tesco Insurance and Money Services helps more than 2 million customers protect what matters to them across home, travel, pet and car insurance. It is the second largest provider of travel money and has the third largest ATM network in the UK, with more than 3,400 ATMs in over 3,000 Tesco and One Stop stores. Its gift card offering is the largest in the UK retail market.

www.tescoinsurance.com and **www.tescotravelmoney.com**

Where we operate

4,572
Stores globally

3,829
Stores in the United Kingdom

182
Stores in the Republic of Ireland

184
Stores in the Czech Republic

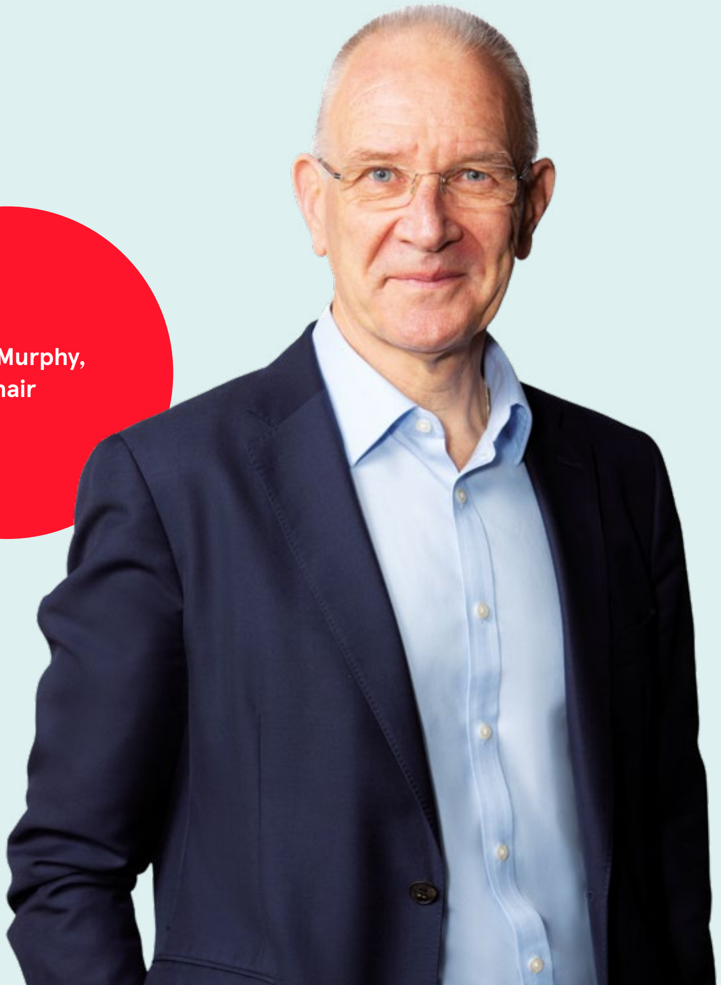
179
Stores in Slovakia

198
Stores in Hungary

Chair's statement

Delier.

As we build for the future, Tesco continues to deliver for all stakeholders.



Gerry Murphy, Chair

I reflect on another strong year for Tesco and I would like to start by thanking all colleagues across the Group.

Every time I go around Tesco, in our stores, distribution centres, offices and across all of our markets, I see consistent and enthusiastic dedication to our simple and shared purpose of serving our customers, communities and the planet a little better every day.

There is never a straightforward year in retail. As ever, we have had to navigate external events, geopolitical influences and changing consumer trends, but we have always tried to stay connected to our stakeholders and do what is right for them.

In focusing on all of our stakeholders, the Tesco team has delivered higher customer satisfaction, increased market share in the UK and Ireland and a strong trading and financial performance from the Group.

It's thanks to those efforts that today Tesco is a stronger business than ever, fit for the future and with gathering strategic momentum.

Every Little Helps

While inflation eased over the year, value remains the biggest influence when it comes to customers' shopping choices, and it is essential that we retain our relentless commitment to price and quality.

In the UK, Tesco was the cheapest full-line grocer throughout the year, while in Ireland we saw volume growth in every quarter this year and in Central Europe we have continued to cut prices in each of our markets.

We have continued to invest in our colleagues, with further significant increases in hourly pay and other benefits, recognising the essential role that our colleagues play in supporting our customers and communities, and in helping Tesco succeed. I'm proud that Tesco continues to be a fantastic place to get on and build an exciting and rewarding career.

Supporting our communities remains central to our business, and to our purpose. This year, our Stronger Starts programme made a real impact for children across the UK with its Fruit & Veg for Schools initiative, which has so far supported 400 schools with more than 5 million portions of fruit. For further detail, see **pages 11 and 12**. We've also supported hundreds of young people from some of the UK's most deprived areas to start their careers thanks to our Stronger Starts apprenticeships.

> The team has achieved higher customer satisfaction, increased market share and a strong financial performance. When we prioritise our customer offer, we deliver for all our stakeholders.

I'm also proud that we have doubled down on our drive towards net zero, for example with progress in harnessing solar energy for the future and moving freight from road to more sustainable rail in the UK. We have also worked hard to support our farmers and suppliers. In January, we relaunched the Tesco sustainable farming group to support British pig farmers.

Strong financial performance

Our investments over the last four years have resulted in the most competitive position and highest market share we have had for many years, with strong finances and positive trading momentum. Business growth and efficient use of our resources have resulted in another strong financial performance during 2024/25. Group adjusted operating profit rose 10.9%, driven by further progress in our core retail markets and a further contribution from our save to invest programme.

We have delivered well against the multi-year performance framework we set out in 2021, leading to strong cash generation and shareholder returns.

Tesco Bank update

In November 2024, we completed the sale of our Banking operations to Barclays, while retaining our insurance business, ATMs, travel money and gift cards which will trade under the Tesco Insurance and Money Services brand. We also launched a new long-term strategic partnership with Barclays to provide our customers access to a range of Tesco-branded financial products and services. This partnership combines Tesco's market-leading retail proposition, physical and digital reach with Barclays' deep financial services capabilities.

Board changes

In February, we welcomed Chris Kennedy to the Board as a Non-executive Director. As the Chief Financial Officer and Chief Operating Officer at ITV, Chris brings a wealth of knowledge in financial management, strategic planning and corporate governance, and will be a real asset to the Board. He is a member of the Audit Committee and the Nominations and Governance Committee.

Looking ahead

In addition to inflationary cost pressures from government decisions affecting employment costs and environmental regulations, we are seeing even stronger competitive activity in our key UK grocery market. We are committed, as always, to ensuring that Tesco customers get the best value in the market without compromising on quality and we will always act to protect and strengthen our competitive position.

Tesco has weathered a number of turbulent periods in recent years. Through all of that, it has emerged a stronger, more robust business. I am confident, thanks to the dedication of our colleagues and expertise of our leaders, that it will do so again in the year ahead.

Tesco is a vibrant business, full of energy, ideas and creativity. Innovation has always been in Tesco's DNA – including the launch of Clubcard as a globally groundbreaking loyalty programme 30 years ago. On a daily basis, I see that restless spirit as strong as ever with our growing retail media business and our ever more personalised Clubcard offer as great examples of commercial and strategic innovation.

Tesco never stands still and will always look for new ways to do the best we can for our customers, communities and planet. It's why we come to work.

Gerry Murphy
Chair
9 April 2025

Did you know:

The UK and ROI, saw like-for-like volume growth in every quarter of the year.

Our purpose framework

What we stand for.

Our core purpose is:

Serving our customers, communities and planet a little better every day.

Serving our customers, communities and planet a little better every day means we always keep customers at the heart of what we do, while also reflecting our responsibilities to the communities we serve and to society more broadly.

Customers

Everything we do begins and ends with our customers. By understanding our customers, we can anticipate and respond to their needs and expectations.

As a Group we serve a wide range of different customers, in different settings, from retail customers to customers of our insurance, mobile and wholesale businesses, as well as dunnhumby's retailer and supplier clients.

Communities

The role we play in the thousands of communities we serve is vital – whether it's creating good jobs, supporting local suppliers and producers, or helping local causes through our community programmes.

Planet

Our commitment to sustainability is core to our business. It drives our work across our own operations and our supply chain to reduce our environmental impact and support a healthier way of living.

Our values put our purpose into practice:

Our three values underpin our purpose, setting out how we work together as a team and guiding the decisions and choices we make across the Group.

1. No one tries harder for customers

Understanding people – customers, colleagues, communities – and what matters to them, and then trying to make those things better, is at the heart of Tesco.

It's about listening to people and talking to them using all the tools at our disposal – from Clubcard data to social media – and then acting by changing and innovating to meet their needs.

2. We treat people how they want to be treated

Here, there is an opportunity for all; everyone is heard, valued, supported, and empowered to be their best.

By respecting each other and working together, we can make Tesco great for our colleagues and customers.

3. Every little help makes a big difference

Every little help makes a big difference – it's the value we live by to ensure we serve our customers, colleagues and their communities a little better every day.

It really captures how, when we add up all the small things we do, Tesco can make a big difference to the issues customers, colleagues, communities and wider society care about.

Since we first introduced our Tesco Values more than a decade ago, they have become a vital part of our culture – and an essential underpinning of our growth and success. They ensure that every person at Tesco understands what is important – how we work together as a team and how customers are at the centre of what we do. They are universal values, which have helped guide our people as Tesco has grown.

Group Chief Executive's review

Fcus.

Strong performance allows us to invest for all of our stakeholders.

Ken Murphy, Group Chief Executive

For more information about our results use the QR code above

Today, Tesco is a business delivering strong financial performance, with a robust balance sheet and positive momentum. We've continued to invest in value, quality and service – and our customers have responded. Market share has reached its highest level since 2016 and we're winning share across the market. By investing in the fundamental building blocks that underpin a successful retailer, we're a stronger business than ever.

I would like to thank all of my Tesco colleagues for their efforts in delivering another strong performance. The success of our business is down to the dedication of our colleagues, who work to deliver for our customers, communities and planet a little better every day.

A continued focus on value...

Value continues to be a central focus over the past year. Our compelling value offer of Aldi Price Match, Low Everyday Prices and Clubcard Prices continues to resonate strongly with customers in the UK.

Right across the Group, we're focusing on supporting our customers. At Booker we have locked the price of more than 700 catering products until June 2025.

At Tesco Mobile, until 2026, customers can tap into their UK allowance at no extra cost in 48 destinations across the EU and beyond.

...and on quality

We've also invested heavily in the quality of our products. Finest goes from strength to strength, recording a 15% increase in UK sales over the last year and was recognised as the Own-Brand Range of the Year at the Grocer Gold Awards 2024. In addition, we have introduced Own Brand innovation across all tiers, including launches of the Taste Discoveries dinner-for-tonight range, inspired by Japanese and Korean cuisine, and High Protein and Gut Sense ranges.

At Christmas, Finest played a pivotal role, with more than 300 Finest festive products brought into stores in the UK, including our expanded Finest Chef's Collection range.

In Central Europe, we saw customers respond to our investment in quality as we introduced further Finest products to the market.

Overall, quality perception is up 153bps year-on-year, growing ahead of the market. We've invested across all of our ranges, but Finest in particular has had a remarkable year – you can see why on **page 13**.

Investing in our colleagues

Our colleagues are our greatest asset and our performance would not be possible without their relentless focus on brilliant service for our customers every day. Over the past year, we invested in our largest-ever increase in store colleague pay and improved parental and wellbeing offerings. We've also invested additional hours in store, helping us deliver market-leading availability. All of this culminated in standout colleague satisfaction results and Tesco being named the Employer of the Year (Retailer) at the Grocer Gold Awards 2024.

We are investing another £180m in colleague pay this year and have invested more than £900m in pay increases since April 2022.

Supporting our local communities

We take great pride in serving our local communities and making a real difference to those who need it most. Stronger Starts, our grant programme to help children have a stronger start in life through healthy food and physical activities, has supported more than 12,200 projects to date. As part our Fruit & Veg for Schools scheme, launched in October, we have supported 400 schools with more than 5 million portions of fruit and veg.

Customer:

Up to £392

annual savings per customer with Clubard Prices

Community:

300m

total number of meals donated to charities and local communities in the UK since 2016/17

We've also continued to focus on food donations – with 300 million meals donated to charities and local communities in the UK since 2016/17.

Our Stronger Starts apprenticeship scheme continues to offer hundreds of young people from some of the UK's most deprived communities the chance to develop life skills and take their first steps on the path to a fulfilling career in retail.

Looking after the planet

We continue to make great strides towards our commitment to be carbon neutral in our own operations by 2035. Our tenth rail service, serving the north west of England, means we now move more than 300 million cases on the Tesco rail network each year. The signing of a new power purchase agreement ensures we'll receive enough solar energy from the Cleve Hill solar park to power the equivalent of 144 large stores every year – a tenth of our total electricity demand. A further deal for a windfarm at Stranoch will add clean energy for the equivalent of 80 average-sized supermarkets.

We've continued our drive to reduce plastic use in our operations, removing millions of pieces of plastic from our stores and supply chain. We've moved our Finest pasta from plastic to paper packaging and trialled the use of laser etching on our avocados.

I'm happy with our work on health, where we have made strong progress towards our commitment of 65% healthy sales by 2025 in the UK and ROI.

And we have continued to look after our suppliers, who've ranked us number one in the Advantage supplier survey for the ninth consecutive year.

Tesco Bank

In November, we completed the sale of our Banking operations and began an associated strategic partnership with Barclays. This partnership allows us to unlock even greater value for Tesco Bank customers, giving them access to new and innovative propositions while continuing to enjoy the unique benefits of Tesco Clubcard. I want to thank all our colleagues at Tesco Bank for their hard work, helping millions of loyal customers to manage their money for more than 25 years.

Following the sale, we will return £700m to shareholders via an incremental share buyback.

Stronger Starts

Our Stronger Starts apprenticeship scheme continues to offer hundreds of young people from some of the UK's most deprived communities the chance to develop life skills and take their first steps on the path to a fulfilling career in retail.

Progress on our strategic priorities

Our strategic priorities continue to play a vital role in keeping us laser-focused on our customers in a competitive and fast-paced market. We dig into the details of our strategic priorities on **pages 16 and 17**, but I would like to say a few words here.

Magnetic value – our colleagues work day-in, day-out to make sure we're giving our customers the best possible value, quality and a great shopping experience, no matter how they choose to shop with Tesco.

I love my Tesco Clubcard – more than 23 million UK households now hold a Clubcard, with Group-wide app users now up to 18 million. We have delivered an increase in Clubcard sales penetration across all markets with the UK at 84%, ROI 87% and Central Europe 88%. The launch of our AI-powered Clubcard Challenges campaign amplified our efforts to give customers ever-greater personalisation, with more than 10 million given the chance to earn up to £50 worth of Clubcard vouchers over Christmas.

Easily the most convenient – Tesco continues to help customers shop with us wherever, whenever and however they want. We have opened 90 new stores across the Group, Whoosh goes from strength to strength, and now offers delivery from a number of large stores. And while Booker has faced some challenging market conditions, we welcomed a further 566 net new retail partners, taking the total to just under 8,000.

Save to invest – we are always looking for ways we can be a simpler and more efficient business, allowing us to reinvest in the things that matter most to our customers and colleagues. We delivered £510m efficiency savings for the 2024/25 financial year and have seen continued progress across all areas, including goods & services not for resale, operations, property and central overheads.

Group Chief Executive's review continued

Executive team

In July, our Group General Counsel, Adrian Morris, left Tesco after a career of 11 years leading our Legal team and as a member of the Executive Committee. Adrian had an immense impact on our business, providing invaluable guidance through the turnaround efforts and beyond – ensuring Tesco is stronger and more resilient than ever.

I was delighted to confirm the permanent appointment of Kay Majid as our Group General Counsel and member of the Executive Committee in September. Kay has had a significant impact on Tesco in her 15 years with the business, leading our UK legal agenda and acting as an inspirational champion in her support for the Parents and Carers network.

Looking ahead

Building on our strong financial performance, robust balance sheet and positive momentum, we are setting ourselves up for the year ahead with the flexibility to continue to win in a highly competitive market. Despite further headwinds from cost inflation, we are committed to ensuring customers get the best possible value by shopping at Tesco and see further opportunities to strengthen our competitiveness. By putting customers first, we will continue to create sustainable value for every stakeholder in Tesco.

Ken Murphy
Group Chief Executive
9 April 2025

Spotlight on:

Finest.

Celebrating 25 years of making the everyday that little bit more special.

It was a remarkable year for Finest, which recently celebrated its 25th anniversary and continued to win share from premium retailers.

Thanks to our continued investment in quality, we saw a 15% year-on-year increase in UK sales of Finest products as customers turned to Tesco to help them elevate any occasion.

At Christmas, we launched more than 300 Finest festive products into store to build on a spike in sales last Christmas, including our expanded Chef's Collection range, which offers customers restaurant-quality food from the comfort of their own home.

Our Finest Champagne, Premier Cru, won best Champagne in a Which? taste test, seeing off competition from a number of branded competitors.

And to top it all off, Finest was recognised as the Own-Label Range of the Year at the 2024 Grocer Gold Awards.

TESCO finest
400
new Finest products launched in 2024/25.

UK market context.

Spotlight on:

Consumer spending.

Market drivers

Following a period of cautious optimism, consumers are now much more intentional with their spending. This means that they now want to apply more focus on deciding what things they really want to spend on.

This attitude has been driven by a decrease in personal finance concern, while inflation concern has dipped year-on-year. It has been fuelled further by a desire amongst many to bring joy back into their lives, caused by disruptive and negative news about the world around us.

44%

concerned about inflation.

Sources: Foresight Factory, Basis, Nielsen IQ, Kokoro

How we are responding

- 400 new Finest products launched this year.
- Sales of our Finest range products increased by 15% in the UK year-on-year.
- We have been the cheapest full-line grocer for more than two years.
- We price-match Aldi on more than 600 products, we have more than 1,000 products in our Low Everyday Prices offer and have around 8,000 exclusive offers per week through Clubcard Prices.

Spotlight on:

Sustainability focus.

Market drivers

Sustainability remains at the forefront of consumers' minds, having become less of a priority during COVID-19 and the peak of the cost-of-living crisis. Consumers want organisations and institutions to take personal action, with 59% stating that tackling climate change should be a top priority.

59%

believe climate change should be a top priority.

Sources: IGD, Mintel, Kokoro

How we are responding

- We published our Greenprint report for UK farming, alongside our partners at Harper Adams University's School of Sustainable Food and Farming. The report sets out recommendations across key subjects for the sector, including financial certainty, innovation and attracting talent.
- Renewable energy projects including Cleve Hill solar farm, the largest solar corporate power purchase agreement contract, operational in the first half of 2025.
- Introduced our tenth 'Tesco train' rail service to reduce freight road miles.
- Moved our Finest range of dried pasta into paper packaging to reduce plastic consumption.

Spotlight on:

Refocus on health.

Market drivers

With many customers now more financially confident, health is back on the agenda. 57% of consumers say that health is a priority for them, increasing from 53% last year, meaning it is the highest life priority amongst all consumers right now. There are a variety of ways that consumers intend on being healthy, depending on their personal circumstances and life stage.

57%

prioritising health.

Sources: Mintel, Kokoro

How we are responding

- Introduced health-led Own Brand High Protein and Gut Sense ranges.
- Health charity partnerships with the British Heart Foundation, Cancer Research UK and Diabetes UK to promote advice on health.
- Tesco Pharmacies in more than 360 stores serving half a million customers a week with a range of services from flu jabs to blood pressure checks.
- On track to hit our UK and ROI target of 65% of sales volume of healthy food by the end of December 2025, now at 64%.

Our market context continued

Spotlight on:

Future of technology.

Market drivers

While tech continues to accelerate forward, and to become a more integrated, dynamic and accessible part of our lives, there are some for whom the human touch remains important. Indeed, 71% agree that modern tech is necessary to solve future problems.

71%

think modern tech can solve future problems.

Sources: Google Trends, WGSN, Ipsos, Kokoro

How we are responding

- All our stores offer a choice between colleague-operated and self-service checkouts and there are always colleagues on hand.
- We use an automation tool to make sure we are discounting the right products at the right time, helping customers to get the best value and enabling us to reduce food waste.
- We utilise AI to optimise the routes our drivers take, finding the most efficient combination of products, baskets and journeys for every lorry and delivery van, so that we reduce our overall mileage.

Spotlight on:

Local community.

Stronger Starts

Market drivers

The pandemic and cost-of-living crisis has meant that in recent years many customers have been spending more time in their local community and paying attention to how things have changed.

45%

value community and local causes.

Source: Kokoro

How we are responding

- We have launched Tesco Fruit & Veg for Schools to support 400 schools with 5 million portions of fruit.
- Tesco's Stronger Starts has provided financial support to over 12,200 projects from community groups and schools, to help provide a healthier start to kids' lives.
- Our annual Winter Food Collection donated 1.9 million meals to foodbanks.
- Launched free career clinics for 765 people in economically challenged areas to support them back into work.

Following a period of cautious optimism, consumers are now much more intentional with their spending.

How we do it.

Our strategic priorities enable us to continue to deliver great value, reward customers for their loyalty and stay competitive while ensuring we remain an agile and efficient business. Our focus on doing the basics brilliantly helps us to drive top-line growth, grow profit and generate cash, and in doing so, deliver for all of our stakeholders.

Magnetic value for customers

Redefining value to become the customer's favourite

Why is it important?

- Demonstrating the importance of value underpinned by price, quality and sustainability.
- Removing price as a reason to shop elsewhere.
- Making healthy, sustainable food affordable for everyone.
- Working with suppliers to develop sustainably sourced products of the highest quality.
- Continuing to make a positive contribution to the communities in which we operate.

Progress during the year

- Winning value combination of Aldi Price Match on more than 600 lines, Low Everyday Prices on more than 1,000 lines and c.8,000 Clubcard Prices deals each week; Clubcard Prices save customers up to £392 off their annual grocery bill.
- Further own-brand innovation across all tiers, including launches of the Taste Discoveries dinner-for-tonight range inspired by Japanese and Korean cuisine, and health-led High Protein and Gut Sense ranges.
- Further progress in customer satisfaction scores at Booker, with 700 prices locked until June 2025.
- Expanded our Low Price Guarantee in Central Europe, adding an average of c.650 mostly branded products in each market.
- Exclusive Clubcard deals on everyday services such as fixed prices for the length of a contract with Tesco Mobile.

I love my Tesco Clubcard

Creating a competitive advantage through our powerful digital capability

Why is it important?

- Continuing to develop a personalised shopping experience for customers by using unique insights offered by one of the UK's leading digital retail platforms.
- Growing incremental revenue opportunities with suppliers to help them offer customers tailored and relevant products.

Progress during the year

- Clubcard celebrates 30 years with unrivalled customer reach; over 23 million Clubcard households in the UK with new campaigns including 10,000 bonus points for customers who use Clubcard vouchers when booking with easyJet Holidays.
- Expanding the largest and most generous supermarket Reward Partner scheme, with Virgin Red and five new visitor attractions becoming Reward Partners; customers can now earn Clubcard Points with the purchase of a new Vauxhall car.
- Tesco Media and Insight Platform saw growth in active advertisers and spend per campaign, with the team ranked joint #1 in Flywheel's European retail media rankings and shortlisted for Media Brand of the Year at the Media Week Awards.
- Over 9,000 retail media campaigns delivered; creativity enhancements included fully integrated Coca-Cola campaign over Christmas, comprising onsite and offsite media, exclusive competitions and products, and wrapping home delivery vans.

Our strategic priorities continued

Easily the most convenient

Serving customers wherever, whenever and however they want to be served

Why is it important?
- Supporting growth of our core business.
- Continuing evolution of large stores as the backbone of online grocery business as we maximise our existing assets.
- Continuing to test and learn with on-demand services to develop the right offer for our customers.

Progress during the year
- Opened 90 stores across the Group: 64 in the UK, 12 in ROI and 14 in Central Europe; and refreshed a further 463.
- UK online sales up 10.2%, driven by growth in orders per week, with market share up 173bps year-on-year to 35.5%.
- UK online customer satisfaction up 8pts year-on-year and 150 new delivery vans launched to increase capacity; Delivery Saver subscribers at 770,000, up 9% year-on-year.
- Integrated a further 566 net new Booker retail partners, taking the total outlets to just under 8,000; integration of Venus acquisition progressing well, with new distribution centre opened within Makro branch in Manchester.

Save to invest

A cost-efficient retailer

Why is it important?
- Aiming to simplify, be more productive and reduce costs.
- Focus on offsetting inflation in the medium term and creating headroom to fund investments.
- Committed to spending money only where it adds value for customers and makes a real difference.

Progress during the year
- Save to invest progress, delivering £510m of savings for FY 24/25.
- Continued progress across all areas, including goods & services not for resale, operations, property and central overheads.
- New robotic automation implemented at our Peterborough distribution centre, with Aylesford semi-automated distribution centre on track to open in summer 2025.
- End-to-end review of stock flow from suppliers to store, optimising waste performance and improving availability.
- Simplifying in-store routines, supported by the rollout of new fresh food fixtures which enable faster replenishment.
- Taking action to reduce stock loss, including security system enhancements at checkouts and investments in new technology at our Daventry security hub.

Our strategic priorities continue to play a vital role in keeping us laser-focused on our customers in a competitive and fast-paced market.

Performance framework

We set out the framework in 2021 and will continue to use it to guide our actions and track our progress.

Drive top-line growth, underpinned by
- Increasing customer satisfaction relative to the market
- Growing or at least maintaining our core UK market share

Grow absolute profits while maintaining margins
- Use assets efficiently across all channels
- Access new revenue streams across our digital platform
- Target productivity initiatives that at least offset inflation in the medium term

Generate between £1.4bn and £1.8bn free cash flow each year – with £1,750m achieved in 2024/25.

Our business model

Our business model.

With our winning combination of reach, innovation, insight and expertise, we can provide customers with the products they want – whenever, wherever and however they want to be served.

Our unique strengths

Our reach
With 4,572 stores and a thriving online business, we have unparalleled scale to reach customers, wherever they are

Knowing our customers
Through our retail expertise and insight, we have a unique understanding of what our customers want

A best-in-class supply chain
Flexibility and resilience in our supply chain help us respond better to external events

Strong supplier relationships
Excellent links with suppliers help drive greater quality, value and availability

Breadth of offer
Leading range development driven by insight and sourcing expertise helps us react to evolving customer demand

Investing in our business
Strong free cash flow enables investment in growth and innovation

Customers
Listening to our customers and acting on what is most important to them when they shop with us.

Products
Working closely with our suppliers to source the right products at the right price for our customers.

Channels
Serving customers whenever, wherever and however they want to be served – from large and convenience stores to grocery home shopping and Whoosh.

Helping to execute our strategy

- Magnetic value for customers
- I love my Tesco Clubcard
- Easily the most convenient
- Save to invest

Creating value for all

- Customers
- Colleagues
- Communities
- Planet
- Suppliers
- Shareholders

Key performance indicators

Our Big 6 KPIs.

The performance of our Banking operations has been presented as a discontinued operation to the date of disposal and has been excluded from our headline performance measures.

Δ Alternative performance measures (APMs). Measures with the Δ symbol are defined in the Glossary section on **pages 228 to 234**.
(a) Group sales exclude VAT and fuel.
(b) Growth is at constant exchange rates.
(c) Operating cash flow is the same as the statutory measure Cash generated from/(used in) operations presented on a continuing operations basis, excluding Insurance and Money Services. Growth is at actual exchange rates. See Glossary, reconciliation of cash flow measures, for a reconciliation to the Group equivalent.
(d) Basis Tesco Global Brand tracker on a three-month rolling basis.
(e) Carbon emissions are based on total Scope 1 and 2 (market-based) footprint and stated as tonnes of CO_2 equivalent (tCO_2e), see **pages 39 and 240**.

Grow sales

Why it is important: Sustainable growth in sales is important to our business model.

What we measure: Group sales is a measure of revenue excluding fuel sales made at petrol filling stations. It demonstrates the Group's performance in the retail and financial services businesses by removing volatilities associated with the movement in fuel prices that are outside the control of management.

How we performed: Group sales rose by 4.0% at constant exchange rates, driven by strong growth across all segments.

Group SalesΔ
£63.6bn (2024: £61.5bn) ↑ 4.0%[(a)(b)]

Deliver profit

Why it is important: Delivering profitable growth is essential as we aim to create long-term value for all stakeholders.

What we measure: Group adjusted operating profit is the headline measure of the Group's performance.

How we performed: Group adjusted operating profit rose by 10.9% at constant exchange rates to £3.1bn, reflecting our strong trading performance across the Group and continued cost savings.

Group Adjusted operating profitΔ
£3.1bn (2024: £2.8bn) ↑ 10.9%[(b)]

Colleagues recommend us as a great place to work and shop

Why it is important: When we get things right for our more than 340,000 colleagues, we make it even easier for them to do what they do best – serving our customers, communities and planet a little better every day.

What we measure: Our Great Place to Work measure is the percentage of colleagues who agree or strongly agree with the statement 'I would recommend Tesco as a great place to work'. Great Place to Shop is an NPS measure, answering the question 'I would recommend Tesco as a place to shop'.

How we performed: Our Great Place to Work score increased again this year to 85%.

Recommend as a place to shop
49pts (2024: 46pts) ↑ 3pts

Great Place to Work
85% (2024: 84%) ↑ 1%

Improve operating cash flow

Why it is important: Strong cash generation is important to our underlying philosophy with which we manage our business.

What we measure: Operating cash flow is the cash generated from continuing operations, excluding Insurance and Money Services. It is a measure of cash generation and working capital efficiency of the Group's trading operations.

How we performed: We delivered another strong year of operating cash flow of £4.6bn. The decline year-on-year is primarily due to the prior year benefiting from a working capital inflow driven by elevated levels of input cost inflation.

Operating cash flow[(c)]
£4.6bn (2024: £4.7bn) ↓ (3.0)%

Customers recommend us and come back time and again

Why it is important: Customers are at the heart of everything we do, and customer satisfaction is an important driver of loyalty.

What we measure: Our score reflects the percentage of Fans minus Critics answering the question 'How likely is it that you would recommend Tesco to a friend or colleague?'

How we performed: Our Group NPS score has increased as customers have recognised our commitment to delivering great value.

Group NPS[(d)]
28pts (2024: 19pts) ↑ 9pts

Climate – reduce Scope 1 and 2 emissions by 60% by 2025

Why it is important: This measure reflects the importance we place on minimising our impact on the planet.

What we measure: Based on our commitment to reduce Scope 1 and 2 carbon emissions by 60% by 2025, we measure the reduction in tonnes of CO_2 equivalent (tCO_2e) vs our 2015/16 baseline.

How we performed: Our carbon emissions have reduced by a further 10% vs last year. This has been achieved through identifying and implementing efficiencies, alongside targeted capital investment to decarbonise our hot spots.

Carbon emissions (tCO_2e)[(e)]
0.8m (2024: 0.9m) ↓ 10% vs last year ↓ 65% cumulative reduction vs baseline

Stakeholder engagement

Stakeholder engagement.

Each decision taken by the Board aligns to our culture and values, and considers the benefits, risks, financial implications and impact on relevant stakeholders.

The Board believes that understanding its stakeholders and what matters to them is key to its success. The Directors place significant importance on looking after the safety of colleagues, customers and anyone else impacted by our business. The following table identifies our key stakeholders and summarises the engagement undertaken during the year. It includes some of the actions taken as a result of this engagement.

85%
of colleagues recommend Tesco as a great place to work.

Colleagues

85%
of colleagues recommend Tesco as a great place to work (up 1% on 2023/24)

More detail on our colleague policies, reward and benefits can be found on **pages 8 and 11**. More detail on Everyone's welcome can be found on **page 23.** More detail on our Colleague Contribution Panels (CCPs) can be found on **page 69**.

Why they are important

We cannot deliver our purpose without our dedicated workforce. They are at the heart of everything we do. As our business evolves, we want to make sure colleagues have the skills they need to succeed now and in the future.

Our colleagues want to be treated fairly and feel supported with their health, safety and wellbeing, while being recognised and rewarded for their contribution. Safety is central to how we do business, with a heavy focus on protecting our colleagues.

Priorities and engagement

We aim to create a positive culture at Tesco which aligns our purpose, values and behaviours and to create an inclusive workplace, where colleagues feel welcome and able to be themselves. We are upskilling and reskilling our workforce to meet both current job demands and emerging jobs in the future.

The launch of an internal news & views communications platform continues to enhance colleague engagement. Through our CCPs and the results of the Every Voice Matters engagement survey we receive valuable feedback and insight on colleague views.

We have continued to collaborate with the USDAW trade union on safety measures. Our support of their campaign to protect retail workers from physical and verbal abuse has brought about increased protection for our colleagues, to bring it in line with the protection of emergency service workers. The government is in the process of introducing a new standalone offence of assaulting a retail worker, following an industry-wide campaign.

Outcomes and highlights in 2024/25

Tesco announced a £180m investment in colleague pay, bringing the hourly rate for our UK store colleagues up to at least £12.64 from the end of August 2025.

Our colleagues have gained from an enhanced benefits package in recent times, including a number of family-friendly policies, such as enhancements to paid maternity, neonatal, fertility, adoption and kinship leave. We have also introduced flexible and guaranteed working arrangements, health and financial wellbeing benefits including advice and guidance, unlimited appointments with a virtual GP and Pay Advance enabling colleagues to receive up to 25% of their contractual pay early.

The safety of our colleagues is our number one priority. We continue to roll out a number of measures to protect colleagues, including body cameras for colleagues working across our stores and delivery drivers, as well as installing new protective screens at hundreds of Express stores and petrol station kiosks.

Board oversight

The Board recognises the need to create conditions that foster talent and encourage all colleagues to achieve their full potential. Through Every Voice Matters colleague engagement surveys, feedback through our news & views communications platform, twice-yearly CCPs and regular updates on people initiatives surrounding our culture, purpose and values, the Board has the oversight to understand what is important to our colleagues and what is required to create the workforce of the future.

As our business evolves, we want to make sure colleagues have the skills they need to succeed now and in the future. Safety is also central to how we do business, with the aim of protecting our colleagues and customers from injury. More information on our CCPs can be found on **page 69**.

Customers

28
NPS

No.1
voted Britain's favourite supermarket by customers

More detail on how we support our customers can be found on **pages 8 to 9 and pages 11 to 13**.

Why they are important

Tesco was built to be a champion for customers, serving them every day with affordable, healthy and sustainable food. Our commitment to our customers extends beyond our stores, and into every community we serve.

Our customer net promoter score (NPS) is measured based on customers recommending us as a place to shop and is a key metric in measuring our progress.

We make it a priority to listen to our customers, so that we can keep serving them better every day, either in stores or online.

Priorities and engagement

We serve millions of customers in store and online every day. We actively seek customer feedback on a regular basis which, combined with the information we gather from Tesco Clubcard as well as independent consumer research, helps us to really get to know our customers.

Despite falling inflation, our customers have continued to feel the pressure of the cost of living this year and value has been extremely important to them. Whether that is the value they get from our Aldi Price Match, Low Everyday Prices and Clubcard Prices proposition or the value they get from treating themselves to a Tesco Finest night in, rather than a meal out.

In addition to value, it is important to our customers that we are helping them to eat more healthily and to get whatever they need in the most convenient way.

Outcomes and highlights in 2024/25

We are committed to offering our customers great value and have been the cheapest full-line grocer for more than two years.

In the UK our unique customer offer combines Aldi Price Match on more than 600 lines, we have more than 1,000 products in our Low Everyday Prices offer and have around 8,000 exclusive offers per week through Clubcard Prices. We have also reduced the price of more than 200 essential lines in our Express stores by an average of 10% this year.

We have also introduced in-store Better Baskets zones that signpost foods high in fibre, plant-based options and food under 100 calories.

Board oversight

The Board uses customer engagement surveys and data analysis to listen to customer views and act on what is most important to deliver the best possible quality products and services, at great value and in the most convenient way. Innovation in customer research is a pivotal part of understanding customer behaviour, development of our Own Brand products and creating competitive advantage. The Board receives regular updates on customer insights to understand customer behaviours and our customers' needs. It is important to the Board to make healthy and sustainable products accessible and affordable for all and it is essential that we keep innovating for the future. Innovative projects help deliver the strategy to drive the business forward to meet the changing needs of our customers, the environment we operate in and the delivery of our net zero commitments.

Suppliers

In the 2024 Advantage survey, our suppliers have ranked us the #1 retailer to work with in the UK for the ninth year running.

We surpassed our highest Group supplier satisfaction to date and achieved an overall Group supplier satisfaction of 88.2% in our H2 2024/25 Supplier Viewpoint survey.

More detail can be found on **page 238**.

Why they are important

Our partnerships with suppliers are vitally important in delivering great value and great quality products for our customers. When we get it right together, our customers benefit and the business grows. Tesco and its suppliers are committed to responsibly-sourced products, helping to deliver our net zero commitments under Scope 3 by 2050.

Priorities and engagement

We continue to build trusted relationships with our suppliers and work with them to deliver healthier and more sustainable products for our customers, which are affordable. Our work on human rights is fully integrated within our operations, forming a key part of our broader commitment to being a responsible and sustainable business. We will always look to work with suppliers to meet our responsible sourcing and ethical requirements. We engage our suppliers through regular contact with our Product teams, as well as through supplier surveys. Suppliers are also supported by our Business Code of Conduct, and any material matters raised by suppliers are reported to the Audit Committee. We ensure delivery against our commitments under the Groceries Supply Code of Practice (GSCOP) through a number of mechanisms, including reporting to the Audit Committee.

Outcomes and highlights in 2024/25

We are delighted to have achieved the number one position in the Advantage supplier survey for the ninth year in a row. We are encouraged by the progress we have made so far to deliver healthy, affordable and more sustainable products and will continue greater collaboration with our suppliers and partners as we work towards our objectives and support them to achieve their net zero commitments. We are also supporting suppliers to improve diversity within their businesses. Through our sustainable farming groups we continue to: bring together industry representatives; share knowledge between farmers, suppliers and Tesco colleagues; and trial innovations that can help reduce on-farm emissions and protect biodiversity.

This year, we have launched The Future Dairy Partnership with our suppliers Arla and Muller UK & Ireland, which is a farmer-led partnership aiming to put sustainability at the heart of the dairy industry. We have also bolstered support for British farmers by relaunching our Tesco Sustainable Pig Group, in partnership with Cranswick.

We have also welcomed the second intake of young farmers to our Tesco Future Farmer programme in the UK.

Board oversight

Our suppliers provide feedback through our product management teams and through our annual Supplier Viewpoint survey. Suppliers are also supported by our Business Code of Conduct, and any material matters raised by suppliers are reported to the Audit Committee.

The Board recognises the importance of suppliers being treated fairly to align with our values. The Board receives regular updates on our product and supplier strategy and have oversight of our sourcing priorities through our sustainability strategy and objectives. Understanding the challenges we face and the support we can provide, supports the Board delivering its strategy and objectives.

Shareholders

£1,750m
Free cash flow

13.70p
per ordinary share full year dividend

More detail can be found in the Financial review on **pages 24 to 30**.

Why they are important

Our shareholders want us to create value and deliver long-term, sustainable growth and returns. Understanding the views of our shareholders supports the decisions we take and the opportunities we create.

Priorities and engagement

Regular dialogue with our institutional investors, potential investors and analysts provides insight to their views and policies, which is reflected in our decision making. It is the Board's intention to continue to pay a progressive dividend by aiming to grow the dividend per share each year, broadly targeting a payout of around 50% of earnings. Our long-term plan sets out our growth ambitions over the next three years, including continued delivery for all stakeholders and ongoing cash returns to our shareholders.

Outcomes and highlights in 2024/25

The investments we have made to date have strengthened our offer to customers, made us more efficient, and more digitally capable, establishing a strong foundation for future growth. We continue to see the buyback programme as an ongoing and critical driver of shareholder returns. We have had regular dialogue with shareholders during the year, including through calls, individual and group meetings, with a particular focus on themes such as ongoing performance, competitive advantages in our core UK market and sustainability. This engagement helps us to understand shareholder priorities and their views on how we are progressing. We welcome engagement with private shareholders at our Annual General Meeting.

Board oversight

Members of the Board, senior management and Investor Relations hold regular meetings with existing and potential institutional investors and analysts to understand their views and policies. The Board receives regular updates to ensure it understands the market we operate in, considers the views of shareholders to provide expected returns and grow the business in line with strategy, which is reflected in our decision making. The Group Company Secretary's team engages with private shareholders with the support of our registrar, Equiniti, who provide services to private shareholders on our behalf.

Communities

More than 99 million
meals donated across the Group in 2024/25

More than £13.4m
awarded by Stronger Starts to over 12,200 projects

More information on the Sustainability Committee's visit to Groundwork can be found on **page 80**.

Why they are important

We place great importance on helping the communities we serve. We play a vital role in local communities, through the people we employ, businesses we work with, and the causes we support. Cost-of-living pressures have put significant strain on many of our communities.

Priorities and engagement

Tesco redistributes surplus food from its distribution network and stores through its charity and community partners, FareShare and Olio. Colleagues and customers join our regular food collections to support FareShare and Trussell. Tesco also provides financial support to help the charities in their work. Our Community Champions in stores across the UK help us build relationships with communities and support local events and initiatives.

Outcomes and highlights in 2024/25

Our Community Food Connection scheme has grown into the biggest food redistribution initiative of its kind in the UK. To date it has provided more than 300 million equivalent meals to charities and local communities who depend on the food they receive to be able to support people facing hunger. We launched Stronger Starts, a programme to help give children a healthier, stronger start in life and help them thrive. The scheme, supported by UK community charity Groundwork, replaced the Tesco Community Grants programme and is boosted with an additional £1m funding each year, through our share forfeiture fund until 2026/27.

Board oversight

The Board places great importance in helping the communities we serve, recognising the vital role we play, through the people we employ, businesses we work with, and the causes we support. Understanding the initiatives and positive impact we have on local communities is a key part of the Board's oversight.

Planet

65%
reduction in emissions of own operations since 2015

More information on the planet initiatives can be found on **pages 31 to 39**.

Why it is important

We have built sustainability into our purpose, strategy and business plans. We know that our business depends on the world around us. As the UK's largest retailer, we know we can make a big difference. We aim to be carbon neutral across our own operations by 2035. We are working with suppliers and partners to deliver our goal to be net zero from farm to fork by 2050.

Priorities and engagement

Tesco has a longstanding commitment to tackling climate change. Our commitment to operating in a responsible and sustainable way reflects our values. We will continue to deliver action on climate through our planet plan, which has been successfully rolled out across our business. Priorities include reducing emissions across our own operations and supply chain and building on our work to provide customers with affordable, healthy, sustainable food, through initiatives such as our Better Baskets scheme, which helps customers make better choices in the food they buy.

Outcomes and highlights in 2024/25

In January this year, we published our Greenprint for UK farming report alongside our partners at Harper Adams University's School of Sustainable Food and Farming. The report sets out recommendations across several key areas, including: a long-term vision for the sector; the need for government to better support UK farmers through a long-term land use and food security strategy; improved funding for all stages of innovation that aids sustainability; and setting common environmental standards which farmers can regularly measure against to help prioritise investment in the most effective and sustainable farming techniques.

We signed the UK's largest solar corporate power purchase agreement in October 2024 with Cleve Hill solar park in Kent, which will provide the equivalent of 10% of Tesco's UK electricity demand.

We continued to reduce the environmental impact of deliveries to our stores by introducing our tenth 'Tesco train' rail service to reduce freight road miles.

Board oversight

Our commitment to operating in a responsible and sustainable way reflects our values. The delivery of our sustainability commitments through the planet plan has brought together all of the work we are doing to reduce Scope 1 and 2 emissions. Regular updates to the Board and Sustainability Committee on the progress against each of the pillars of the plan, support the Board in reviewing progress against each of our key milestones and enhance its understanding of how activities at an operational level ladder up to meet our sustainability commitments.

Everyone's welcome.

At Tesco, we're committed to continuing to represent the customers and communities we serve and the colleagues who work here. We're a place where Everyone's welcome and we treat people how they want to be treated.

Over the last year, we made continued progress on ensuring Tesco is a great place to work, including supporting our managers through improved training to help them to better support their teams.

To accelerate our progress further, and ensure we are driving forward the things that matter most to our workforce, we focused on colleague listening: hosting listening groups and launching a Group-wide survey, giving every colleague the chance to tell us more about their experiences at Tesco.

We have more than 25 colleague networks across the Group, which amplify, consult and celebrate inclusion across every part of our business. They create spaces for colleagues to share challenges, explore career paths and connect with like-minded individuals.

Our five colleague commitments guide us in creating meaningful action plans to better support our workforce:

Inclusion for all

Colleagues work in an environment where they feel they can be themselves, are valued, and see themselves represented at every level. We ...

- continued making progress against our representation targets;
- ranked in the Times Top 50 for Gender Equality in the UK for the fourth year running, as well as being a Stonewall Top 50 LGBTQ+ employer;
- strengthened and refreshed our anti-bullying, harassment & discrimination policy and training;
- continued delivering our women's development programme, supporting more than 200 high-potential women at Tesco to realise their potential, with tools and development opportunities; and
- continued progress on our Black action plan, addressing Black inclusion at every point in the colleague lifecycle.

Flexibility for all

Enabling colleagues to thrive at Tesco, with a culture that embraces and supports flexible working. We ...

- began advertising all full-time vacancies with the option of part-time hours ahead of legislation;
- updated our tools and resources to support colleagues and their managers to have conversations about working flexibly; and
- launched our free Care Concierge service in the UK to support those caring for elderly relatives.

Accessible first

Our colleagues with different accessibility needs should feel supported at Tesco, whether that's in a physical environment, our technology systems or the communications we share. We ...

- worked to a minimum standard framework across the Group to support colleagues with a disability. Doing so has seen us achieve Disability Confident status across our UK business; and
- supported colleagues with workplace adjustments.

Transform recruitment

Colleagues and candidates experience a positive and inclusive recruitment experience so that we can attract and retain the best talent. We ...

- launched a new global careers site, making jobs across the Tesco Group more visible and accessible;
- began rolling out refreshed training for hiring managers, to support an inclusive hiring process.

Developing careers

Supporting underrepresented and disadvantaged people to gain experiences, skills and behaviours to enhance their career choices. We ...

- welcomed 86 Stronger Starts retail apprentices in the UK, supporting underrepresented young people from high-deprivation areas into work at our stores, helping them to build their confidence and skills. We are expanding the programme in 2025, hiring an additional 450 school leavers;
- gave 347 young people who would struggle to access the job market the opportunity to work in our stores for 2–3 weeks, through our movement to work festive work placements; and
- supported our 79 graduates with hands-on retail assignments to build an understanding of our customers and frontline operations. This deepens their business perspectives and informs their decision making, so they are equipped with practical insights and leadership skills.

For more information on progress against our Board DE&I policy see **page 75**.

Below is the schedule in accordance with UK Listing Rule 6.6.6(10). Gender and ethnicity data is collected through the Group's payroll system using the legally registered gender for each colleague. Ethnicity data for the Board and Executive Committee is obtained through the Group's Directors' disclosures questionnaire and the voluntary diversity questionnaire – This is Me.

Data as at 22 February 2025	No. of Board members	% of the Board	No. of senior members on the Board	No. of Executive Committee	% of Executive Committee	No. of top global leaders[1]	% of top global leaders[1]	No. of employees	% of employees
Men	7	58	3	7	64	178	68	164,393	49
Women	5	42	1	4	36	83	32	172,034	51
Not specified/prefer not to say	0	0	0	0	0	0	0	13	0

Data as at 22 February 2025	No. of Board members	% of the Board	No. of senior members on the Board	No. of Executive Committee	% of Executive Committee
White British or other White (including minority-white groups)	10	83	3	7	64
Mixed/multiple ethnic groups	0	0	0	0	0
Asian/Asian British	2	17	1	2	18
Black/African/Caribbean/Black British	0	0	0	0	0
Other ethnic group, including Arab	0	0	0	0	0
Not specified/prefer not to say	0	0	0	2	18

1. Definition of top global leaders: work levels 4 to 6.

Financial review

Grwth.

We have delivered a strong financial performance in the year, with higher volumes driving profit growth and strong cash delivery.

Imran Nawaz, Chief Financial Officer

Group review of performance.

On a continuing operations basis[1]

52 weeks ended 22 February 2025[2,8]	FY 24/25	FY 23/24	Change at actual rates	Change at constant rates
Sales (exc. VAT, exc. fuel)[3]	**£63,636m**	**£61,477m**	**3.5%**	**4.0%**
Fuel	£6,280m	£6,710m	(6.4)%	(6.3)%
Revenue (exc. VAT, inc. fuel)	**£69,916m**	**£68,187m**	**2.5%**	**3.0%**
Group adjusted operating profit[4]	**£3,128m**	**£2,829m**	**10.6%**	**10.9%**
Adjusting items	£(417)m	£(8)m		
Statutory operating profit	**£2,711m**	**£2,821m**	**(3.9)%**	
Net finance costs	£(492)m	£(538)m		
Joint ventures and associates	£(4)m	£6m		
Statutory profit before tax	**£2,215m**	**£2,289m**	**(3.2)%**	
Taxation	£(611)m	£(525)m		
Statutory profit after tax	**£1,604m**	**£1,764m**	**(9.1)%**	
Adjusted diluted EPS[4]	27.38p	23.41p	17.0%	
Statutory diluted EPS	23.13p	24.53p	(5.7)%	
Dividend per share	**13.70p**	**12.10p**	**13.2%**	
Net debt[6]	**£(9,454)m**	**£(9,684)m**	**2.4%**	
Free cash flow[5]	**£1,750m**	**£2,063m**	**(15.2)%**	
Capex[9]	**£1,457m**	**£1,314m**	**10.9%**	

Sales[3] increased by 4.0% at constant rates, including a strong contribution from higher volumes and improved category mix, supported by our continued investments in value, quality and service. Revenue increased by 3.0% at constant rates, including a (6.3)% decline in fuel sales, mainly driven by lower retail prices year-on-year.

Group adjusted operating profit[4] increased by 10.9% at constant rates, driven by further progress in our core retail markets as higher sales volumes and a further c.£510m contribution from Save to invest more than offset net operating cost inflation. Group adjusted operating profit includes Insurance and Money Services where adjusted operating profit increased by £86m to £155m, including £46m of non-recurring items mainly due to a new five-year pet insurance contract.

Statutory operating profit decreased by (3.9)% year-on-year, as the Group adjusted operating profit growth described above was more than offset by a non-cash net impairment charge on non-current assets of £(286)m, mainly due to an increase in discount rates driven by higher government bond rates compared to the prior year.

Net finance costs (including adjusting items) were £46m lower year-on-year, mainly due to lower net interest costs on medium-term notes as a result of net refinancing activities, and favourable non-cash mark-to-market movements on certain derivative financial instruments. The higher tax charge this year was driven by higher operating profit and the full year effect of the increase in UK corporation tax rates, effective from 1 April 2023.

Financial review continued

Adjusted diluted EPS[4] grew by 17.0%, driven by the strong growth in Group adjusted operating profit described above as well as a benefit from our ongoing share buyback programme, with a further £1bn of share buybacks completed in the year. Statutory diluted EPS declined by (5.7)%, driven by the non-cash net impairment charge as described above. We propose to pay a final dividend of 9.45 pence per ordinary share, taking the full year dividend to 13.70 pence, up 13.2% year-on-year.

We generated strong free cash flow[5] of £1,750m compared to £2,063m last year, with the prior year benefiting from higher trade working capital balances, driven by elevated levels of input cost inflation.

Net debt[6] reduced by £230m to £(9,454)m, driven by strong free cash flow generation and the receipt of the £614m Banking operations gross disposal proceeds, partially offset by cash returned to shareholders via dividends and our ongoing share buyback programme. The Net debt/EBITDA ratio was 2.0 times, down from 2.2 times in the prior year.

Further commentary on these metrics can be found below and a full income statement can be found on **page 135**.

1. The performance of the Banking operations has been presented as a discontinued operation to the date of disposal. The Insurance and Money Services business has been presented on a continuing operations basis and therefore within headline performance measures. Further details on discontinued operations can be found in **Note 8**, starting on **page 155**.
2. The Group has defined and outlined the purpose of its alternative performance measures, including its performance highlights, in the Glossary starting on **page 228**.
3. Group sales exclude VAT and fuel.
4. Adjusted operating profit and Adjusted diluted EPS exclude adjusting items.
5. Free cash flow and return on capital employed (ROCE) are alternative performance measures defined and outlined in the Glossary starting on **page 228**.
6. Net debt now includes Insurance and Money Services, with the prior year reported on a consistent basis. The impact on the prior year is to reduce Net debt by £80m. Further information on Net debt can be found in **Note 32**, starting on **page 209**.
7. Like-for-like (LFL) sales growth is a measure of growth in Group sales from stores that have been open for at least a year and online sales (at constant exchange rates, excluding VAT and fuel). LFL excludes revenue from dunnhumby, Insurance and Money Services as this revenue is not directly linked to the sale of goods.
8. All measures are shown on a continuing operations basis unless otherwise stated.
9. Capex excludes additions arising from business combinations, property buybacks (typically stores) and other store purchases and their associated refit costs. Refer to **page 232** for further details.

Segmental review of performance:

Sales performance:

(exc. VAT, exc. fuel)[3,8]

On a continuing operations basis[1]	Sales (£m)	LFL sales change[7]	Total sales change at actual rates	Total sales change at constant rates
– UK	47,486	4.0%	5.1%	5.1%
– ROI	2,974	4.6%	2.9%	5.6%
– Booker	8,990	(1.8)%	(1.0)%	(1.0)%
UK & ROI	**59,450**	**3.1%**	**4.0%**	**4.2%**
Central Europe	**4,186**	**2.2%**	**(3.0)%**	**2.5%**
Sales	**63,636**	**3.1%**	**3.5%**	**4.0%**

Further information on sales performance is included in the appendices starting on **page 226**.

Adjusted operating profit[4,8] performance:

On a continuing operations basis[1]	Profit (£m)	Change at actual rates	Change at constant rates	Margin % at actual rates	Margin % change at actual rates
UK & ROI	3,016	10.1%	10.3%	4.6%	30 bps
Central Europe	112	24.4%	28.9%	2.6%	58 bps
Group	**3,128**	**10.6%**	**10.9%**	**4.5%**	**33 bps**

Further information on operating profit performance is included in **Note 2** starting on **page 148**.

UK & ROI overview:

Like-for-like sales for the UK & ROI segment increased by 3.1%. Volume growth was particularly strong in the UK and ROI, with growth in every quarter of the year, and continued market share gains across the year. While Booker delivered a strong performance in core retail and catering, overall like-for-like sales reduced by (1.8)% due to the continued decline in the tobacco market and weakness in some areas of the fast-food market serviced by Best Food Logistics.

UK & ROI adjusted operating profit was £3,016m, up 10.3% at constant rates, driven by volume growth and the ongoing delivery of our Save to invest programme, which offset net operating cost inflation, including colleague pay awards. Insurance and Money Services adjusted operating profit, now included within the UK & ROI segment, increased by £86m to £155m, including £46m of non-recurring items, mainly reflecting the accounting for upfront commission income on the signing of a new five-year pet insurance contract. The year-on-year growth excluding these items was driven by strong underlying performance in the insurance business.

UK – Growing volumes and market share:

Like-for-like sales grew by 4.0%, with growth both in stores and online. Volume growth was ahead of our expectations, and we consistently grew ahead of the market.

Market share grew by +67bps year-on-year to 28.3%, delivering 21 consecutive four-week periods of market share growth by the end of the year and our highest market share since 2016 over the Christmas period. We continue to deliver improvements in our overall brand perception year-on-year, up +185bps and stepping forward across all drivers, including reputation (+282bps), value (+242bps) and quality (+153bps).

Food like-for-like sales grew by 4.9%, with full-year volume growth supported by our ongoing investments in product quality and innovation. We launched over 1,000 new products and improved over 600, including Taste Discoveries dinner-for-tonight range and health-led High Protein and Gut Sense ranges. Our Finest range continued to perform well, with sales up 15% year-on-year, including record sales over the festive period.

We are committed to ensuring that customers get the best value for money by shopping at Tesco. Over 2,300 products were cheaper at the end of the year than at the start, with an average reduction of around 9%.

Clothing like-for-like sales grew by 3.0% due to a strong performance in womenswear, with further development of our F&F Active and F&F Edit ranges. Home like-for-like sales declined by (2.2)%, which includes a (5.5)ppts drag from the transition to our new partnership with The Entertainer. The partnership, which offers customers an even better range of toys in our stores, means we no longer recognise toy sales, and instead earn commission income. The transition completed in the second half of the year and is now in around 750 stores. Excluding this impact, Home like-for-like sales grew by 3.3%, primarily driven by the launch of our F&F Home range.

Large store like-for-like sales grew by 4.1%, driven by further investment into our promotional offer over key seasonal events in addition to investments in service and delivering market-leading availability. These investments resulted in our highest customer net promoter score in five years. Convenience like-for-like sales, which includes our One Stop stores, declined by (0.2)%. Tesco Express like-for-like sales were broadly flat, with a particularly strong performance in fresh food offset by the impact of the ongoing decline in the tobacco market. Tesco Express gained +138bps of market share, supported by a 1.7ppts contribution to sales growth from net new store openings.

Online sales grew by 10.2%, including a c.3ppts contribution from Tesco Whoosh. Sales growth was primarily driven by an increase in average online orders per week which were up 10.8% year-on-year to 1.3 million, with customer satisfaction also increasing year-on-year. Tesco Whoosh, our rapid delivery service, saw sales almost double in the year, with a further improvement in customer satisfaction and growth in average basket size. Tesco Whoosh is now available in over 1,500 stores, including 42 large stores.

Online performance	FY 24/25	YoY change
Sales inc. VAT	**£6.8bn**	10.2%
Orders per week	**1.33m**	10.8%
Basket size (excluding Whoosh)	**£109**	3.6%
Online % of UK total sales	**13.5%**	0.6ppts

In June, we launched Tesco Marketplace, offering customers an even broader range of products online through third-party sellers. We are now offering over 400,000 products and have built a pipeline of further sellers to join the platform, with new category launches planned for later in FY 25/26. We are encouraged with customer satisfaction scores, and trading through Black Friday was particularly successful. Our priority has been laying the foundations for growth, adding for instance the capability to offer customers Clubcard Prices when they shop on Tesco Marketplace.

In November, we completed the disposal of our Banking operations and started our associated strategic partnership with Barclays. The exclusive 10-year partnership provides customers access to Tesco-branded banking products and services, combining Tesco's market-leading brand, physical and digital reach and relentless customer focus with Barclays' deep financial services capabilities and expertise in commercial partnerships. We retained all the existing insurance and money services activities, including ATMs, travel money and gift cards. In the year, sales from Insurance and Money Services grew by c.30%, primarily driven by strong growth in the insurance business.

ROI – Ongoing volume growth driving strong market share gains:

Like-for-like sales grew by 4.6% for the full year, driven by volume growth supported by our continued roll out of our 'fresh first' store refresh programme and our ongoing investments in product quality and innovation, which has been recognised with 21 gold medals at the Blas na hÉireann ('Taste of Ireland') awards. Total sales grew by 5.6% at constant rates, including a 1.0ppts contribution from new stores, driven by the opening of 12 new stores in the year.

Food like-for-like sales grew by 5.0%, driven by strong volume growth in fresh food. Our Finest range performed well with year-on-year volume growth of over 29%.

Non-food like-for-like sales grew by 0.9%, which includes a (3.1)ppts impact from the transition to our new partnership with The Entertainer, as in the UK. Excluding toys, non-food like-for-like sales grew by 4.0%, with a strong contribution from Home driven by a refreshed proposition which has now been rolled out across 30 stores.

We have now gained market share in ROI for 37 consecutive four-week periods, taking our share to 23.9% at the end of the year, up +29bps year-on-year. Clubcard sales penetration stepped up by a further 2ppts year-on-year to 87%.

BOOKER – Growth across core catering and retail following strong performance last year:

	Sales £m	LFL
Core retail	3,234	0.9%
Core catering*	2,621	2.1%
Tobacco	1,694	(8.8)%
Best Food Logistics	1,441	(5.1)%
Total Booker	**8,990**	**(1.8)%**

* Includes sales to small businesses and sales from Venus Wine and Spirit Merchants PLC, which was acquired in June 2024. Venus is excluded from LFL growth.

Overall like-for-like sales declined by (1.8)%, reflecting the continuing decline in the tobacco market and weakness in parts of the fast-food market serviced by Best Food Logistics, while the core retail and catering businesses grew despite a challenging market backdrop.

Core retail like-for-like sales increased by 0.9% year-on-year, growing ahead of the market, supported by a further 566 net new retail partners in the year. While the independent convenience sector is seeing some trading softness, Booker's symbol brands performed strongly, supported by our targeted promotional plans and improvements in availability. Booker retail customer satisfaction continued to improve, with gains year-on-year.

Core catering like-for-like sales increased by 2.1%, driven by stronger volumes, as customers responded well to our value campaigns throughout the year, with prices now locked on over 700 products until June 2025. Customer satisfaction levels remained high, growing year-on-year, and availability improved even further to c.98% by the end of the year.

In June 2024, we acquired Venus Wine and Spirit Merchants PLC, a specialist wine and spirits merchant, offering our on-trade catering customers an even larger selection of spirits, wines, lagers, ciders and ales. The integration of Venus is progressing well, and we are continuing to expand the customer base, with strong progress towards increasing its geographic presence.

CENTRAL EUROPE – Improved category mix and volume growth driving sales momentum and profit growth:

Like-for-like sales grew by 2.2%, as improved category mix and volumes contributed to positive growth, with market share trajectory improving. Food like-for-like sales grew by 2.4% year-on-year, including c.4% growth in Fresh volumes. Customer satisfaction scores improved in Central Europe, as customers responded well to our product innovation and targeted value investments, with on average c.650 products added to our Low Price Guarantee per market. Our Finest range performed well, with year-on-year volume growth of over 23%.

Non-food like-for-like sales grew by 0.6%, with particularly strong performance over the seasonal Christmas period.

Central Europe adjusted operating profit was £112m, an increase of 28.9% year-on-year at constant rates, primarily driven by volume growth and further progress in our Save to invest programme.

Discontinued operations:

In February 2024, we agreed to sell our Banking operations, comprising personal loans, credit cards and customer deposits and associated operational capabilities. In November 2024, we completed the disposal to Barclays for gross cash proceeds of £614m. In combination with further net cash released after the settlement of certain regulatory capital amounts and net of transaction costs, this provides £700m of cash realised from the disposal which will be returned to shareholders through share buybacks in FY 25/26.

The performance of our Banking operations has been presented as a discontinued operation and has been excluded from our headline performance measures. Profit after tax from discontinued operations was £26m which includes adjusting items of £(65)m primarily relating to the fair value remeasurement of assets of the disposal group, associated with the sale of our Banking operations to Barclays.

Adjusting items:

	FY 24/25 £m	FY 23/24 £m
Net impairment (charge)/release on non-current assets	(286)	28
Amortisation of acquired intangible assets	(76)	(74)
Save to invest restructuring provisions	(43)	(50)
Property transactions	2	75
Other*	(14)	13
Total adjusting items included within operating profit	**(417)**	**(8)**
Net finance income	44	20
Taxation	79	68
Total adjusting items included within profit after tax from continuing operations	**(294)**	**80**
Adjusting items included within discontinued operations	(65)	(628)
Total adjusting items (including discontinued operations)	**(359)**	**(548)**

* Other comprises Banking operations disposal costs. In the prior year, other includes a £12m profit on disposal of Booker's Ritter-Courivaud Limited subsidiary.

Adjusting items are excluded from our adjusted operating profit performance by virtue of their size and nature, to provide a helpful perspective of the year-on-year performance of the Group's ongoing business. Total adjusting items in operating profit (from continuing operations) resulted in a net charge of £(417)m, compared to £(8)m in the prior year.

In the current year, there was a non-cash net impairment charge on non-current assets of £(286)m, primarily reflecting an increase in discount rates, as a result of higher government bond rates. This compares to a £28m non-cash net impairment release in the prior year.

We continue to present amortisation of acquired intangible assets, principally relating to the merger with Booker, as an adjusting item. In the current year, amortisation of acquired intangible assets was £(76)m, compared to £(74)m in the prior year.

We recognised a £(43)m restructuring charge in the current year, compared to a £(50)m charge in the prior year relating to our Save to invest programme.

Adjusting items in discontinued operations of £(65)m primarily relates to the fair value remeasurement of assets of the disposal group, associated with the sale of our Banking operations to Barclays. In the prior year, we recognised a post-tax loss of £(628)m, related to the disposal of our Banking operations. Further detail on discontinued operations can be found in **Note 8** starting on **page 155**.

Adjusting items in net finance costs and tax are set out below. Further detail on adjusting items can be found in **Note 5**, starting on **page 151**.

Net finance costs:

On a continuing operations basis	FY 24/25 £m	FY 23/24 £m
Net interest costs	(157)	(179)
Net finance expenses from insurance contracts	(9)	(6)
Interest expense on lease liabilities	(370)	(373)
Adjusted net finance costs	**(536)**	**(558)**
Fair value remeasurements of financial instruments	76	38
Net pension finance costs	(32)	(18)
Adjusting items in net finance costs	**44**	**20**
Net finance costs	**(492)**	**(538)**

Adjusted net finance costs were £(536)m, £22m lower year-on-year mainly due to lower net interest costs on medium term notes as a result of refinancing activities.

Within adjusting items, fair value remeasurements of financial instruments led to a credit of £76m, compared to a £38m credit in the prior year, driven by non-cash mark-to-market movements on certain derivative financial instruments that are not hedge accounted and a non-cash gain from a liability management transaction.

Net pension finance costs increased by £(14)m, reflecting a higher opening pension deficit in FY 24/25 and a higher discount rate at the start of FY 24/25 than the start of FY 23/24.

We expect a similar level of adjusted net finance costs for FY 25/26. Further detail on finance income and costs can be found in **Note 6** on **page 152**, as well as further detail on the adjusting items in **Note 5**, starting on **page 151**.

Financial review continued

Group tax:

On a continuing operations basis	FY 24/25 £m	FY 23/24 £m
Tax on adjusted profit	(690)	(593)
Tax on adjusting items	79	68
Tax on profit	**(611)**	**(525)**

Tax on adjusted Group profit was £(690)m, £(97)m higher than last year, primarily due to higher profit and the full year impact of the increase in the UK corporation tax rate from 19% to 25%, effective from 1 April 2023. The effective tax rate on adjusted Group profit was 26.7% (FY 23/24: 26.0%), higher than the current UK statutory rate of 25%, primarily due to the depreciation of assets which do not qualify for tax relief. We expect our FY 25/26 effective tax rate to remain around 27%.

The current year £79m adjusting credit in tax primarily relates to deferred tax on impairment charges on qualifying assets. The prior year £68m adjusting tax credit primarily relates to impairment charges on qualifying assets, as well as a final settlement related to our exit from the Gain Land Associate in China, in February 2020.

Earnings per share:

On a continuing operations basis	FY 24/25	FY 23/24	YoY change
Adjusted diluted EPS	27.38p	23.41p	17.0%
Statutory diluted EPS	23.13p	24.53p	(5.7)%
Statutory basic EPS	23.41p	24.80p	(5.6)%
On a total basis, including discontinued operations			
Statutory diluted EPS	23.51p	16.56p	42.0%
Statutory basic EPS	23.79p	16.74p	42.1%

Adjusted diluted EPS was 27.38p, 17.0% higher year-on-year, due to an increase in Group adjusted operating profit, the benefit of our ongoing share buyback programme and a reduction in net finance costs, partially offset by an increase in tax.

Statutory diluted EPS was 23.13p, (5.7)% lower year-on-year, primarily driven by the £(286)m non-cash net impairment charge on non-current assets in the year, compared to a £28m impairment release in the prior year.

On a total basis, including discontinued operations, statutory diluted EPS was 23.51p, 42.0% higher year-on-year due to the effect of the remeasurement loss recognised last year related to the sale of our Banking operations.

Dividend:

We propose to pay a final dividend of 9.45 pence per ordinary share, which combined with the interim dividend of 4.25 pence per ordinary share made in November 2024, takes the full year dividend to 13.70 pence per ordinary share. The full year dividend is based on our dividend policy to pay a progressive dividend, broadly targeting a 50% payout of adjusted earnings per share.

The proposed final dividend was approved by the Board of Directors on 9 April 2025 and is subject to the approval of shareholders at this year's Annual General Meeting. The final dividend will be paid on 27 June 2025 to shareholders who are on the register of members at close of business on 16 May 2025 (the Record Date). Shareholders may elect to reinvest their dividend in the dividend reinvestment plan (DRIP). The last date for receipt of DRIP elections and revocations will be 6 June 2025.

Summary of Net debt:

	Feb-25 £m	Feb-24* £m	Movement £m
Net debt before lease liabilities	(1,738)	(2,062)	324
Lease liabilities	(7,716)	(7,622)	(94)
Net debt	**(9,454)**	**(9,684)**	**230**
Net debt/EBITDA	**2.0x**	**2.2x**	

* The Net debt APM has been amended to include Insurance and Money Services, with the prior year presented on a consistent basis. The impact on the prior year is to reduce Net debt by £80m.

Net debt was £(9,454)m, a decrease of £230m year-on-year, predominantly driven by strong free cash flow generation of £1,750m and gross proceeds from Barclays of £614m related to the disposal of our Banking operations. This exceeded the cash outflows relating to our ongoing share buyback programme of £(1,016)m and dividend payments of £(864)m.

Lease liabilities of £(7,716)m were £(94)m higher year-on-year, mainly driven by the opening of a new distribution centre and the leasing back of stores following the sale of mall properties in Central Europe.

Our Net debt/EBITDA ratio was 2.0 times at the end of the year, down from 2.2 times in the prior year, partially driven by the receipt of cash proceeds from the sale of our Banking operations which we will return to shareholders in the coming year.

We had strong levels of liquidity at year-end, totalling £3.6bn, including cash, highly liquid short-term deposits and money market investments. In addition, our £2.5bn committed revolving credit facility remained undrawn and is in place until at least October 2027.

Fixed charge cover was 4.2 times at the end of the year (FY 23/24: 3.8 times), an improvement year-on-year, primarily due to an increase in EBITDA.

Defined benefit pension schemes:

	Feb-25 £m	Feb-24 £m	Movement £m
Defined benefit schemes in surplus	56	22	34
Defined benefit schemes in deficit	(307)	(657)	350
Deferred tax asset/(liability)	71	162	(91)
Deficit in schemes at the end of the year (net of deferred tax)	**(180)**	**(473)**	**293**

Net of tax, the net IAS 19 pension deficit has improved from £(473)m to £(180)m, principally reflecting the impact of higher discount rates. The largest scheme is the main UK Tesco Pension Scheme. The trustees of each pension scheme are also required to calculate the net surplus/deficit using Technical Provisions and in accordance with relevant regulations and guidance issued by the appropriate regulator. On this basis, which is different to IAS 19, the main UK Tesco Pension Scheme continues to be in a funding surplus at the year end. The most recent completed triennial funding valuation of the UK Tesco Pension Scheme was at 31 March 2022 and the next valuation, relating to the funding position of the scheme as at 31 March 2025, will be completed during FY 25/26.

Further detail on post-employment benefits can be found in **Note 29**, starting on **page 200**.

Financial review continued

Summary free cash flow:

The following table reconciles Group adjusted operating profit to free cash flow. Further details are included in the reconciliation of cash flow measures, starting on **page 233**.

On a continuing operations basis	FY 24/25 £m	FY 23/24 £m
Group adjusted operating profit	**3,128**	**2,829**
Less: Insurance and Money Services adjusted operating (profit)/loss	(155)	(69)
Retail adjusted operating profit	**2,973**	**2,760**
Add back: Depreciation and amortisation	1,680	1,602
Other reconciling items	69	82
Pensions	(30)	(29)
(Increase)/decrease in working capital	(45)	418
Cash generated from operations before adjusting items	**4,647**	**4,833**
Cash capex	(1,392)	(1,289)
Net interest	(500)	(560)
– Interest related to Net debt before lease liabilities	*(123)*	*(188)*
– Interest related to lease liabilities	*(377)*	*(372)*
Tax paid	(355)	(214)
Dividends received	2	9
Repayment of capital element of obligations under leases	(598)	(623)
Own shares purchased for share schemes	(54)	(93)
Free cash flow	**1,750**	**2,063**
Memo (not included in free cash flow definition):		
– Special dividend received from Tesco Bank	-	250
– Net acquisitions and disposals*	(61)	(2)
– Property buybacks, store purchases and associated refits, and disposal proceeds	(93)	(66)
– Cash impact of adjusting items	(55)	(98)

* Excluding proceeds from the disposal of the Group's Banking operations. Refer to **Note 8**, starting on **page 155**, for further details.

We delivered another strong year of cash generation, with free cash flow of £1,750m. This is £(313)m lower year-on-year, primarily due to higher trade working capital balances in the prior year due to elevated levels of input cost inflation.

There was a working capital outflow of £(45)m this year. We continue to tightly manage our working capital balances, with the outflow this year reflecting lower trade balances in fuel, driven by fuel price deflation.

Cash capital expenditure was £(1,392)m, £(103)m higher than last year driven by incremental investments in expanding our digital platforms, automating our distribution network and refreshing our UK store estate.

Net interest paid was £60m lower year-on-year, principally driven by the impact of the timing of refinancing activities in the prior year.

Tax paid was £(141)m higher year-on-year, mainly due to no longer benefiting from tax relief related to the one-off pension contribution made in 2021, with the balance fully utilised by the end of the prior year, and the impact of higher adjusted operating profit year-on-year. These increases in cash tax paid were partially offset by a tax deduction arising on the disposal of our Banking operations.

Within the memo lines shown, the net £(61)m acquisitions and disposals outflow primarily relates to Booker's acquisition of Venus Wine and Spirit Merchants PLC. The £(93)m net outflow relating to property transactions includes the buyback of four supermarkets in the UK, partially offset by proceeds generated from the sale of mall properties in Central Europe. The cash impact of adjusting items of £(55)m relates to operational restructuring changes as part of our Save to invest programme, which were provided for at the end of the prior financial year.

Financial review continued

Capital expenditure and space:

	UK & ROI		Central Europe		Group	
	FY 24/25	FY 23/24[2]	**FY 24/25**	FY 23/24	**FY 24/25**	FY 23/24
Capex	**£1,347m**	**£1,201m**	**£110m**	**£113m**	**£1,457m**	**£1,314m**
Openings (k sq ft)	311	366	84	87	395	453
Closures (k sq ft)	(98)	(204)	(45)	(22)	(143)	(226)
Repurposed (k sq ft)[1]	(235)	–	(145)	(342)	(380)	(342)
Net space change (k sq ft)	**(22)**	**162**	**(106)**	**(277)**	**(128)**	**(115)**

Space in the above table is defined as net space in store adjusted to exclude checkouts, space behind checkouts, customer service desks and customer toilets. The data above excludes space relating to franchise stores. A full breakdown of space by segment is included in the supplementary information on **pages 226 to 227**.

1. Repurposed space relates to optimising selling space, such as through the addition of retail partners.
2. Includes £13m relating to the Banking operations disposal group, incurred prior to being classified as held for sale.

Capital expenditure shown in the table above reflects expenditure on ongoing business activities across the Group, excluding property buybacks and other store purchases and their associated refit costs.

We have been pleased with the results of our continued investment in our store estate, including refreshing a total of 463 stores and opening two superstores, 55 Tesco Express stores and seven One Stop stores in the UK. In ROI, we opened six new large stores and six Tesco Express stores. In Central Europe, we opened 14 new stores.

Our total capital expenditure for the year was £1,457m, £143m higher year-on-year. Our capital expenditure for the year includes investing in our core assets, as well as investing in growth, such as our online customer proposition, and delivering efficiencies across our operations, including further automation within our distribution and fulfilment centres. We continue to see attractive opportunities to commit capital to high-returning investments, and expect a similar level of capital investment in FY 25/26.

Statutory capital expenditure for the year was £1.6bn.

Further details of current space can be found in the supplementary information on **pages 226 to 227**.

Property:

	UK & ROI		Central Europe		Group	
	Feb-25	Feb-24	**Feb-25**	Feb-24	**Feb-25**	Feb-24
Property[1] – fully owned						
– Estimated market value	£15.4bn	£15.1bn	£1.6bn	£1.8bn	£17.0bn	£16.9bn
– Net book value	£15.3bn	£15.2bn	£1.3bn	£1.5bn	£16.6bn	£16.7bn
% store selling space owned	58%	58%	64%	68%	59%	60%
% property owned by value[2]	60%	59%	55%	65%	60%	60%

1. Stores, malls, investment property, offices, distribution centres, fixtures and fittings and work-in-progress. Excludes joint ventures.
2. Excludes fixtures and fittings.

The estimated market value of our fully owned property as at the year-end increased by £0.1bn to £17.0bn. In the UK & ROI, we saw an increase of £0.3bn due to a combination of our refit and remodelling programmes. In Central Europe, we saw a decrease of £0.2bn, predominantly reflecting the sale of malls. The market value represents a surplus of £0.4bn over the net book value.

Our Group store selling space ownership percentage was 59%, marginally down year-on-year driven by the sale of malls in Central Europe, which more than offset property buybacks in UK & ROI.

Making a positive...

Impact.

Since 2015 we've reduced Group Scope 1 and 2 emissions by

65%

We aim to be carbon neutral across our own operations by

2035

We've built sustainability into our purpose, strategy and business plans. We know that our business depends on the world around us. As the UK's leading food retailer, we know we can make a big difference.

Our commitment to operating in a responsible and sustainable way reflects our beliefs and values.

Sustainability

Planet.

We recognise we have a responsibility to play our part to address the impact the food system has on climate and nature, as part of our core purpose to serve our customers, communities and planet a little better every day.

Our planet plan brings together our key areas of activity under six pillars and reflects the interdependencies of the food system and the natural environment.

This includes work to improve the sourcing of our products, how we run our stores and transport, helping our customers eat more healthily, how we're tackling waste across the food value chain, and addressing some of the nature and biodiversity impacts the food system has at a landscape level.

Our plan is centred on our commitment to reaching net zero across our full value chain by 2050, validated in line with the Science-Based Targets Initiative's (SBTi) pathway for limiting global warming to no more than 1.5°C average above pre-industrial levels, and the economic longevity of our business relies on the health, resilience, and adaptation of our supply chains.

Our stakeholders continue to expect our business to demonstrate urgent, credible leadership and collaboration across the food industry to achieve net zero. We've made good progress in a number of areas this year but continue to call for the right regulatory frameworks from governments across our markets in order to help us drive the transformational change needed.

The pillars of our planet plan

Improve our products
Reduce the environmental impact of the things we sell

Decarbonising transport
Reduce emissions created when we move our products

Reduce store emissions
Minimise emissions from our stores and centres

Support sustainable consumption
Help customers switch to healthier, more sustainable food

Eliminate waste
Reduce food waste and packaging from production through to our customers' homes

Protect nature
Work with nature to restore habitats, protect water and increase biodiversity

Improve our products

Covering the production of all our products, from raw material extraction and agriculture to logistics and manufacturing, this pillar comprises the largest emissions hotspots across our value chain, at around 50%.

Our British farmers play a pivotal stewardship role when it comes to our natural environment and will play a key part in helping us reach our climate and nature goals. We continued to strengthen our relationships with our farmers and suppliers, through the launch of a new Tesco Sustainable Farming Group for pigs. The group benefit from a combination of cost of production and market price+ incentives, giving producers greater stability in pricing, and help to support longer term investment. We also launched a groundbreaking sustainability partnership with our milk suppliers, Arla and Müller UK and Ireland, with the aim of uniting the dairy industry to accelerate reduction of emissions, protecting and restoring nature and commit to higher animal welfare standards.

Informed by feedback from over 300 farmers, our Greenprint for UK Farming report set out a number of recommendations to government and the wider industry to secure a sustainable future for the sector. We committed to supporting the industry to implement clearer sustainability requirements and standards, and to work with farmers to simplify and standardise data collection. We've also launched two low carbon concept farms in our UK supply chain to trial new technologies and share learnings to scale the adoption of sustainability innovations. We continue to work with our global supply base to ensure all our global produce suppliers that supply into the UK are LEAF Marque Certified by the end of 2025.

Tackling deforestation in animal feed supply chains remains a key priority in this pillar, and we continue to work on the implementation of the delayed EU Regulation on Deforestation-free Products (EUDR), starting with our EU-based businesses.

Decarbonising transport

Transport comprises around 47% of our operational (Scope 1 and 2) emissions. We're working to switch all our fleets to low-carbon alternatives by 2035, where possible, based on available market solutions.

As we continue to decarbonise our transport network, we've introduced a further 150 electric home delivery vans to our Tesco fleet in the UK this year. We also launched our 10th rail service, serving the North West of England. We're now moving a total of 300 million cases of goods a year across the country by the Tesco rail network rather than by lorry.

Read more in our **Sustainability Report**.

Reduce store emissions

We continue to work towards reaching our goal of carbon neutral operations by 2035. We're now using the latest AI technology to identify and repurpose heat from refrigeration systems to lower our energy use and saving energy by installing doors on fridges in more than 100 of our large stores.

We've also continued our programme of securing more directly sourced renewable electricity. In October 2024, we signed a new power purchase agreement with Cleve Hill Solar Park in Kent. The site will produce enough solar energy to power the equivalent of 144 large stores every year – up to a tenth of our total electricity demand in the UK.

A further deal with Stranoch windfarm in Scotland will add green electricity for the equivalent of 80 average-sized supermarkets when it is scheduled to become operational in 2026.

Support sustainable consumption

It's essential we integrate health and sustainability on this journey. Our goal is to make Tesco the easiest place for customers to find healthy, affordable, and sustainable food. This involves encouraging customers to consume more seasonal fruits, vegetables, and alternative plant-based proteins such as legumes and cereals.

Sustainability continued

In 2021, we set a target to increase the proportion of healthy products sold to 65% of total UK and ROI sales by the end of 2025. We've made good progress, with 64% of products now meeting the UK Government's Nutrient Profile Model (NPM).

Eliminate waste

This pillar addresses both food waste and packaging, emphasising the need to minimise both for a sustainable future. We aim to reduce food loss across the entire supply chain by 50% by 2030. Our food waste hierarchy guides our plans, covering end-to-end food waste reduction, including increasing food redistribution both through our charity partners and also colleagues.

We've partnered with FareShare since 2012 to redistribute surplus food from our stores and distribution centres, preventing food waste. This year, we hit a milestone by redistributing the equivalent of over 250 million meals to charities nationwide.

Following challenges in our food waste operations in 2023/24, we worked with engineering company RenEco to establish a new facility to turn surplus food into animal feed. The site in Northamptonshire will un-pack food and transform it into a pulp or crumb to feed to animals. The focus of the operation will be on bakery and fresh produce. Through an additional, separate process, meat and fish surplus will also be used in household pet food.

We're keeping up momentum on our drive to reduce plastic use, removing more than two billion pieces of plastic from our stores and supply chain, including moving our Own Brand oats and pasta ranges from plastic to paper packaging.

Protect nature

The food system relies on healthy soils, clean freshwater, and thriving pollinator populations. We are collaborating with our suppliers to adopt a landscape-based approach, transforming our supply chains holistically to achieve lasting environmental benefits for both climate and nature.

We've expanded our Nature Programme with the launch of two new partnerships to help protect and restore nature in key UK sourcing regions. Our partnership with Forestry England will contribute to restoring nature in Neroche, Somerset, a key sourcing region for Tesco, by increasing the diversity and abundance of wildlife across the area and provide valuable insight into how large-scale nature restoration can aid sustainable food production.

Our partnership with the Royal Society for the Protection of Birds (RSPB) will provide dedicated conservation and habitat advisory support to farmers in Tesco's supply chain. Nature-friendly farming will help boost farmland resilience to climate change, provide improved protection against extreme weather, and enhance biodiversity.

72%
of farmers we surveyed want to do more to make their farms environmentally friendly.

Spotlight on:

Planet.

UK Agriculture

As the biggest customer of UK agriculture, bringing our customers healthy, affordable and sustainable food wouldn't be possible without our farmers and producers.

In the last year alone, we've seen unprecedented flooding and unpredictable weather patterns disrupt the typical farming calendar, while inflation has put pressure on the price of inputs, including energy, fertiliser and animal feed.

If we're to deliver on our climate and nature goals, we need to support the sector, so we asked our farmers where they need support. More than 300 farmers shared their experiences and views at agricultural shows across the country, as well as at an in-depth roundtable discussion with farmers across our arable, livestock and fresh produce supply chains.

A Greenprint for UK Farming report

Informed by these discussions, in January 2025, we published our Greenprint report for UK farming, alongside our partners at Harper Adams University's School of Sustainable Food and Farming.

Our report sets out recommendations across several key areas, including a long-term vision for the sector, the need for government to better support UK farmers through a long-term land use and food security strategy; improved funding for all stages of innovation that aids sustainability; and setting common environmental standards which farmers can regularly measure against to help prioritise investment in the most effective and sustainable farming techniques.

At the same time, we committed to continue to support the industry to implement clearer sustainability requirements and standards; working with farmers to simplify and standardise data collection; and exploring new models and incentives that could help farmers manage investment risk.

Sustainability continued

Nature.

As a food retailer, we rely on healthy soils, clean, fresh water and thriving pollinator populations to help produce our food. However, the global food system is one of the leading contributors to nature and biodiversity loss. It's vital we play our part in protecting nature in at-risk landscapes including forests, freshwater catchments and marine environments.

Our work includes action in our supply chains to reduce the impact key products and commodities have on our natural world, as well as landscape-level efforts to increase biodiversity, manage water resources responsibly and avoid polluting waterways, protect natural habitats including peatland and improve soil health.

Given the interconnectedness between the climate and nature crises, we continue to strive for a nature-led transition to net zero. Our planet plan reflects this, with a pillar of work focused on protecting and restoring nature.

Zero

We continue to strive for a nature-led transition to net zero. Our planet plan reflects this, with a pillar of work focused on protecting and restoring nature.

Taskforce on Nature-related Financial Disclosures (TNFD)

The TNFD framework aims to provide a framework for organisations to report on risks from biodiversity loss and ecosystem degradation.

The information below is designed to show our progress towards alignment with the framework, setting out our work so far on nature-related governance, strategy, risk and impact management, and metrics and targets. It also outlines the steps we have taken this year to complete the LEAP (locate, evaluate, assess and prepare) process, pioneered by TNFD.

Governance

We have a comprehensive climate governance framework encompassing the Board, its associated Committees, and the Executive Committee. This governance framework includes all pillars of our planet plan, including the Protect Nature pillar, and reflects our holistic approach to achieving a nature-led net zero.

See our Annual Report governance section starting on **page 52**.

Strategy

The food system has a central role to play in protecting and restoring nature. Building on our initial work to understand our nature-related risks, impacts and dependencies, and to further refine our strategy in this area, we have continued our work on mapping our direct operations and our most at risk supply chains through the TNFD's LEAP assessment. Learning from the two TNFD pilot projects in our soy and palm oil supply chains from last year, the scope of our LEAP assessment has evolved to include more of our high-risk commodities material to the Science Based Targets Network's (SBTN) High Impact Commodity List, and most meaningful to our business.

Using the initial outputs of the LEAP process and the TNFD pilot projects, we are continuing to map our supply chains across key sourcing regions to gain a more comprehensive view of the nature-related impacts, risks and opportunities in our supply chain beyond our

Building on our initial work to understand our nature-related risks, impacts and dependencies, and to further refine our strategy in this area, we have continued our work on mapping our direct operations and our most at-risk supply chains through the TNFD's LEAP assessment.

key high-risk commodities. The ongoing analysis will be used to inform our sourcing strategies and direct our focus in nature restoration projects.

We have continued to make progress on protecting and restoring nature through the development of our Nature Programme which focuses efforts on five key areas of action: protecting nature in key sourcing landscapes, both in the UK and abroad; scaling industry leading innovations to support biodiversity; implementing a nature plan across our own estate and operations; continuing to lead the industry on research into key challenges facing nature and the food system; and playing a leading role in cross sector engagement.

Risks and impacts

We will continue to act on recommendations from the TNFD LEAP process including integrating nature-related risks and opportunities into existing risk management processes.

This will include leveraging enhanced due diligence programmes to manage nature loss and impacts on communities; and implementing targeted training and audit programmes for environmental targets for commodities and locations where biodiversity impact is high.

Metrics and targets

For our key forest risk commodities such as soy and palm, we are committed to sourcing only from verified zero deforestation and conversion free areas by the end of 2025.

We continue to provide significant multi-year funding for vital water stewardship work across the UK, alongside organisations like the Wye and Usk Foundation and Norfolk Rivers Trust. We have encouraged key suppliers to match our ambition on achieving Waste and Resources Action Programme's (WRAP) Courtauld 2030 Water Roadmap, which aims to source 50% of the UK's fresh food and drink from areas of sustainable water management by 2030. This funding also supports nature-related outcomes in catchments across Spain, Kenya, South Africa, and Ica in Peru.

We continue to provide significant multi-year funding for vital water stewardship work across the UK, alongside organisations like the Wye and Usk Foundation and Norfolk Rivers Trust.

Spotlight on:

Restore.

Nature programme

Forestry England

RSPB

We launched our nature programme in November 2023, with the ambition to protect and restore nature across our supply chains and key sourcing landscapes, alongside our suppliers and partners. This year, we launched a partnership with Forestry England which will contribute to restoring nature in Neroche, Somerset, by increasing the diversity and abundance of wildlife across the area, while providing valuable insight into how large-scale nature restoration can aid sustainable food production.

We also launched a partnership with the RSPB which will provide dedicated conservation and habitat advisory support to farmers in our supply chain in East Anglia, a key sourcing region for us. Habitat transformation can improve biodiversity, boost productivity, and provide improved protection against extreme weather caused by climate change, such as drought and flooding. The project will enable the scaling-up of existing RSPB programmes to support biodiversity and address the impact of agriculture on nature.

In 2023
we launched our nature programme with the ambition to protect and restore nature across our supply chains and key sourcing landscapes.

Task Force on Climate-related Financial Disclosures

TCFD.

TCFD content finder

T Content elsewhere in the Annual Report that relates to TCFD is indicated with this icon

Climate-related financial disclosures

We have disclosed a TCFD statement since 2019 and have now met the full disclosure requirement for four years consecutively. This year, we have integrated the TCFD content across the Annual Report (see the TCFD content finder on the left of this page), providing further detail on the actions underpinning our planet plan and work to build a resilient supply chain. Our sustainability efforts continue to focus on our ability to create and preserve long-term value for our customers, colleagues, shareholders, the planet and the communities we serve.

Governance

We have a comprehensive climate governance framework encompassing the Board, its associated Committees and the Executive Committee. This governance framework includes all pillars of our planet plan, reflecting our holistic approach to becoming a net zero business. In addition to climate-related issues, the governance framework also encompasses food waste, sustainable agriculture, nature, healthy sustainable diets and packaging.

Further information on climate governance can be found on **pages 43, 61 to 63 and 77.**

Governance

Strategy

We understand that our best strategy to mitigate our main climate risks is to become a net zero business across the whole Group, entailing fast, large-scale, and effective decarbonisation of our operations and our supply chain. In 2023 we became one of the first companies globally to gain SBTi validation for our net zero targets on all greenhouse gas emissions, including those originating from forests, land and agriculture (FLAG) emissions, aligned with a 1.5°C pathway. Our targets include stretching interim commitments to reduce absolute Scope 1 and 2 emissions from our own operations by 85% by 2030 from a 2015/16 baseline year, and a voluntary target to achieve net zero on Scopes 1 and 2 by 2035, 15 years ahead of our SBTi validated target. To date, we have reduced our Scope 1 and 2 emissions by 65% vs our 2015/16 baseline. On Scope 3, our target includes a 55% reduction by 2032 from a 2019/20 baseline on emissions from energy and industrial sources, and absolute Scope 3 emissions from FLAG emissions by 39% by 2032 from a 2019/20 baseline year. Ultimately, we will reach net zero across all scopes by 2050 via a reduction of 72% of FLAG emissions, and 90% on Scope 3 non-FLAG emissions. Residual emissions will be neutralised in line with the SBTi guidance.

According to the strategic and rounded approach proposed in the Transition Plan Taskforce framework, businesses should not only focus on their own net zero targets, they should also work on building adaptation and resilience to the effects of climate change, and drive industry system change.

TCFD continued

Our performance against our targets this year is:

65%
emissions reduction in Scope 1 and 2 versus 2015/16 baseline

100%
of electricity procured from renewable sources

13%
of dotcom delivery van fleet is now electric

Our planet agenda categorises work across six different areas and includes a number of initiatives as we work towards the targets validated by the SBTi. **Pages 32 and 33** describe the planet plan in detail. Below is an overview of the main decarbonisation initiatives within the six pillars of our planet plan, and progress to date.

While our Scope 1 and 2 emissions may represent a small proportion of our footprint, it is the area over which we have full control and are therefore, with the right planning and capital allocation, able to deliver at pace.

Decarbonise transport

Transport comprises around 47% of our operational (Scope 1 and 2) emissions. That is why we are working to switch all our fleets to low-carbon alternatives by 2035 where possible based on available market solutions. As part of our EV100 pledge, we have now deployed 720 electric home delivery vans and are on track to be 100% electric by 2030. We're also trialling alternative fuels, such as Hydrogenated Vegetable Oil (HVO), which has up to 90% less emissions compared to diesel. In March 2025, we started introducing HVO to all trucks based at our Thurrock distribution centre. Our Best Food Logistics team have also partnered with clients to trial HVO.

Reduce store emissions

In 2020, we reached our RE100 commitment to source 100% renewable electricity 10 years ahead of our 2030 target. We designed our strategy to ensure we increasingly source our electricity directly via on-site generation and onsite/offsite power purchase agreements (PPAs), going beyond renewable energy certificates to help boost domestic renewable capacity in the markets we serve. We are committed to onsite and offsite renewable generation supplying 60% of our electricity demand by 2030. We have announced multiple energy projects, helping us source green electricity directly from windfarms and solar parks across the UK. With the addition of Cleve Hill and Stranoch to our existing portfolio, the contracted output from our PPAs could cover 41% of Tesco UK or 32% of Group expected FY 26 electricity demand. Addressing remaining store emissions, we are switching away from our depreciated HFC refrigerant systems to recovered CO_2 systems. In the UK, 137 stores were transitioned to CO_2 systems in 2024/25. To replace gas boilers, we are trialling air source heat pumps and heat reclaim systems across the UK, ROI and Central Europe. In the UK, gas boilers were transitioned to heat pumps in 16 stores in 2024/25.

Scope 3 represents over 98% of our Group emissions and we are therefore focused on how we can drive and advocate for change to deliver net zero and build resilience along our value chain.

Improve our products

Agriculture makes up around 39% (FLAG emissions as defined by the SBTi) of our whole footprint, making it the single biggest contributor to our end-to-end value chain emissions. We are taking a whole landscape, systems-based approach to supporting the sector's transition, using common standards to drive better land management practices and improve the overall resilience and productivity of our agri-food systems.

For example, the following projects have launched or continued to develop in the past 12 months:

- We continue to collaborate and facilitate shared learnings through our Sustainable Farming Groups. We relaunched our Sustainable Pig Group which supports our British farmers and suppliers by providing stable pricing and helping support longer-term investment. Financial incentives and long-term contract options are an important element of our sustainable farming groups, giving our farmers the confidence to plan and invest in their businesses to become low carbon.
- We launched the Future Dairy Partnership with suppliers Arla and Müller UK & Ireland, and all 400 Tesco Sustainable Dairy Group farmers, to accelerate sustainability measures in our dairy supply chain and beyond.
- We continue to require all produce supplied to our UK stores to be LEAF Marque certified by 2025, and have 457 more overseas farms that supply us certified compared to last year.
- We supported with Soil Association Exchange and other businesses in the arable supply chain, to launch the Exchange Market. This initiative will reward British farmers for reducing emissions in arable agriculture.
- We also announced the launch of two low-carbon farms to trial solutions and bridge the gap between the net zero research and farms.

Deforestation and conversion in animal feed supply chains is a significant source of emissions associated with sourcing our products. We will apply the upcoming EU due diligence legislation across the Group to obtain the transparency we need to verify our supply chains as deforestation-free. Simultaneously, we are working towards our voluntary target as a signatory to the UK Soy Manifesto which goes beyond legislation to exclude conversion from our Own Brand supply chains by December 2025.

Reaching net zero will require industry-wide efforts and shared accountability right through the supply chain, so we are working with our suppliers to help and encourage them to set their own climate targets. To support our strategic ambition, we have asked all UK suppliers to set an SBTi-aligned net zero target and to begin measuring and reporting their carbon footprint. By the end of 2024, 194 of our key suppliers committed to net zero ambitions.

Eliminate waste

Based on a 2022 survey on-farm food loss represents over 25% of the UK's total food loss and waste. Tackling food waste can deliver benefits across the supply chain, through more efficient operations. We manage bumper crops at certain times of the year through great value offers for our customers. For example, in 2024, the sudden arrival of warmer weather after a cold and wet spring and early summer start quickly brought on a crop flush of British strawberries. As a result of the surplus, we bought an extra few hundred tonnes of British-grown strawberries and put one kilo punnets on sale for £4.50, and 400g punnets for the Clubcard price of £1.90. The regular price for a 400g punnet at the time was £2.50.

TCFD continued

Support sustainable consumption

One of the most impactful ways to reach a net zero food system is to shift demand towards more sustainable choices, including diverse proteins, fruit and vegetables. Our approach to healthy sustainable diets is well established, seeking to make a better balanced diet easy, affordable and enjoyable through actions including product reformulation, promotions, pricing and strengthening of our plant-based and healthier ranges. We are committed to leading the plant-based market with a competitive and compelling range of meat and dairy alternatives. We have an innovation programme across the Group which looks to identify and scale future healthy and sustainable ingredients and processes. This work includes global innovation and technology scanning, working with our established supplier partners, business-to-business ingredient suppliers and new suppliers. We offer great value fruit and veg across all our core value propositions, including Aldi Price Match, Fresh 5 and Clubcard Prices. Our 'better baskets' campaign is designed to help and inspire customers to make healthier and more sustainable choices. We have learnt that customers respond to helpful nudges at point of purchase, so we have created better basket zones in our larger stores and online which signpost better choices.

Protect nature

It is important to consider the risks that climate change and nature loss simultaneously pose to our supply chain resilience, as we recognise the interconnectedness between nature and climate. Our work involves six focus areas identified through Taskforce on Nature-related Financial Disclosures (TNFD) and the Science Based Targets for Nature (SBTN) frameworks: protecting and restoring habitats, protecting species, supporting sustainable freshwater use, preventing freshwater pollution, improving soil health and improving air quality.

Find out more about the work we are doing to protect nature on **page 34**.

Risks and opportunities modelling

We continue to use scenario modelling to help inform our understanding of the most material climate-related risks and opportunities. Our approach is to combine the latest scientific research with a wide range of internal information including financial forecasts, climate footprint, locations of Tesco operated facilities and supply chain information.

Five warming scenarios were modelled, covering >4°C, 3°C, 2.5°C, 2°C and 1.5°C pathways. These pathways are based on the Intergovernmental Panel on Climate Change (IPCC) Shared Socioeconomic Pathways and allow us to assess a wide range of climate possibilities. Our disclosure incorporates the 1.5°C pathway, aligned to the Paris Agreement and our stated targets, and a 3°C pathway aligned to the current warming pathway as reported by the IPCC, to ensure we cover the range of possible evolutions. We continue to quote the costs or financial value at risk as a range, reflecting the uncertainties of climate-related modelling and our resulting reliance on assumptions. Unless stated, our modelling assumes just the downside risk, using our current product range, sourcing and asset base with no mitigation or strategic response to minimise the risk. The risk values disclosed are based on our scenario modelling completed in 2024 and therefore remain consistent with the prior year. This reflects that there have been no material changes in our business operations nor to the underlying climate modelling assumptions. Future scenario modelling will be carried out in line with regulatory requirements.

Further information about our principal risks and uncertainties, including our TCFD risks and opportunities, can be found on **pages 40 to 49**.

Metrics and targets

Metrics are used to identify opportunities for decarbonisation initiatives, including assessing progress in decarbonising owned assets to understand where and when plans could be accelerated.

In recognition of how critical sustainability is to our business success, our 2025 Performance Share Plan (PSP) continues to incorporate sustainability metrics including those for Scope 1 and 2 emission reduction. For more information on the sustainability metrics included within our PSP, see **page 95**.

Metric	2024/25	2023/24	Target
Emissions reduction in Scope 1 and 2 vs 2015/16 baseline	**65%**	61%	(85)% FY 2030, (90)% FY 2035
EV100 – % of delivery van fleet that is electric	**13%**	11%	100% by 2030
% of electricity from renewable sources	**100%**	100%	100%
Proportion of generated volume from onsite and offsite PPAs, as a percentage of energy consumption at a Group level	**19%**	11%	45% by December 2025 and 60% by December 2030

To support the delivery of our decarbonisation plans, we continue to apply our internal carbon price (ICP). This will ensure that any strategic decisions such as potential new stores, business acquisitions and divestments, or other decisions which would give rise to changes in the level or classification of our emissions are identified at the earliest opportunity and mitigated accordingly. The price will be reviewed annually and governed by the Group operational decarbonisation steering group.

Metrics supporting our Scope 3 target include:

Metric	2024/25	2023/24	Target
Percentage volume of palm oil physically certified to RSPO standard	**100%**	100%	100% RSPO segregated by December 2025
Percentage of soy used in animal feed that meets our UK Zero Deforestation Soy Transition Plan requirements	**100%**	100%	100% verified deforestation and conversion-free by December 2025
Percentage of paper/wood products certified to FSC, PEFC or from a recycled scheme	**100%**	100%	100%
Percentage weight of all Own Brand packaging that is recyclable: (i) at kerbside	**87%**	86%	Our packaging will be fully recyclable by 2025
(ii) additionally at UK collection points including large supermarkets	**99%**	N/A	

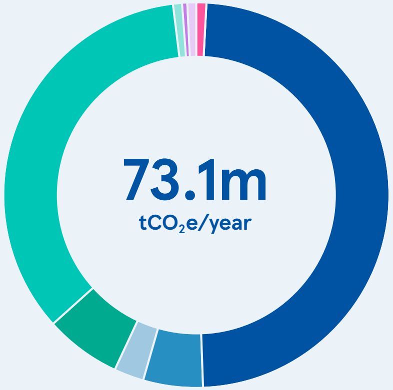
Details of the methodologies for the above metrics and further information on our progress against these targets can be found at **www.tescoplc.com/sustainabilityreport2025**. We continue to review our targets and metrics and focus on disclosing recognised cross-industry metrics where these align to the risks and opportunities we identify.

TCFD continued

Next steps

On Scope 1 and 2 we plan to continue rolling out efficiency measures like installing doors on fridges; low carbon asset replacement for refrigeration; and heat pump installations in FY 25/26. We will introduce HVO and explore bio-CNG in our largest trucks as interim solutions to reduce emissions as quickly as possible on the way to net zero. We also continue to expand our Dotcom fleet electrification. On Scope 3, we are working to improve our emissions reporting. We have identified our top suppliers by emissions and will continue to support and accelerate their decarbonisation transition. We are focusing on establishing joint plans, collective sharing of insights, innovation and best practice, and regularly reviewing progress against key measures.

Our total emissions footprint



Scope 1	
Refrigerants, HVAC, transport (logistics)	1.1%
Scope 2	
Purchased electricity	0.01%
Scope 3	
Purchased goods and services (including deforestation) (Cat 1)	48.3%
Fuel- and energy-related activities (Cat 3)	5.2%
Upstream transportation and distribution (Cat 4)	2.3%
Downstream transportation and distribution (Cat 9)	6.4%
Use of sold products (Cat 11)	34.8%
End-of-life treatment of sold products (Cat 12)	0.7%
Investments (Cat 15)	0.4%
Capital goods, waste generated in operations, business travel and employee commuting, and processing use of sold products (Cat 2, 5, 6, 7, 10)	0.7%

Our total footprint has been calculated using Scope 1 and 2 emissions from 2024/25 and Scope 3 based on 2022/23. Our net zero validated targets are based on the SBTi scope which excludes certain emissions like emissions from cooking the food purchased in our stores or consumers driving to our stores. Our total 2022/23 emissions within SBTi scope were estimated at 58.9 million tCO_2e per year. We report on the categories that are material to Tesco based on their contribution to our end-to-end footprint. Upstream leased assets (category 8) are not singled out as a separate category as any emissions coming from leased buildings are already incorporated into our operational footprint. All other categories not included, such as: downstream leased assets (category 13); and franchises (category 14), are irrelevant for our sector and the scope of our business.

Compliance statement

Tesco PLC has complied with all of the requirements of UKLR 6.6.6R by including climate-related financial disclosures in this section (and in the information available at the locations referenced therein) consistent with the TCFD recommendations. Tesco PLC has also complied with all reporting requirements under sections 414CA and 414CB of the Companies Act 2006 consistent with the CFD requirements.

Deloitte's assurance

Deloitte has provided independent third-party limited assurance in accordance with the International Standard for Assurance Engagements 3000 (ISAE 3000 revised) and Assurance Engagements on Greenhouse Gas Statements (ISAE 3410) issued by the International Auditing and Assurance Standards Board (IAASB) over the TCFD on pages 36 to 39 and selected metrics highlighted in this report with a ◊. Items marked with a T throughout the Strategic Report and Corporate Governance sections of the Annual Report are also included within the scope of Deloitte's limited assurance. Deloitte's full unqualified assurance opinion, which includes details of the selected metrics assured, can be found at www.tescoplc.com/sustainabilityreport2025.

Greenhouse gas emissions and energy consumption*

	2024/25	2023/24	2022/23	Base year 2015/16
Scope 1 (tonnes of CO_2e)	**802,425** ◊	902,830	1,039,346	1,240,871
Scope 2[a] Market-based method (tonnes of CO_2e)	**5,497** ◊	6,259	7,796	1,095,671
Location-based method (tonnes of CO_2e)	**582,298** ◊	587,899	575,462	1,657,316
Total Scope 1 and 2 market-based (tonnes of CO_2e)	**807,921** ◊	909,089	1,047,142	2,336,542
Scope 1 and 2 carbon intensity (kg CO_2e/sq.ft. of stores and DCs)	**9.25** ◊	10.33	11.91	26.29
CO_2e saved from exporting renewable energy to the National Grid (tonnes of CO_2e)	**398**	194	281	–
Total annual energy consumption (GWh)	**5,420**	5,511	6,000	6,823
UK only total Scope 1 and 2 market-based (tonnes of CO_2e)	**699,447**	772,944	888,676	1,751,572
UK only Scope 1 and 2 carbon intensity (kg CO_2e/per sq.ft. of stores and DCs)	**10.65**	11.47	13.88	26.29
UK only annual energy consumption (GWh)	**4,549**	4,368	5,037	5,502

* For both energy and emissions data, we have included all major subsidiaries within Group measures and have included all UK-based subsidiaries in our consolidated UK disclosures.

◊ We engaged Deloitte LLP to provide independent limited assurance over the GHG emissions data highlighted in the above table with a ◊ using the assurance standards ISAE (UK) 3000 and 3410. In addition, Deloitte have also assured selected categories of our Scope 3 footprint to the value of 531,254 tonnes of CO_2e. Deloitte has issued an unqualified opinion over the selected data. Deloitte's full assurance statement is available at: **www.tescoplc.com/sustainabilityreport2025.**

Our method statement can be accessed at: **www.tescoplc.com/sustainabilityreport2025**. We use the market-based method for calculating Scope 2 emissions for our total emissions to account for our efforts in generating and purchasing low-carbon energy. The location-based method is provided for disclosure only and all intensity, net and gross emissions shown are calculated using the Scope 2 market-based method.

Managing our risks.

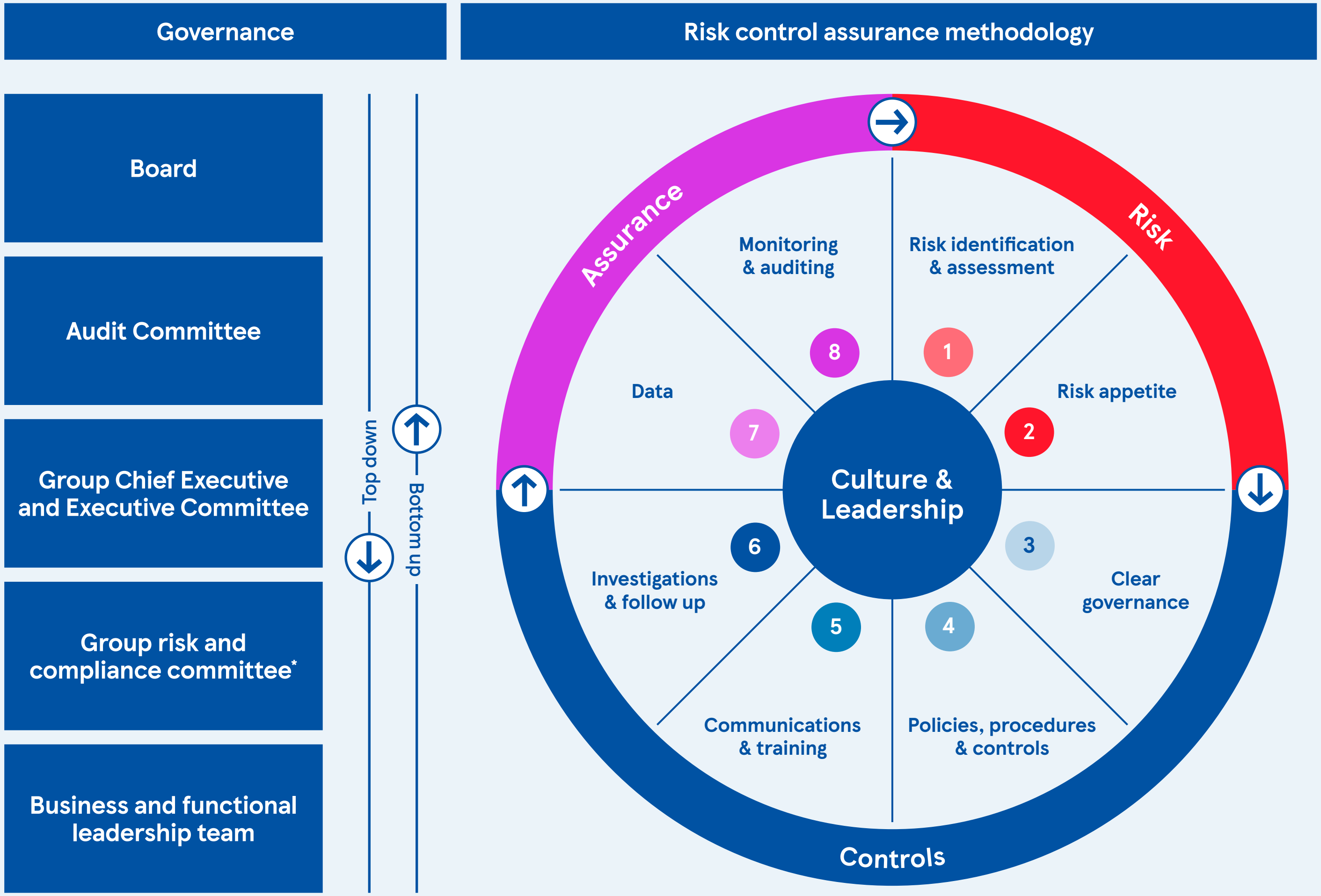
Effective risk management is core to our management practices which help deliver our strategy and our commitments to our customers, community, and the planet.

We are focused on conducting our business responsibly, safely, and legally, while making risk-informed decisions when responding to opportunities or threats that present themselves. The Board and Executive Committee are responsible for the effective management of risk across the Group, and we manage our risks in line with the risk appetite set by the Board.

Risk management framework (RMF)

The diagram to the right, provides an overview of our framework defining Tesco's risk management process and governance. Our RMF continues to be embedded throughout the organisation enabling us to clearly identify, prioritise, respond, and monitor our most significant risks and emerging risk themes. Our RMF supports decision making, with culture and leadership being at the heart of our framework, including a clear tone from the top on the importance of risk management. Our colleagues play a vital role in carrying our culture forward through their commitment to our shared values on risk management. We provide regular learning opportunities to strengthen our colleague awareness on various risks and controls, for example providing appropriate training to help prevent cyber-security incidents, as well as communicating the opportunities and safeguards while using artificial intelligence tools.

Risk management framework



Principal risks are significant risks that could affect our strategic ambitions, future performance, viability, and/or reputation.
Full disclosures of these risks is included on pages 42 to 47.

* In addition to the Group risk and compliance committee, there are other internal stakeholder risk committees (e.g. cyber and privacy risk committee, planet committee).

Risk

A complete view of our risk universe starts with the analysis of our business, the external environment within which we operate, the regulatory landscape and our internal operations. This includes the impacts on our strategy, initiatives, governance and processes.

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We use a consistent assessment criterion to identify and prioritise risks at the Group, business unit and functional level, along with horizon-scanning for emerging risk themes. The identified risks are categorised into one or more of the following risk types: strategic; change; operational; finance; or compliance. This enables effective governance and monitoring of the risks.

Management assesses the risks on a continuous basis, taking into account the risk to Tesco's strategy, our colleagues and our operations, as well as our impact on society and the environment. There is regular formal oversight through clearly defined governance structures, e.g. the cyber and privacy risk committee oversees the various elements of cyber security and data privacy risks. During the year, we have further strengthened and formalised our approach to risk appetite. The objective of this initiative is to strengthen the overall risk culture, embedding behaviours that drive informed decision-making across all business operations.

Controls

A strong risk and controls culture forms the foundation of our RMF, with responsibilities shared across all management levels and oversight by the Board, which actively engages in risk discussions. The Audit Committee annually assesses RMF effectiveness, focusing on emerging and principal risks, while the Group risk and compliance committee oversees key risks on behalf of the Executive Committee. For further details refer to the Corporate governance section on **pages 61 to 64**.

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For risks where our risk appetite is low, we take a robust approach to determine appropriate controls and responses. For these risks (typically regulatory and compliance risks) we have established policies and blueprints to guide the business in managing the risks. These risks are monitored formally by one or more of our various governance bodies, such as our Group risk and compliance committee, as well as by the Audit Committee. For other risks, which are typically strategic, pervasive, or dynamic in nature, the controls and responses are determined on a case-to-case basis in line with the strategic goals of the organisation. Our approach to risk appetite provides the framework to consistently respond to risk and establish boundaries for coherent risk decision making. This element of the risk management framework has been enhanced during the current year, to align our risk appetite approach and adopt this consistently.

We provide continuous training programmes to equip our colleagues with updated skills and knowledge, driving innovation and adaptability. Investigations and follow-up ensure that control deficiencies or irregularities are promptly identified, analysed, and addressed to prevent recurrence. This process strengthens our overall control environment by promoting accountability and mitigating risks.

Assurance

Group Audit undertakes assurance activities including regular risk based internal audits driven by the annual internal audit plan which is reviewed and approved by the Audit Committee. The internal audit plan is aligned to principal risks and remains under review and subject to change, to reflect any updates to the risk profile through the year. The Audit Committee reviews and approves all changes to the audit plan and receives regular updates on the outcome of the work performed. Further, second-line functions such as finance controls, ethics and compliance and safety systematically test key processes and controls established by management to mitigate risks. The work of second-line functions is subject to review by internal audit on a cyclical basis. Data-driven assurance activities support the decision-making process, thereby improving the accuracy and reliability of our audit conclusions. Data informed insights and clear visibility of risks help our leaders in making strategic decisions.

Principal risks and uncertainties

The most significant risks – those that could affect our strategic ambitions, future performance, viability, and/or reputation – form our principal risks.

Our principal risks are detailed in the following pages. This includes a summary of key information including the type of risk, links to our strategic drivers, risk movement, key responses and controls, and the oversight committees at the Executive Committee and Board level. This list does not include all our risks. Additional risks, not presently known, or those we currently consider to be less material, may also have adverse effects. We also highlight principal risks that are included in our long-term viability scenarios, on **pages 50 and 51**.

As of year-end FY 24/25, there are 13 Group principal risks, reflecting a reduction of two risks from year-end FY 23/24. This reduction is attributed to the retirement of the *Tesco Bank* principal risk, following the completion of the sale of Banking operations to Barclays, and the consolidation of the *Customer and Competition and Markets* principal risks, given their strong interdependency and consequence on one another. Further, given the heightened level of geopolitical uncertainty due to wars and civic unrest, terrorism, elections, tariffs and government restrictions, we have elevated the *Geopolitics and other global events* risk. Our approach to these events is to continue to scan the external environment for threats, assess the risk to our business and build resilience to minimise business disruption and prioritise the safety of our colleagues and customers in the event of such incidents. We understand the short-term risks and impacts, and we have the right teams, governance mechanisms, customer offerings and strategies in place. However, the long-term impacts remain uncertain, and we will continue to monitor the external landscape closely and respond accordingly.

Our principal risks are interdependent and interconnected with each other, with comprehensive and cogent strategies designed to mitigate the cascading effects on our overall risk exposure. Further, the emerging themes that have a potential impact and require a response, have been considered as part of our risk assessment process described on **pages 42 to 47**. We are also aware of the requirements under the updated Provision 29 of the UK Corporate Governance Code effective FY 26/27 and have an ongoing dedicated programme to respond to the requirements with regular updates to the Audit Committee.

Principal risks and uncertainties continued

Strategic drivers

- Magnetic value for customers
- I love my Tesco Clubcard
- Easily the most convenient
- Save to invest

Risk type

S Strategic | Ch Change | O Operational | F Finance | C Compliance

Residual risk movement (after taking current responses and controls into consideration)

Risk increasing | No risk movement | Risk decreasing

† Indicates that the principal risk has been included as part of the longer term viability scenarios detailed on **pages 50 and 51**.

Principal risk	Risk movement	Key responses and controls
Cyber security† S O A cyber security incident can result in unauthorised access to, or misuse of, our information systems, technology, or data. This could lead to leakage of sensitive information, loss of our critical assets, impact on trade, and reputational damage. **Oversight:** Cyber and privacy risk committee, Group risk and compliance committee, Executive Committee, Audit Committee, Board.	As in previous years, the importance of cyber security remains paramount. We continue to invest in building the right capabilities and skills across our teams, which combined with colleague training and Executive level oversight, supports us in managing the risk effectively on an ongoing basis.	– Our layered cyber security defence model (LDM) consists of preventative, detective, and responsive technical controls and foundational capabilities. The security model continues to be strengthened in line with our strategy and detailed roadmap, with our progress tracked against milestones and defined outcomes. – We regularly test our cyber security defences using independent third-party agencies to provide insight into the maturity of our cyber security position, and ensure our security operations centres ability to detect, report, and respond to security incidents stays aligned with the changing threat environment. – Governance and oversight committees at both senior management and Board levels monitor and oversee the results of the cyber security programme and its progress against the strategy. – Significant progress has been made in enhancing our ability to recover from catastrophic attacks on core infrastructure and systems, along with addressing vulnerabilities associated with outdated technology. – We recognise the importance of training and communication to help prevent cyber security incidents. We hold regular induction, awareness, and refresher courses for all our colleagues. – Our third-party supplier assurance programme assesses and manages cyber security risks associated with service providers and suppliers as well as the use of third-party software.
Data privacy† C Failure to comply with legal or regulatory requirements relating to data privacy in the course of our business activities results in reputational damage, fines, or other adverse consequences. These can include criminal penalties and consequential litigation, which may result in an adverse impact on our ability to do business. **Oversight:** Cyber and privacy risk committee, Group risk and compliance committee, Executive Committee, Audit Committee, Board.	We hold customer and colleague personal data. Although the threat landscape has been ever changing, the risk remains unchanged, and we continue to monitor and manage the risk closely through structured implementation of our Group privacy compliance programme, robust governance, and oversight mechanisms.	– Our data privacy policies and processes (including via privacy impact assessments and data governance) establish how we protect and appropriately use personal data. – There is regular reporting on progress and performance of the privacy compliance programme to governance and oversight committees. Our multi-year technology security programme is driving enhanced data security capabilities. – Our Group privacy compliance programme includes ongoing assessment and monitoring of privacy risks and controls across our businesses. A privacy assurance programme has been developed alongside the implementation of controls. – We have an established team in our security operations centre to detect, report and respond to security incidents (including personal data incidents). – We have a third-party supplier assurance programme focusing on third-party data security and privacy risks. – We recognise the importance of ongoing training and communication to raise awareness of good data-handling practices, and to help prevent personal data incidents. We carry out regular induction, awareness, risk-based tailored training (including refresher training) for our colleagues.

Principal risks and uncertainties continued

Principal risk	Risk movement	Key responses and controls
Climate change† S O Our climate change risks stem from both physical and transition risks. Our physical risks include tangible and direct impacts of climate change on our environment, infrastructure, and human well-being. Our transition risks pertain to the economic, financial, and societal impacts associated with our transition to a low-carbon economy. Delivery against our 1.5°C -aligned ambition to reach net zero by 2050 along the value chain, meeting our ESG targets and regulatory obligations to mitigate climate change is vital. This is because the longevity and prosperity of our business depends intrinsically on the health of the natural environment. **Oversight:** planet committee, Executive Committee, Sustainability Committee, Audit Committee, Board.	Climate change is a widely acknowledged global emergency, with the need to act faster becoming evident. Managing the greenhouse gas emissions associated with our supply chain is critical to reducing our impact on climate change. This risk remains in line with the previous year. Our sustainability efforts focus on our ability to create and preserve long-term value for people, planet, and the key communities we serve.	– The planet committee oversees and governs the delivery of Tesco's sustainability commitments, including those related to climate change. The committee is chaired by the Chief Commercial Officer, and brings together the different parts of the business, further enabling coordination during key decision-making. – We have several metrics with appropriate management oversight and governance mechanisms to enable us to monitor progress. We are working internally and with third-party organisations to continue developing this suite of metrics. There is a level of external assurance over the metrics, and we are working to further enhance and extend this. T – We have stated a commitment to be net zero by 2050. This pledge is in the process of being supported by road maps and targeted decarbonisation plans. These combine supplier engagement with innovative farming methods to support the reduction of our carbon footprint e.g. technology investments in pursuit of low-carbon energy and transport. Our targets are validated by the Science-Based Targets initiative (SBTi). – We have aligned our climate-related ambitions with our reward policies and have two sustainability-linked bonds. We also continue to report our climate-related financial disclosures, see TCFD section on **pages 36 to 39**.
Geopolitics and other global events† S O Failure to address geopolitical uncertainties, such as wars, civil unrest, terrorism, elections, government restrictions, rising geopolitical competition, fractured international relations, including the potential impact of increased tariffs, and potential future pandemics, could significantly disrupt our business. This may result in restricted access to our products, threats to our employees, operational challenges, and broader global economic impacts. **Oversight:** Group risk and compliance committee, Executive Committee, Audit Committee, Board.	Uncertain global events and disruptions are leading to greater volatility in the business environment, which requires us to be responsive and resilient. Our approach is to foresee events where possible, assess the risk to our business, and build resilience to minimise business disruption and prioritise the safety of our colleagues and customers in the event of such incidents. This risk has slightly increased compared to previous year given the heightened geopolitical uncertainty.	– We continuously monitor the external environment for emerging risks that could disrupt our business, creating comprehensive plans with specific milestones and dedicated oversight to ensure resilience. Our long-term plans are adjusted to account for sensitivities, the interconnectivity of our principal risks, and scenario planning related to the broader macroeconomic environment. – We closely track global developments and government guidelines. This includes engagement with trade, government, industry and labour bodies and ongoing monitoring of potential changes to the future political landscape. – Our disaster recovery, crisis management and business continuity plans are continually tested and enhanced to minimise disruption due to geopolitical and other global events. – The safety and wellbeing of our colleagues and customers remain our highest priority. Our management, with regular Board oversight, diligently monitors events, including the spread of highly infectious diseases, evaluates their impacts, and formulates appropriate response strategies. – Learnings from events are integrated into our operations, such as securing supply chain capacity, implementing hygiene protocols, enhancing store security, and supporting at-risk colleagues, customers, and suppliers. – The engagement of leadership and senior management is critical to the successful management of this risk area. We have established structured communication plans to provide a clear tone from the top and our leadership actively contributes to planning and scenario testing activities.
Technology S O Ch Failure to design, build, operate and maintain resilient key IT systems and infrastructure, may result in loss of operating capabilities, financial impacts, and damage to our reputation. **Oversight:** Executive Committee, Audit Committee, Board.	As Tesco increasingly relies on technology to drive transformational change and achieve its strategic goals, the need for enhanced technology capability and robust technology resilience grows. We consider this risk stable compared to the previous year, as we continue to invest in the resilience and power of our underlying technology platforms and infrastructure, upskilling our team and attracting new talent. Enhanced governance is provided through technology and AI focused committees.	– The enhancement of our technology infrastructure and platforms to improve resilience continues at pace. Significant investment and activity continues to ensure maximum stability of our internal infrastructure and to increase our capability to respond and recover from unplanned outages of critical systems. – Continued testing and auditing of our disaster recovery and business continuity plans provides assurance of our resilience and identifies opportunities for further improvement. – Our continued investment in data centres, cloud hosting facilities and connectivity is providing greater resilience and control for our key systems. Consolidating to a single public cloud hosting supplier has both simplified its management and enhanced security and resilience. – We have robust and proven IT development, change management and lifecycle procedures in place and skilled colleagues to build, operate and maintain our systems. – Tesco's technology risk and compliance committee provides oversight and governance of Tesco's technology risk and compliance management plans. – The AI governance group has been created to ensure Tesco has a well-balanced approach to exploit AI opportunities, in alignment with good practice and accepted principles for responsible use of AI.

Principal risks and uncertainties continued

Principal risk	Risk movement	Key responses and controls
Responsible sourcing† S C Failure to ensure that products are sourced responsibly across our supply chains (adhering to respect for fundamental human rights, including ensuring clean and safe working conditions and fair pay to all employees) may result in supply chain disruption, regulatory breaches, and reputational impact. **Oversight:** Group risk and compliance committee, corporate responsibility committee, Executive Committee, Audit Committee, Board.	Exploitation of workers and human rights breaches remain the key drivers of this risk. Continued pressures on global economies, have resulted in an increased risk of worker exploitation, particularly in some of our key sourcing countries. We continue to implement targeted response strategies, including the implementation of innovative monitoring methods to ensure our standards are met. Our plan to enhance the governance, scope and standards alignment have been identified and implemented. This risk remains stable compared to the previous year.	– We have policies and guidance to help ensure human rights are respected across our supply chain. These include a focus on appropriately monitoring conditions and progress, tackling endemic sector risks, and addressing wider community needs. – Our contractual agreements with suppliers clearly articulate the expected standards related to human rights and modern slavery. Suppliers' obligations are monitored and discussed as part of regular governance meetings. We are increasing transparency of our supply chains to drive up standards, such as by publishing our Tier 1 supplier list. – We also provide targeted training for colleagues and suppliers dealing with specific regulations related to human rights and modern slavery. – We operate supplier audit programmes to monitor supplier compliance with our standards related to human rights. These include unannounced audits of supplier sites and facilities and the review of any prior approvals for sub-contracting. – We qualify and review supplier factories through due diligence before use to ensure they can meet our standards. – We use certification schemes and participation in voluntary industry schemes to drive up our standards.
Health and safety C Failure to meet health, safety, and security standards in relation to our workplace may unfortunately result in death or injury to our customers, colleagues, or third parties, or damage to our operations and lead to adverse financial, legal, and reputational consequences. **Oversight:** Group risk and compliance committee, Executive Committee, Audit Committee, Board.	The continued rise in theft and violence has led to a greater threat to the safety of our colleagues. However, the risk remains stable, as we monitor and progress on implementing specific response strategies, to ensure we continue to provide safe workspaces for all our colleagues, and that we manage increased regulatory enforcement of health and wellbeing.	– Our business-wide, risk-based safety framework defines how we implement and report on safety controls to ensure that colleagues, contractors and customers have a safe place to work and shop. – We regularly review and update our health and safety framework to address operational changes. This includes implementing enhanced controls and physical security measures to protect colleagues from increased threats of violence and abuse. – We require each business to maintain a comprehensive health and safety risk assessment and risk improvement plan to document and track enhancements. – Our store colleagues are provided with equipment and training to deter, de-escalate, manage and evidence violent and abusive behaviour. – Governance and oversight are established in the form of our Group risk and compliance committee and business unit-specific health and safety committees. These committees review critical metrics and monitor the effectiveness of related controls. – Our safety audits, Protector Line arrangements and the results of our annual colleague surveys inform management on the delivery of targeted safety initiatives, including communication plans. – Our assurance activities, such as store and distribution compliance reviews, safety health checks and audits, help us assess our compliance with established policies and processes. They also enable us to continuously seek and identify areas for potential improvement. – Our information exchange platform provides leading indicators of safety, enabling early identification of threats and design of action plans which support injury prevention.

Principal risks and uncertainties continued

Principal risk	Risk movement	Key responses and controls
Product safety and food integrity C Failure to meet regulatory standards and customer expectations related to product safety, traceability and integrity could result in illness, injury or death damaging our relationships with customers, with negative effects on our performance and corporate reputation. **Oversight:** Group risk and compliance committee, Executive Committee, Audit Committee, Board.	Given the evolving regulatory landscape, continued economic pressures being faced by our suppliers and evolution in consumer preferences, the external risk has remained challenging. In response, we continue to mature our already well-established and comprehensive food safety and quality management systems to manage this risk, resulting in the risk showing no significant movement compared to the previous year.	– Our product standards, policies and guidance, help ensure that products are safe, legal and of the required quality. They cover food and non-food, as well as goods and services not for resale. – We closely monitor any updates to product safety regulations, to ensure our standards and products continue to conform with all relevant regulations. – We conduct detailed due diligence of our suppliers prior to onboarding, to ensure that adequate infrastructure, capabilities, and capacities are in place to meet Tesco's standards. – We run colleague training programmes on food and product safety, hygiene controls, and also provide support for stores for product safety. – Our crisis management procedures are embedded within our operations to quickly resolve issues if non-compliant products are produced or sold. Clear escalation protocols include the product recall processes. We operate unannounced supplier audit and product analysis programmes to monitor product safety, traceability, and integrity. We use data analytics to identify which supplier sites may have increased risk exposure, adjusting our audit frequency accordingly. This approach allows us to use our resources effectively, while ensuring appropriate assurance over supplier's sites is maintained. – We operate a risk-based quality assurance programme, which is focused on sample-based testing of our products to ensure compliance with our standards and regulations.
People S O Failure to attract, retain and develop the required talent and capabilities, and to embed our values in our culture could impact on the delivery of our purpose and business performance. **Oversight:** Nominations and Governance Committee, Remuneration Committee, Executive Committee, Audit Committee, Board.	Market competition for key leadership and specialist talent remains strong, within the retail sector and wider economy. Furthermore, wage inflation and other macro-economic conditions also have an impact on the risk. In response, we continue to have mitigation plans in place to attract and retain colleagues, ensure competitive compensation and fulfil any gaps in specialised skillsets. On this basis, therefore, this risk has remained unchanged.	– Our talent planning and people development processes, including succession planning for key roles, are established across the Group to identify, monitor, understand, and grow the skills required to fulfil strategic objectives of the business. The talent planning process includes succession planning for key roles, and identification of any new skillsets and plans to secure these via internal development or external recruitment. – Increased focus on strategic workforce planning will provide visibility of areas of future demand and identification of new skillsets required. This will enable us to take informed, targeted actions to meet future demand. – There are formal talent development programmes in place with regular discussions on talent and succession planning by management and the Executive Committee, with oversight by the Nomination and Governance Committee and the Board. – We continue to invest in our ability to attract and develop talent, including through the introduction of a new global careers website and recruitment platform. This will bolster our ability to build global, inclusive talent pipelines and further enhance the experience of candidates. – Our Remuneration Committee agrees the objectives and remuneration arrangements for senior management. Additionally, we perform a regular review of our 'total reward' offers to ensure remuneration offered for colleagues is competitive and appropriate. We also continue to engage closely with trade unions to inform and adapt our future plans and strategy. – We conduct an independent assessment of all leadership level promotions and external hires to ensure capability, potential, leadership, and values remain central to our decision making related to hiring. – Our speak up programmes and dedicated training across the Group include our continuous engagement with colleagues on Protector Line and complaints process. These allow colleagues to raise in confidence any workplace concerns such as dishonest activity, bullying, harassment, bias or anything that endangers colleagues, the public or the environment. – Led by colleague voice, we continue to roll out propositions to ensure the overall wellbeing of our colleagues, including mental, physical, and financial wellbeing. – Our Group diversity, equality and inclusion strategy helps to ensure that everyone is welcome and that we provide all our colleagues with equal opportunities for growth and development. This is embedded in our values, and we are committed to building an inclusive workplace where we treat people how they want to be treated.

Principal risks and uncertainties continued

Principal risk	Risk movement	Key responses and controls
Macroeconomic exposures† S F Our financial performance may be impacted by the broader macroeconomic environment, including uncertainties with respect to, inter alia, inflationary pressures, commodity and other input costs, government policies, monetary policies, and labour market conditions. If not managed appropriately, such costs may negatively impact our financial performance through higher operating and financing costs. **Oversight:** Executive Committee, Audit Committee, Board.	The risk is stable year-on-year, principally because of our established processes and policies for the management of such costs relating to inflationary pressures, commodity costs, government and monetary policies and labour market conditions.	– We maintain and monitor appropriate systems, policies, and reports to ensure discipline and oversight on all financial risk. Such policies are reviewed and approved by the Executive Committee, Audit Committee, and the Board. – The Chief Financial Officer leads a team of in-house professionals, who monitor our adherence to such policies through regular oversight and governance meetings. – We continually monitor macroeconomic risk and impact on costs, to enable prompt and data-driven mitigations. – We review the impact of proposed and actual changes in government policies and regulations. – Long-term plans are flexed to consider sensitivities and scenario planning that relate to the wider macroeconomic environment. – We regularly review liquidity levels, sources of cash, and access to committed credit facilities and debt capital markets is maintained. – The Audit Committee maintains regular oversight and governance of key areas, including; liquidity and funding strategy, tax obligations, our viability and going concern statements, and Group key financial controls.
Customer, competition and markets† S Inability to clearly understand changing customer behaviours and respond to a complex and fast evolving competitive landscape pose significant risks to our business. In this challenging environment, our ability to deliver an effective, coherent, and consistent strategy is crucial. Failure to do so may result in a loss of market share, adversely affecting customer trust in our brand and overall business performance. **Oversight:** Executive Committee, Audit Committee, Board.	Customer behaviour and market competition are often closely linked, wherein changes in market dynamics can directly impact our customer preferences and vice versa. By combining these risks, we can better understand and manage the interplay between them. The combined risk remains stable as we continue to have focused response strategies in place.	– Our key strategic drivers underpin decision-making and are central to the design of our customer offerings, propositions and experience being provided through our different channels. The Board develops and regularly challenges the strategic direction of our business to enhance our ability to remain competitive on price, range, and service. – Our product ranges, propositions and Clubcard benefits are designed to provide our customers with the flexibility to achieve balance between value and quality. – We have a consistent approach to building impactful customer propositions by offering high-quality and competitive value while improving the customer experience. – The Executive Committee and operational management regularly review markets, trading opportunities, competitor strategy, and activity. We carry out market scanning and competitor analysis to refine our customer proposition. – Our Group-wide customer insight analysis enables us to dynamically improve our propositions. It does this by monitoring customer behaviour and buying sentiments (including any changes due to external factors such as inflation). This approach includes enriching customer engagement through tailored campaigns, which also helps to improve customer retention as well as loyalty. – Our well-established product development and quality management processes, ensure the needs of our customer are central to our decision making. We continuously improve our digital platform, adding more flexibility, delivery options, and an increased range of merchandise on offer to compete against new players in the market. – We monitor the effectiveness of our processes by regularly tracking our business and competitors against measures that customers tell us are important to their shopping experience. We continue to improve our Clubcard offerings and have introduced promotions and targeted campaigns to compete with other retailers on price and product quality.

Principal risks and uncertainties continued

Principal risk	Risk movement	Key responses and controls
Regulatory and compliance† C Failure to comply with legal and other requirements (such as anti-bribery, competition law, grocery regulations, and supplier code) in an increasingly litigious environment, may result in fines, criminal penalties for Tesco or colleagues, litigation (including class actions e.g. the ongoing equal pay claim), that may lead to adverse financial, legal, and reputational consequences. **Oversight:** Group risk and compliance committee, Executive Committee, Audit Committee, Board.	We continue to monitor controls implemented across the Group, which support the business to demonstrate compliance with regulations. We have assessed the risk to be in line with the previous year given our current response strategies, monitoring, and control environment. The political component of this risk is now embedded in the wider risk definition of geopolitics and other global events.	– Wherever we operate, we aim to ensure that we incorporate the impacts of regulatory changes in our strategic planning and policies. This includes engagement with trade, government and industry bodies and ongoing monitoring of potential changes to the future regulatory landscape. – We have compliance programmes and committees to manage our most important risks (e.g. grocery regulations, supplier code, anti-bribery, and competition law). We conduct assurance activities for each key risk area. – We support our code of business conduct and various policies by new starter and annual compliance training and other tools such as our Protector Line. – The engagement of leadership and senior management is critical to the successful management of this risk area. We have established structured communication plans to provide a clear tone from the top.
Security of supply† S O Disruption in our supply chain due to adverse macroeconomic conditions, geopolitical events, and/or loss of resilience in our key supplier network, may result in Tesco being unable to secure the products required to fulfil customer demand on time and at acceptable prices. This could result in customer dissatisfaction, reputational impact, loss of market share, loss of sales, and erosion of expected profit margins. **Oversight:** Group risk and compliance committee, Executive Committee, Audit Committee, Board.	Uncertain macro-events and disruptions, such as inclement weather patterns, crop failures, logistical disruptions, and conflict between countries, continues to affect the availability of raw material and food supply. However, we have seen no significant disruptions in our product availability across our stores, therefore, this risk has remained unchanged.	– We have a diversified portfolio of suppliers to reduce reliance on single suppliers or multiple key suppliers from the same region. This is further supplemented by a wide product range which enables us to offer alternate products to our customers, in case of supply chain disruptions. – We have introduced a proactive and reactive approach to managing security of supply risks. This also includes developing a technology solution for identifying high risk raw materials and regions, with associated governance to support. – We have an established mechanism to identify products which are key in our customer baskets and have identified alternate or contingent suppliers to fulfil any slack in supply. Additionally, we maintain appropriate stock levels within our warehouses for fast moving goods. – We have a detailed supplier onboarding and due diligence process, which allows us to review resilience of suppliers, in terms of appropriate infrastructure as well as financial stability. Furthermore, the due diligence process includes assessment of any third parties or raw materials which the supplier may be reliant upon. – We have established regular governance forums through which our dedicated teams engage with suppliers to proactively identify and resolve any issues (or upcoming threats) being faced by our suppliers. – We have committed significant investment with some of our key suppliers to enhance the underlying infrastructure to ensure they are able to meet any increases or spike in demand volumes. Furthermore, we monitor the financial stability of our key suppliers, and where possible, provide support to those suppliers which may be facing financial duress. – We have business continuity plans in place, which can be executed in case of any logistical disruptions or inclement weather events which may affect our ability to transport goods.

Emerging risk themes

Emerging risk themes are reported to the Audit Committee alongside our principal risks. We conduct horizon scanning to enable a medium and longer-term view of potential disruptors to our business. As part of our risk assessment process, we analyse internal and external sources of emerging risk themes through reviewing leading external publications, attending industry seminars and forums, gathering insights via top-down and bottom-up risk discussions with internal stakeholders, and seeking professional consultation where required. We are currently tracking several emerging risk themes such as political, economic, technological, environment and talent.

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TCFD risks and opportunities.

The tables below summarise the financial value at risk associated with three material transition risk categories (policy, consumer and technology) and one physical risk (raw materials supply) over the short term (five years) and medium term (10 years) and a qualitative assessment of how these risks could evolve over the longer term (20 years). These time periods have been selected so that the five-year, short-term view can inform our internal financial planning process, 10-year enables a view of how transitional risks and opportunities develop and 20 years captures the evolution of physical risk.

Risk management

Following the establishment of climate change as a standalone principal risk in 2020/21, reviews have been conducted at various levels including the Executive Committee and the Board. These include the identification and documentation of climate related risks and the review and consideration of appropriate risk responses. This consolidated view provides an input to our review of the Group risk profile.

The most recent principal risk review was presented to the Board and Executive Committee in February 2025. Climate is assessed to be one of our most material risks determined by a combination of likelihood and potential financial impact.

Management assesses the risks on a continuous basis, taking into account the risk to Tesco's strategy, our colleagues and our operations, as well as our impact on society and the environment. There is regular formal oversight through clearly defined governance structures. Our risk management framework continues to be embedded throughout the organisation, enabling us to clearly identify, prioritise, respond to, and monitor our most significant risks and emerging risk themes. We continue to track emerging climate regulations including any requirements for the reporting and disclosure of climate risks.

Policy risk

Pathway	Mitigated annual profit impact five-year outlook	Mitigated annual profit impact 10-year outlook	20-year outlook
3°C	Not material	Not material	Carbon prices remain at current levels or rise marginally, with an inconsistent global approach, which leads to minimal financial impact to our business
1.5°C	£50–100m	£100–150m	Carbon prices begin to plateau and are sustained at this level, with further adoption across the developed and developing economies

The policy risk models an increase in future carbon pricing which would largely impact the prices we pay our suppliers for the products we sell to customers. Under a 3°C pathway, we assume no change to the current carbon taxation system which has generated a non-material output, while the 1.5°C pathway models widespread adoption of increasing rates of carbon taxation. The model assumes a reduction in our emissions footprint, aligned to our net zero plan, and we have assumed that the majority of the financial risk would be mitigated by means of shifts in consumer behaviour and general market pricing.

Our assumption for the 1.5°C pathway over the longer term would be for carbon pricing to eventually plateau, while for the 3°C pathway we would expect the currently low levels of global carbon prices to remain stable, with inconsistent global adoption and therefore immaterial financial impact.

Consumer market risk

Pathway	Unmitigated annual profit impact five-year outlook	Unmitigated annual profit impact 10-year outlook	20-year outlook
3°C	Not material	Not material	Conventional shopping preferences continue, with existing levels of uptake for sustainable options continuing, resulting in only a minor impact to our current business
1.5°C	£50–100m	£50–100m	Demand for sustainable products and services becomes mainstream in the market, the purchasing behaviours and associated financial risk seen in the five and 10-year horizon stabilise over a longer time period rather than increasing in a linear fashion

This risk models the impact of customers' sustainable purchasing decisions, for example placing a greater importance on the environmental impact when purchasing new clothes. The modelling assumes no benefit from switching to more sustainable products and is based on our current product category sales participation.

The modelling found the levels of financial risk in our core food business to be negligible, due to our proven ability to adapt our product offer to meet changing consumer demands and the existing high levels of substitutability available to customers by means of our broad plant-based and dairy-alternative product ranges. Our modelling of consumer preference changes allows our product development and buying teams to work with our supplier partners to evolve our product ranges to remain at the forefront of emerging customer behaviours and demands.

Technology risk

Pathway	Unmitigated annual profit impact five-year outlook	Unmitigated annual profit impact 10-year outlook	20-year outlook
3°C	£0–50m	£0–50m	The pace of green technology uptake is steady and we continue to see impairment of fossil fuel assets, but this remains at a low level

Technology risk continued

Pathway	Unmitigated annual profit impact five-year outlook	Unmitigated annual profit impact 10-year outlook	20-year outlook
1.5°C	£25–75m	£25–75m	Green technology is established and dominates the energy mix, as the remaining carbon-intensive assets get phased out the initial incremental cost of write-offs fall away longer term

This risk relates to the write-off of existing internal assets due to increasing levels of investment in low carbon-based assets. The 1.5°C pathway assumes a faster-paced transition to green technology whereas our 3°C pathway assumes a much slower transition. The modelling uses the current net book value of our asset base, with no mitigation or planned transition of our current asset base.

Risk levels for both pathways remain low even with no mitigation activity considered. Our mitigation plan for this risk is to continue to maintain both short and long-term investment plans with a clear connection between these plans and our sustainability targets and commitments.

Over the medium term in our 1.5°C pathway, we would expect green technology uptake to continue to grow and in the long term most non-green technology to be phased out. In our 3°C scenario green technology uptake will continue to grow, but carbon based technologies remain in use.

The Group's three-year strategic plan integrates the delivery of our sustainability ambitions, of which the decarbonisation of our own operations is the most material in terms of direct capital requirement. The strategic plan is reviewed and approved by the Board annually, including a review of the key decarbonisation initiatives and associated costs and capital investments. Our review process for proposed capital investments ensures we understand how different projects will impact our emissions levels. This enables us to balance the best carbon return for our investment, considering the maturity of emerging technologies and supply capacity. Beyond our three-year strategic plan, we have also created a capital investment profile and associated decarbonisation impact to 2035, to align to our own operations decarbonisation target. More detail on our progress towards our 2035 target can be found in the TCFD section on **pages 36 to 39**.

Raw materials risk

Pathway	Unmitigated annual profit impact five-year outlook	Unmitigated annual profit impact 10-year outlook	20-year outlook
3°C	£0–50m	£0–50m	Chronic risks challenge the viability of suppliers in certain regions, leading to a high likelihood of material disruption
1.5°C	£0–50m	£0–50m	Physical risks remain, impacting security of supply, but more significant impacts are avoided

This physical risk models the impact of chronic changes in temperature and precipitation on yields of our key commodities. The model output assesses only the downside risk and assumes no mitigation such as identifying alternative sourcing locations.

Risk levels remain relatively low for both pathways, with or without mitigation activity considered. This reflects that our grower base is already geographically diverse, offering a natural hedge to changing climate conditions in specific locations.

We recognise the impacts of climate change that we are already experiencing, and to an extent are locked into from the delayed effect of historic emissions, compels us to develop adaptive plans in our sourcing strategy to protect availability and quality. This includes ensuring a diverse supplier base both locally and internationally.

In addition to the risks above, a further three transition risks and two physical risks were modelled which we have not disclosed.

The transition risks assessed but not disclosed include: the risk of climate-related litigation; the risk of a negative shift in consumer sentiment; and negative investor sentiment due to a perceived lack of action to address climate change. We have chosen not to provide further detailed disclosure of these risks because we believe that our sustainability commitments and progress made to date are both well understood, and our ongoing engagement across our different stakeholder groups enables us to stay aligned with changing expectations in this fast-developing space. This includes our significant investment in the decarbonisation of our property estate and transport fleet, our market-leading sustainable product ranges, and the provision of the largest electric vehicle (EV) charging network of any UK supermarket.

The two physical risks we have modelled but chosen not to disclose are the resilience of our business facilities to climate impacts and market demand disruption driven by changing weather. The geographically diverse nature of our store and distribution network provides a degree of structural resilience. Furthermore, our enhanced modelling capabilities allow us to anticipate and manage the potential physical climate risks at a site level, for example devising flood plans at sites with high risk of flooding. As a result, while some individual locations will be more exposed to adverse climate impacts than others, the financial value at risk is not material either individually or aggregated and is therefore not included here.

Opportunities

As the impacts of climate change escalate, we witness increasing negative impacts on communities. Therefore, our efforts focus on understanding and mitigating the risks to our business and stakeholders. However, we recognise risk mitigation can unlock some positive outcomes, for example:

- Lower impact ranges: shifting consumers' diets is unlocking growth in new product ranges, including alternative proteins, legumes, pulses, fruits and vegetables. As a retailer, Tesco can expand its plant-based ranges to cater to consumer demand, and mitigate some of the risks due to consumption habits changing. Opportunities are explored through our accelerator programme which supports developing brands to deliver innovation for customers. The brands are carefully selected to feed into emerging product trends, including health and sustainability.
- Resource efficiency: lowering emissions intensity within our operations and supply chain via efficient energy solutions such as refrigeration and heating systems in our stores, can unlock energy savings and thus financial savings.
- EV charging offering for customers: we are uniquely placed to be a convenient place for customers to charge at while they shop.
- Access to less volatile energy prices by increasingly procuring energy for stores via our onsite and offsite long-term PPAs and also self-generating on-site.

Longer term viability statement.

Assessing the Group's longer-term prospects and viability

The Directors have based their assessment of viability on the Group's current long-term plan, which is updated and approved annually by the Board. The plan delivers the Group's purpose of 'serving our customers, communities and planet a little better every day' and is underpinned by a clear strategic focus on creating sustainable, long-term value for every Tesco stakeholder.

The Group conducts an annual strategic planning process, comprising a comprehensive reassessment of progress against the Group's strategic objectives, alongside an evaluation of the longer-term opportunities and risks in each market in which the Group operates. The process for identifying the principal and emerging risks in each market is an important input to this process.

The Group's strategic plan and viability statement are both considered over a three-year period, as this time horizon most appropriately reflects the dynamic and changing retail environment in which the Group operates.

Long-term planning process

The long-term planning process builds from the Group's current position and considers the evolution of the strategic objectives over the next three years. Three years is selected as the Group's planning horizon and viability period based on the pace of change in both the competitive landscape and customer shopping behaviours within the retail sector.

Current position

Our multi-year performance framework, strategic drivers and capital allocation framework, which were introduced in 2021, continue to guide management's actions.

The multi-year performance framework sets out the objectives of the business: to drive top-line growth; to grow absolute profits while maintaining sector leading margins; and to generate stable free cash flow each year. The delivery of these objectives will enable the Group to maintain a strong balance sheet, invest for growth and deliver improved returns for shareholders.

The Group continues to invest in delivering great value, quality and customer service, while delivering sustainable growth, supported by:

- a strategic focus on driving growth and continued focus on cost reduction from simplification of the operating model;
- a clear set of financial priorities to deliver cash profit, free cash flow and earnings per share growth, underpinned by a robust capital allocation framework; and
- a diversified business portfolio covering retail, wholesale, financial services and data science.

Refer to the Chief Executive's review on **page 11** and the Financial review on **pages 24 to 30** for further detail regarding the Group's strategic and financial progress.

Longer-term prospects

The following factors are considered both in the formulation of the Group's strategic plan and in the longer-term assessment of the Group's prospects:

- The principal risks and uncertainties faced by the Group, as well as emerging risks as they are identified, and the Group's response to these;
- The prevailing economic climate and global economy, competitor activity, market dynamics and changing customer behaviours;
- Any structural changes in how customers shop, additional costs incurred by the Group and potential macroeconomic consequences of inflation due to geopolitical events and global supply challenges;
- Opportunities for further cost reduction through operational simplification and leveraging technology; and
- The resilience afforded by the Group's operational scale.

Assessing the Group's viability

The viability of the Group has been assessed, considering the Group's current financial position, including external funding in place over the assessment period, and after modelling the impact of certain scenarios arising from the Group's principal risks outlined on **pages 40 to 49**.

Three 'severe but plausible' scenarios have been modelled which address the principal risks that the Group has assessed would have the most direct and material impact on the Group. None of the modelled scenarios, either individually or in aggregate threaten the viability of the Group. The hypothetical scenarios described are also used as the basis for the risk-weighted cash flows which are included in our impairment of non-current asset sensitivity analysis. For more information, please refer to **Note 15** on **pages 164 to 167**.

Did you know:

In assessing the Group's viability, the Directors have conducted a robust assessment of the principal risks and uncertainties facing the Company, including those that would threaten its business model, future performance, solvency or liquidity.

Longer term viability statement continued

Scenario	Associated principal risk	Description
Ongoing geopolitical events trigger global supply chain challenges and resurgent inflation, leading to weak consumer confidence, further intensifying competition in the sector	– Geopolitics and other global events – Security of supply – Responsible sourcing – Macroeconomic exposures – Customer, competition and markets	Geopolitical events, including a more widespread use of tariffs, trigger supply chain volatility and commodity price inflation, resulting in resurgent cost inflation in the markets in which we operate for a sustained period. The Group incurs elevated levels of cost inflation across goods purchased for sale to customers and the operating cost base, particularly in costs related to colleague payroll. The ability of the Group to manage these cost tensions through cost savings is constrained. Options to offset cost increases through retail prices are constrained, with competition in the grocery sector intensifying further in a bid for price leadership. UK interest rates remain elevated beyond current forecasts as central banks seek to maintain target inflation levels. Management has applied a downside scenario which reduces projected like-for-like sales growth across the three years of the Group's strategic plan by c.(2)%.
Data breach	– Cyber security – Regulatory and compliance – Customer, competition and markets – Data privacy	The volume and nature of the customer and supplier data we hold as a business could result in a serious data or security breach, which sees a significant financial penalty levied against the Group, aligned to the UK GDPR penalty framework, which could see a maximum fine levied of 4% of Group revenue. For the purposes of this stress test, management has included a fine quantified as 2% of Group revenue, being the mid-point of the potential maximum fine. A significant data breach poses a reputational risk, resulting in a decline in customer sentiment and an adverse trading impact. The extent of this trading impact is very uncertain, both in terms of the financial impact and the period it may take to regain customer trust. As such, the potential brand reputation element of this scenario has been modelled via a 'reverse stress test'. This assesses the risk in the context of the residual headroom after all other scenarios have been applied. The resultant like-for-like sales decline which would have to occur to eliminate the residual cash headroom, including all other scenarios happening in aggregate, is significantly higher than any decline the Group has faced in recent history.
Climate change	– Climate change – Geopolitics and other global events – Security of supply – Responsible sourcing – Regulatory and compliance – Customer, competition and markets	Rising global temperatures result in an increasing incidence and severity of extreme weather events, leading to a higher incidence of store closures due to flooding and disruption to our global supply chain. The quantification of the potential financial impacts of physical and transitional risks and opportunities linked to climate change on the Group have been taken from our ongoing climate-related risk modelling work based on 1.5°C warming pathway.

We expect to be able to refinance external debt and renew committed facilities as they become due, which is the assumption made in the viability scenario modelling. Our committed facilities remain undrawn as at the end of the financial year. Please refer to **Note 22** on **page 171** for further details on our debt profile, including maturity dates. The scenarios on the left are hypothetical and purposefully severe with the aim of creating outcomes that could threaten the viability of the Group. In the case of these scenarios arising, additional mitigation options are available to the Group to maintain liquidity to continue in operation, such as:
(i) accessing new external funding early;
(ii) short-term cost reduction actions; and
(iii) reducing capital expenditure.

None of these mitigating actions are assumed in our current scenario modelling.

Viability statement

Based on these severe but plausible scenarios, the Directors have a reasonable expectation that the Company will continue in operation and meet its liabilities as they fall due over the three-year period considered.

This Strategic report (on pages 5 to 51 and incorporating by reference pages 70 and 71 and pages 237 to 240) has been prepared in accordance with the requirements of the Companies Act 2006, and has been approved and signed on behalf of the Board.

Ken

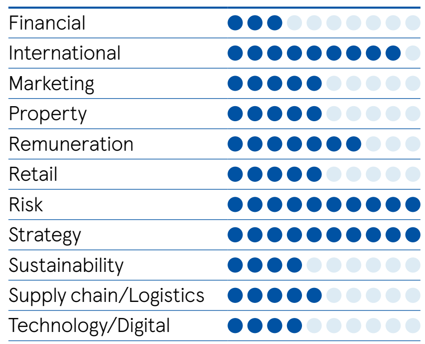
Ken Murphy
Group Chief Executive
9 April 2025

Governance overview.

The purpose of this report is to demonstrate the Board's approach to corporate governance, which is underpinned by reporting against the UK Corporate Governance Code 2018. It provides an overview of the work of the Board and Committees across the year.

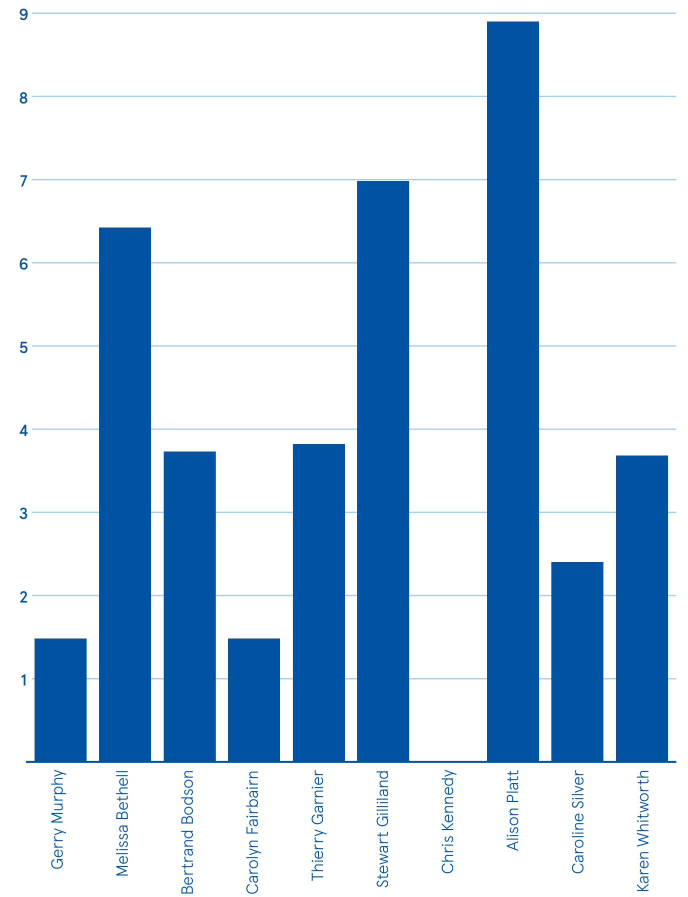
Contents

Board expertise

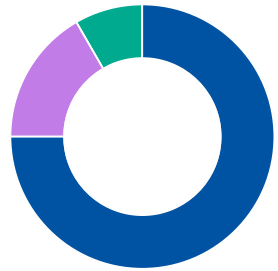


Non-executive Director tenure

Average tenure: 3 years and 10 months

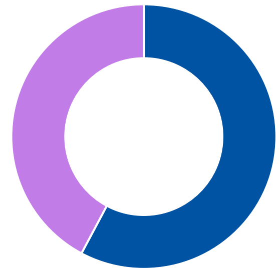


Independence (number of independent Directors)



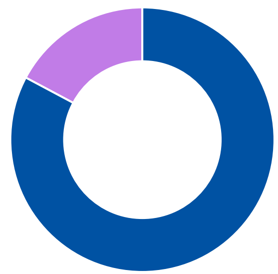
Independent Non-executive Directors	9
Executive Directors	2
Chair (independent upon appointment)	1

Gender %



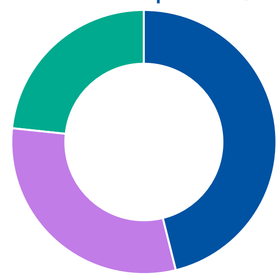
Male	58%
Female	42%

Ethnicity %



White	83%
Ethnically diverse	17%

Geographic experience (number of Directors with international experience)



UK	12
Europe	8
Rest of World	6

All data on this page is as at 22 February 2025

Compliance with the UK Corporate Governance Code 2018

During the year the Company has applied the principles set out in the UK Corporate Governance Code 2018 (the Code), and complied with all provisions of the Code with the exception of provision 15.

Chris Kennedy, an Executive Director at ITV plc, was appointed to the Board on 20 February 2025. He will step down from his role as a non-executive director at Whitbread plc at the conclusion of the Whitbread plc AGM in compliance with the Code, to ensure he has sufficient time to meet the requirements of his role as a Non-executive Director at Tesco.

Code principles	Pages
Board leadership and company purpose	
Promoting the long-term, sustainable success of the company	**50, 51, 61 to 64 and 67 to 71**
Purpose and culture	**19 to 23, 54, 55, 65, 67 to 69, 101, 102, 104 and 114**
Resources and controls	**41, 84**
Stakeholder engagement	**20 to 22, 60, 69, 70, 104 and 114**
Workforce engagement	**20, 69, 104 and 114**
Division of responsibilities	
Role of Chair, Non-executive Directors and Group Company Secretary	**56 to 60**
Board composition	
Composition, succession and evaluation	**52, 54, 56 to 58, 66, 72 to 74, 79, 89 and 238**
Appointments to the Board and succession planning	**56 to 58, 72 to 74, 238**
Balanced board	**23, 52 and 56 to 58**
Board performance	**54, 55, 66, 72 to 74, 79 and 89**
Audit, risk and internal control	
Audit Committee report	**80 to 89**
Principal risks and uncertainties	**40 to 49**
Remuneration	
Directors' remuneration report	**90 to 122**

The Financial Reporting Council (FRC) is responsible for the publication and periodic review of the UK Corporate Governance Code, which can be found on the FRC website at **www.frc.org.uk**.

The Board is familiar with the changes following the publication of the UK Corporate Governance Code 2024 (2024 Code) and intends to be compliant with all new relevant provisions in the timeframes dictated in the 2024 Code.

Monitoring compliance with the Code is the responsibility of the Nominations and Governance Committee, which receives regular updates and reports its findings to the Board. Details of how the principles of the Code have been applied can be found throughout this Corporate governance report, the Strategic report and adjacent committee reports as signposted below.

Fair, balanced and understandable

The Group has a strong commitment to balanced reporting. As part of the fair, balanced and understandable review, the Annual Report and Financial Statements 2025 has been reviewed by management, as well as independent functions, who performed verification and assessment under prescribed guidance. On behalf of the Board, the Audit Committee undertook a review of the Annual Report and Financial Statements 2025, as well as the effectiveness of processes and controls which underpin its production, and recommended to the Board that the Annual Report and Financial Statements 2025 provided the necessary information to assess the Company's position and performance, business model and strategy.

In accordance with the Code, confirmation by the Board is set out in the Statement of Directors' responsibilities on **page 123** and is supported by the independent auditor's report on **pages 124 to 134** outlining their reporting responsibilities.

Did you know:

Having an effective corporate governance framework supports the Board in the delivery of the Group's strategy and supports long-term sustainable growth.

Governance introduction.

Gerry Murphy
Chair

The Board believes that its continued focus on the implementation of our strategy has delivered a balanced outcome for our customers, colleagues, suppliers and shareholders.

Dear Shareholder

I am pleased to present this Governance report for the year ended 22 February 2025. The report that follows, in conjunction with the Nominations and Governance, Sustainability, Audit, and Remuneration Committee reports, seeks to demonstrate our high standards of governance and key developments throughout the year. Having a strong and effective corporate governance framework supports the Board's focus on the ethical leadership and effective decision making needed to deliver long-term sustainable growth and ensures that the Board has the right level of oversight of the material issues facing the Group.

The Board remains focused on ensuring that our governance framework aligns with the evolving expectations of our stakeholders and the principles of the UK Corporate Governance Code. Its role is to provide strategic oversight, ensure accountability and maintain a culture of integrity throughout the organisation.

Delivering on our longer-term ambitions

The Board plays an active role in developing and overseeing the implementation of strategy, ensuring alignment with our purpose of serving all of our stakeholders a little better every day. Over the past year, the Board has provided guidance as Tesco continues to focus on its core retail business, expand digital capabilities and deliver on its ambitious sustainability commitments, including the target to be carbon neutral across our own operations by 2035.

We remain focused on driving efficiency and innovation to support long-term competitiveness, including improving our online offering and leveraging data through Clubcard and Tesco's digital platforms. The Board's oversight ensures that management remains accountable for delivering results that are both commercially strong and socially responsible.

Board effectiveness and governance

An effective and high-performing Board is critical to achieving Tesco's long-term objectives. This year, we conducted an externally-facilitated Board performance review to assess our performance, identify areas for improvement and ensure that we continue to operate effectively as a collective leadership body.

The review concluded that the Board operates with a strong culture of openness, constructive challenge and collaboration. The Board has an appropriate balance of skills, experience and diversity to support Tesco's strategic ambitions. However, we remain committed to continuous improvement and have implemented several enhancements to our Board processes, including a deeper focus on digital transformation, ESG oversight and succession planning.

We also continue to strengthen the capabilities of our Board committees, each of which plays a key role in overseeing specific aspects of governance, risk management and sustainability.

Board evolution

The composition of the Board has evolved further this year with two changes. In June 2024, Byron Grote stepped down at the AGM having served nine years as a Non-executive Director on the Board. I am grateful to Byron for his outstanding contribution and commitment to the Board. In February 2025, we welcomed Chris Kennedy to the Board. Chris is a seasoned business leader with extensive experience across the media and hospitality sectors. He brings a wealth of knowledge in financial management, strategic planning, and corporate governance and he will be a real asset to the Board. We will say goodbye to Alison Platt who, having served nine years on the Board, will be stepping down from the Board at the conclusion of this year's AGM. I would like to thank Alison for her invaluable contributions and expert guidance to Tesco over the years, including in her role as Remuneration Committee Chair. I am pleased that Melissa Bethell will be taking on the role of Remuneration Committee Chair from the conclusion of the AGM having been a member of the Committee since September 2018. We will also welcome Chris Taylor as our new Group Company Secretary in April 2025.

Overview of remuneration policy changes

In line with the three-year renewal cycle, we will be presenting our remuneration policy for shareholder approval. As the policy has functioned well, no material changes are proposed. A key element of the review is to ensure that the policy takes account of Tesco's evolving strategy. Further details are discussed within the Director's remuneration report on **pages 90 to 122**.

Corporate governance report continued
Governance Introduction continued

Stakeholder engagement

Our Board and management work hard to embed the right behaviours, conduct and decision making so that we always do the right thing for our stakeholders. The Board recognises the importance of understanding and considering their views in our decision making. Through active engagement, particularly with our Colleague Contribution Panels (CCP), we look for insights, feedback and understanding of what is important to our stakeholders. We also maintain strong relationships with our suppliers, supporting fair partnerships and shared sustainability goals. Further information on the 2024/25 CCPs can be found on **page 69**, as well as seeing the Board in action on **pages 67 to 68**.

Sustainability and ESG leadership

The Board is firmly committed to delivering our climate and sustainability goals. We continue to make good progress on our climate action road map, with clear accountability for reducing emissions, promoting healthier and more sustainable products, and supporting responsible sourcing practices. ESG considerations are fully integrated into the Board's discussions and decision-making processes and community engagement remains a priority, with continued investment in programmes such as Stronger Starts and our ongoing support for local food banks.

Looking ahead

Tesco delivered a strong financial and strategic performance in 2024/25. We continued to lay the foundations to support meeting our long-term ambitions. As I look to the future, I am excited about the opportunities that lie ahead for the Group and confident that we can continue to realise Tesco's full potential.

On behalf of the Board, I would like to thank our colleagues, in particular, for their unwavering commitment and resilience. I also extend my thanks to all our stakeholders for their trust and continuing support.

Gerry Murphy
Chair
9 April 2025

Key highlights from the Board in 2024/25

Development of the longer-term strategy	The Board spent more time on developing the longer-term strategy with a focus on customer strategy, digitisation and personalisation.
Sale of the Group's Banking operations	Completion of the sale of the Group's Banking operations and focus on the separation of the Insurance and Money Services business.
Scrutiny of operational and financial performance	Management reporting scrutinised at each Board meeting with deep dives into financial and risk matters by the Audit Committee.
Oversight of sustainability strategy	Review of key milestones and operational capital expenditure required to achieve our carbon neutral targets.
Return of capital	Continued to review our share buyback programme, building on the ongoing capital return programme launched in October 2021.

Key focus during 2024/25

2025/26 Board priorities

Strategy	Further develop and implement the longer-term strategy and growth ambitions.
Succession planning and talent management	Continue to identify the capabilities required to support the longer-term strategy and ensure the talent pipeline is aligned to the needs of the business.
Sustainability	Integration of sustainability into the longer-term strategy and continue to embed sustainability initiatives through our planet plan across our business.

Board of Directors.

The Board is currently composed of the Chair, who was independent upon appointment, two Executive Directors and nine Independent Non-executive Directors.

Key:
- (A) Audit Committee
- (N) Nomination and Governance Committee
- (R) Remuneration Committee
- (S) Sustainability Committee
- ● Committee Chair

Chair

Dr Gerry Murphy.

Appointed
September 2023

(N) ●

Skills, experience and competences
Gerry has extensive global leadership experience through both executive and non-executive roles. His executive career was spent in retail and other customer-focused businesses in senior leadership and commercial roles. His significant business and board level experience and deep understanding of corporate governance, enable him to provide the Board with valuable leadership in the delivery of the Group's strategic objectives.

External appointments
Current:
- Chair: Burberry Group plc
- Senior advisor: Perella Weinberg Partners

Past:
- Chair: The Blackstone Group International Partners LLP and Tate & Lyle PLC
- Non-executive director: Intertrust N.V., British American Tobacco plc, Merlin Entertainment plc, Reckitt Benckiser plc, Abbey National plc and Novar plc
- Chief executive officer: Greencore Group plc, Exel plc, Carlton Communications plc (now ITV plc) and Kingfisher plc

Group
Chief Executive

Ken Murphy.

Appointed
October 2020

Skills, experience and competences
Ken is a growth-orientated business leader with strong commercial, marketing and brand experience within retail and wholesale businesses. He has experience in global product brand management, product development, sales and marketing, sourcing, manufacturing and distribution.

External appointments
Current:
- None

Past:
- Executive vice president, chief commercial officer and president of global brands: Walgreens Boots Alliance
- Various roles: Procter & Gamble and Coopers & Lybrand (now PwC)

Chief
Financial Officer

Imran Nawaz.

Appointed
May 2021

Skills, experience and competences
Imran has over 20 years' experience in the global food industry and broad financial, strategic and international experience gained across a number of large multinational organisations. His financial, strategic, leadership and international strengths are a valuable asset to Tesco as we deliver on our strategic priorities.

External appointments
Current:
- None

Past:
- Chief financial officer: Tate & Lyle PLC
- Various roles: Mondelēz International, Inc, Kraft Foods, Philip Morris and Deloitte

Senior Independent
Director

Dame Carolyn Fairbairn DBE.

Appointed
September 2023

(A) (N) (R) (S)

Skills, experience and competences
Carolyn brings a wealth of experience to the Board with her deep understanding of the macroeconomic, regulatory and political environment and significant experience across media, government and finance sectors.

External appointments
Current:
- Non-executive director: HSBC Holdings plc
- Chair of the board of trustees: Royal Mencap Society

Past:
- Director-general: Confederation of British Industry
- Non-executive director: Lloyds Banking Group plc, The Vitec Group plc, Capita plc, BAE Systems plc, UK Competition and Markets Authority and Financial Services Authority
- Senior positions: McKinsey & Company, BBC and ITV plc
- Member: Number 10 Policy Unit

Corporate governance report continued

Board of Directors continued

Independent
Non-executive Director

Melissa Bethell.

Appointed
September 2018

A N R

Skills, experience and competences

Melissa's wealth of international corporate, strategy and financial experience across a range of industries, with a focus on private equity, advisory services, strategic consultancy and the financial, media and technology sectors, is invaluable in delivering our strategy.

Melissa will be appointed chair of the Remuneration Committee from the conclusion of the 2025 AGM.

External appointments

Current:
- Chair: Ocean Outdoor Limited
- Non-executive director: Diageo PLC, Exor N.V. and Brillio LLC
- Senior advisor: Atairos

Past:
- Non-executive director: Samsonite International S.A., Worldpay Group PLC and Atento S.A.
- Senior positions: Atairos Europe, Bain Capital and Goldman Sachs & Co

Independent
Non-executive Director

Bertrand Bodson.

Appointed
June 2021

N S

Skills, experience and competences

Bertrand is an accomplished business executive, with significant experience of digital transformation, technology and the application of AI. He brings exceptional leadership and business expertise to the Board, as well as experience in delivering corporate transformation programmes while maintaining a focus on performance. His significant knowledge of digital and technology matters gained across a number of sectors, including retail, enhances the Board's oversight of these areas and the delivery of the strategy.

External appointments

Current:
- Chief executive officer: Keywords Studios Ltd

Past:
- Supervisory board: Wolters Kluwer N.V.
- Senior positions: Novartis AG, Sainsbury's Argos and EMI Music
- Co-founder and CEO: Bragster.com

Independent
Non-executive Director

Thierry Garnier.

Appointed
April 2021

N S

Skills, experience and competences

Thierry brings extensive experience in the retail sector, both in the UK and internationally, with a successful track record of implementing business transformation and driving leading-edge digital innovation in competitive and rapidly-changing retail environments.

External appointments

Current:
- Chief executive officer: Kingfisher PLC

Past:
- Executive committee member: Carrefour SA
- Senior positions: CEO, Carrefour Asia and Carrefour International and managing director of Carrefour in France

Independent
Non-executive Director

Stewart Gilliland.

Appointed
March 2018

S N R

Skills, experience and competences

Stewart brings over 40 years' experience and knowledge in international marketing, logistics and business management, having held a number of senior roles, predominantly in customer-centric businesses. His experiences as an executive and non-executive director, and understanding and advocacy of supplier relationships, customers, colleagues and sustainability, which directly support Tesco's strategy, provide him with the skills and capabilities as Chair of the Sustainability Committee. The breadth and diversity of Stewart's experience is a benefit to the Board.

External appointments

Current:
- Chair: IG Design Group PLC
- Non-executive director: Nature's Way Foods Ltd

Past:
- Chair: Booker Group plc and C&C Group plc
- Chief executive: Müller Dairies UK and Ireland
- Non-executive director: Chapel Down Group plc
- Senior positions: Whitbread plc, Mitchells & Butlers plc and Interbrew

Corporate governance report continued
Board of Directors continued

Key:
- (A) Audit Committee
- (N) Nomination and Governance Committee
- (R) Remuneration Committee
- (S) Sustainability Committee
- ● Committee Chair

Independent Non-executive Director

Chris Kennedy.

Appointed
February 2025

(A) (N)

Skills, experience and competences
Chris is a seasoned business leader with extensive experience across the media and hospitality sectors. He brings a wealth of knowledge in financial management, strategic planning, and corporate governance, stemming from his contribution to the financial transformation of several UK listed companies across his breadth of senior executive roles.

External appointments
Current:
- Chief financial officer and chief operating officer: ITV plc
- Non-executive director: Whitbread plc (retiring at the conclusion of the Whitbread plc AGM in June 2025)
- Trustee: EMI Archive Trust

Past:
- Group finance director: Micro Focus International plc, ARM Holdings plc and easyJet plc
- Non-executive director: Great Ormond St Hospital Foundation Trust
- Senior positions: EMI Group

Independent Non-executive Director

Alison Platt CMG.

Appointed
April 2016

(N) (R)

Skills, experience and competences
Alison has extensive experience of leadership in customer-driven organisations across the healthcare, insurance and property sectors. Alison has gained significant business-to-business and international commercial experience from working for high-profile consumer-facing companies. Her former membership of the steering group of the Hampton-Alexander Review provides strategic insights on diversity and inclusion. Alison will not seek re-election and will step down from the Board at the conclusion of the 2025 AGM.

External appointments
Current:
- Chair: Ageas (UK) Limited
- Non-executive director: Spectrum Wellness Holdings Limited and Inchcape plc
- Member: The Takeover Panel Hearings Committee (with effect from 1 May 2025)

Past:
- Chair: Dechra Pharmaceuticals PLC and Opportunity Now
- Non-executive director: Foreign and Commonwealth Office and Cable & Wireless Communications PLC
- Senior positions: Countrywide Limited and Bupa Limited

Independent Non-executive Director

Caroline Silver.

Appointed
October 2022

(A) (N)

Skills, experience and competences
Caroline brings to the Board over 20 years of non-executive experience, together with a wealth of knowledge gained across senior commercial, financial and governance roles. Her strategic insight and significant experience, both in the financial sector and as a serving UK listed company chair, provides guidance and constructive challenge to senior management in delivering our strategy.

External appointments
Current:
- Chair: Barratt Redrow PLC and ICE Clear Europe
- Non-executive director: Intercontinental Exchange, Inc
- Member: International advisory board of Adobe Inc and V&A Foundation
- Senior advisor: Moelis & Company
- Chair of audit committee: National Film and Television School

Past:
- Chair: PZ Cussons PLC
- Non-executive director: Meggitt PLC, M&G PLC and Bupa Limited
- Senior positions: Moelis & Company, Morgan Stanley and Merrill Lynch
- Trustee: Victoria and Albert Museum
- Board member: London Ambulance Service NHS Trust

Independent Non-executive Director

Karen Whitworth.

Appointed
June 2021

(A) (N) (R) (S)

Skills, experience and competences
Karen has significant strategic, financial and risk experience gained through a number of commercial, operational and governance roles. In addition, she brings to the Board extensive knowledge of the retail sector, logistics and supply chain gained across a number of senior retail roles.

External appointments
Current:
- Senior independent director: The Rank Group plc and Tritax Big Box REIT plc
- Non-executive director: Nuffield Health

Past:
- Supervisory board member: GS1 UK Limited
- Non-executive director: Pets at Home Group plc
- Member: Commercial board and director of non-food grocery and new business at J Sainsbury plc
- Senior positions: BGS Holdings Limited, InterContinental Hotels Group PLC and Coopers & Lybrand (now PwC)
- Independent advisor and board member: GrowUp Farms Limited

Detailed biographies for each member of the Board can be found at **www.tescoplc.com**.

Corporate governance report continued
Board of Directors continued

Director changes during the year

Byron Grote	**Tenure:** May 2015 – June 2024	Stepped down after nine years' service as a Non-executive Director on the Board.
Chris Kennedy	Joined the Board on 20 February 2025	Appointed as an independent Non-executive Director and member of the Audit and Nominations and Governance Committees.

Additional external commitments

During the year, the Board approved the additional external commitment taken on by Alison Platt. An assessment of time-commitment, effectiveness, independence and the impact of any cross-directorships was considered. It was agreed that these additional external commitments would not impact her role and commitment to Tesco PLC.

More information on the review of Directors' time commitments can be found in the Nominations and Governance Committee report on **page 73**.

Group Company Secretary

Chris Taylor.

Appointed April 2025*

Skills, experience and competences

Chris is an experienced chartered Company Secretary having held positions at a number of listed companies. Chris provides governance, legal and regulatory advice and support to the Board and the boards of all other legal entities in the Group.

* Chris Taylor will be appointed as Group Company Secretary of Tesco PLC as at 14 April 2025.

Board attendance table as at 22 February 2025[a]

Gerry Murphy	● ● ● ● ● ●	6/6
Ken Murphy	● ● ● ● ● ●	6/6
Imran Nawaz	● ● ● ● ● ●	6/6
Melissa Bethell	● ● ● ● ● ●	6/6
Bertrand Bodson	● ● ● ● ● ●	6/6
Carolyn Fairbairn	● ● ● ● ● ●	6/6
Thierry Garnier	● ● ● ● ● ●	6/6
Stewart Gilliland	● ● ● ● ● ●	6/6
Chris Kennedy[b]	●	1/1
Alison Platt[c]	● ● ● ○ ● ●	5/6
Caroline Silver[c]	● ● ● ● ○ ●	5/6
Karen Whitworth	● ● ● ● ● ●	6/6

(a) This table shows details of attendance at scheduled Board meetings during the year. Attendance at the Audit, Nominations and Governance, Remuneration and Sustainability Committee can be found on the relevant committee pages. Byron Grote stood down from the Board and relevant committees on 14 June 2024.
(b) Chris Kennedy joined the Board as a Director and a member of the Audit Committee and Nominations and Governance Committee on 20 February 2025.
(c) Tesco PLC Board and committee meetings are scheduled two years in advance of the meeting. Due to unavoidable circumstances, it was necessary to change meeting dates during 2024/25. This resulted in Alison Platt and Caroline Silver each being unable to attend one Board meeting during the year due to prior commitments. Alison and Caroline's prior commitments affected different Board meetings, but both contributed to meeting discussions in advance. Details of their committee attendance can be found on **pages 72, 80 and 90**.

Corporate governance report continued
Board of Directors continued

Division of responsibilities

The Board has agreed a clear division of responsibilities, with the responsibilities of the Chair, Group Chief Executive, Senior Independent Director and other Directors clearly defined so that no individual has unrestricted powers of decision, and no small group of Directors can dominate the Board's decision making. While there is no formal role profile, the Group Chief Financial Officer is responsible for the financial affairs of the Group while supporting the Group Chief Executive in the development and execution of the Group's strategy.

In addition, Non-executive Directors take on the role of workforce engagement and host the twice-yearly Colleague Contribution Panels (CCP). These additional responsibilities are set out in the table below. More details on the CCP can be found on **page 69**.

Chair	Group Chief Executive	Senior Independent Director	Non-executive Directors	Workforce engagement Board host	Group Company Secretary
The Chair leads the Board, ensuring its effectiveness while taking account of the interests of the Group's various stakeholders, and promoting high standards of corporate governance. Key responsibilities include: – Providing effective leadership of the Board and promoting the highest standards of corporate governance practices. – Leading the Board in providing strong strategic oversight and setting the Board's agenda, culture and values. – Leading the Board in challenging management's thinking and proposals, and fostering open and constructive debate among Directors. – Maintaining internal and external relationships with key stakeholders, and communicating investors' views to the Board. – Organising periodic monitoring and evaluation, including externally facilitated evaluation, of the performance of the Board, its committees and individual Directors. – Leading on succession planning for the Board and its committees, ensuring appointments reflect diverse cultures, skills and experiences.	The Group Chief Executive is responsible for: – Developing Tesco's strategic direction for consideration by the Board. – Implementing the strategy and reporting on progress. – Day-to-day management of the Company, communicating expectations in relation to Company culture and ensuring responsible business conduct across the business. – Providing effective leadership, coordination and performance management of the Executive team. Further details on how the Executive Committee support the Group Chief Executive can be found on **page 63**.	The Senior Independent Director's responsibilities include: – Acting as a sounding board for the Chair and a trusted intermediary for other Directors. – Leading the annual review of the Chair's performance, together with the Non-executive Directors, taking into account the views of the Executive Directors. – Discussing the results of the Chair's effectiveness review with the Chair. – Leading the search and appointment process and makes the recommendation to the Board for a new Chair. – Acting as an additional point of contact for shareholders. – Maintaining an understanding of shareholder issues and concerns through meetings with shareholders and briefings from the Group Company Secretary.	Bring independent insight and experience to the Board. The Non-executive Directors have responsibility for: – Constructive challenge of the strategies proposed by the Executive Directors. – Scrutinise the performance of management in achieving agreed goals and objectives. – Play leading roles in the function of the Board committees and bring an independent view to the discussion.	Engage and listen to the CCP representatives and develop a greater understanding of colleagues' views on the operations of the business. Monitor actions to address issues raised by the CCP representatives. With the support of the Chief People Officer, report back to the Board to ensure all directors have an awareness of colleague views and these are reflected in decisions. Provide CCP representatives with an awareness of Board and business priorities and the impact on business practices.	– Supports the Board and Committee Chairs to plan future agendas and annual programmes. – Ensures information is made available to Board members in a timely fashion. – Supports the Chair to design and deliver Board inductions. – Coordinates continuing business awareness and training for the Non-executive Directors. – Undertakes internal Board and committee evaluations at the Chair's request. – Advises the Directors on Board practice and procedures and corporate governance matters. – All directors and senior executives have access to the advice of the Group Company Secretary and is a point of contact for shareholders on all corporate governance matters.

Governance framework.

The Board is committed to maintaining the highest standards of corporate governance in the management of its affairs. A detailed governance framework ensures that the Board has the right level of oversight for matters that are material to the Group.

The Board sets the Company's purpose, values, strategy and long-term objectives. It is also responsible for the Group's corporate governance activities, risk management and financial performance and the framework is designed to improve the Board's effectiveness and to support its oversight of the senior leadership team as it delivers the Company's strategy. To ensure the framework's optimal effectiveness, it has a clear division of responsibilities, appropriate distribution of workload to the Board Committee and highly committed directors who are motivated to carry out their roles and responsibilities for the success of the Company.

Board Committees

The Board is supported by the activities of its Committees, which ensure that specific matters receive the right level of attention and consideration. In addition, each Committee works in collaboration with other Board Committees to oversee, support and determine specific matters.

Matters considered by each of the Committees are set out in the Committees' terms of reference which can be found at **www.tescoplc.com**.

Board
The Board has collective responsibility to promote the long-term, sustainable success of the Group, ensuring due regard is paid to the interests of its stakeholders

Audit Committee (T)	Nominations and Governance Committee	Remuneration Committee	Sustainability Committee (T)
Chair Karen Whitworth Oversees the integrity of the financial reporting and audit process, and the maintenance of sound internal controls and risk management systems. The Committee monitors the effectiveness of internal and external audit and reviews concerns about financial fraud and whistleblowing. In addition, it reviews external sustainability-related disclosures and sustainability KPIs and reviews management's process for identifying sustainability risks and internal controls.	**Chair Gerry Murphy** Reviews the size, composition, tenure and skills of the Board. Leads the process for appointments to the Board and makes recommendations to ensure plans are in place for orderly succession to both the Board and senior management positions, and oversees a diverse succession pipeline. The Committee also has a role to ensure that the Company is managed to high standards of corporate governance.	**Chair Alison Platt*** Determines remuneration policy and packages for Executive Directors and senior managers, having regard to pay across the Group and the views of stakeholders. Sets the broad structure for the Company's Remuneration Policy and determines the remuneration of the Chair, the Executive team and the Company Secretary. The Committee is also responsible for reviewing workforce remuneration and the alignment of incentives and rewards with the Company's culture. * Melissa Bethell will become Chair of the Remuneration Committee at the conclusion of the 2025 AGM.	**Chair Stewart Gilliland** Provides oversight and effective governance on the Group's planet plan pillars, community and human rights initiatives to support the delivery of the Group's purpose, strategic priorities and sustainability objectives. The Committee oversees the Group's social and environmental obligations, including climate-related matters, and is responsible for monitoring progress towards our commitments. It works in conjunction with the Remuneration Committee on sustainability-related performance objectives for executive leaders and with the Audit Committee on sustainability reporting.

Each of the Board Committees meet at least four times per year. Following each Committee meeting, the Committee Chair provides the Board with a written and verbal update on recent Committee activities.

Disclosure Committee

The Board delegates responsibility to the Disclosure Committee to consider timely and accurate disclosure of sensitive information.

Details of Board Committee membership and Committee activity during the year is set out in the Committee reports on **pages 72 to 122**.

Cross-Committee memberships

The table provides details of the number of Non-executive Directors representing multiple Committees. Cross-Committee membership provides visibility and awareness of matters relevant across the Committees.

	Audit Committee	Remuneration Committee	Sustainability Committee
Audit Committee *(total no. of members: 5)*		3	2
Remuneration Committee *(total no. of members: 5)*	3		3
Sustainability Committee *(total no. of members: 5)*	2	3	

Note: all Non-executive Directors are members of the Nominations and Governance Committee.

Role and operations of the Board

Summary of schedule of matters reserved for the Board

The Board:
- Sets and monitors the Group's purpose, strategy, values and culture.
- Sets the long-term plan and budget.
- Monitors net zero commitments for Scope 1, 2 and 3.
- Oversees risk management and internal controls.
- Determines the nature and extent of emerging and principal risks.
- Oversees implementation of the governance framework.
- Monitors financial reporting, controls and disclosures.
- Approves changes to corporate and capital structure.
- Sets the dividend policy and approves any declarations.
- Approves significant capital expenditure, borrowing and material contracts.
- Approves major acquisitions, mergers, joint ventures and disposals.
- Approves changes to the pension scheme arrangements.
- Reviews and approves remuneration policies and share schemes.

The full schedule of matters reserved for the Board can be found on our website at **www.tescoplc.com**.

Board purpose and responsibilities

The Board is responsible for setting the overall strategy of the Group and remains focused on delivering on our four strategic priorities: magnetic value for customers; easily the most convenient; I love my Tesco Clubcard; and save to invest. Sustainability is built into our purpose, strategy and business plans, ensuring the risks and opportunities associated with climate change are embedded in all we do. The Group is committed to operating in a responsible and sustainable way which reflects our values. To ensure climate considerations are integrated within our governance framework, roles and responsibilities are set out in a schedule of matters reserved for the Board and in the Committees' terms of reference.

The Board has collective responsibility for promoting the long-term sustainable success of the Group, taking into consideration the views of, and impact to its stakeholders, and ensuring that it operates within a framework of effective controls. It has ultimate responsibility for ensuring adequate resource is available to meet agreed objectives and strategy, ensuring that resources are responsibly and effectively deployed.

The Board has adopted a formal schedule of matters reserved, detailing matters that are considered of significance to the Group owing to their strategic, financial or reputational importance or consequences.

More information on the purpose and culture, strategic priorities, risk management and internal controls framework can be found on **pages 10, 16 to 17, 40 to 47 and 64 to 65**.

How the Board operates

The Board and its Committees have a forward-looking programme of agenda items scheduled for discussion throughout the year to ensure operational and financial performance, strategy which includes our sustainability targets, risk, culture and stakeholders are discussed at the appropriate time. A regular review of the forward planners is undertaken and the Chair of the Board, or relevant Committee, ensures that sufficient time is allowed for discussion and debate on the topics scheduled. They encourage constructive discussion and challenge during meetings.

Standard paper templates are reviewed on a regular basis to ensure Directors receive high-quality, clear and timely information to support their oversight, challenge and decision making in a standard format.

If Directors have concerns about the Company or a proposed action which cannot be resolved, it is recorded in the Board minutes. In addition, upon resignation, Non-executive Directors are encouraged to provide a written statement of any concerns for circulation to the Board. No such concerns were raised in FY 24/25.

The Board held six scheduled meetings during the year and additional strategy meetings at which senior managers presented on each of our business areas. In the rare event of a Director being unable to attend all or part of a Board or Committee meeting, the Chair of the respective meeting discusses the matters proposed with the Director concerned, wherever possible, seeking their support and feedback accordingly. The Chair subsequently represents those views at the meeting. In addition, the Group Chief Executive provides updates to the Board at regular intervals between Board meetings to report on business performance and provide relevant market insights.

During the year, Board meetings have commenced with a meeting of the Chair and Non-executive Directors only.

In the event of an urgent, business critical matter requiring Board approval in accordance with the schedule of reserved matters for the Board, or under the Group delegation of authority, which arises between scheduled Board meetings, a sub-Committee of the Board is formed, the quorum for which is any two of the Chair, Group Chief Executive or Senior Independent Director. Any approvals granted through the Board sub-Committee are noted by the Board at its following meeting.

The Group provides access, at its expense, to the services of independent professional advisors in order to assist Directors in their role. A Directors' and Officers' liability insurance policy is maintained for all Directors and each Director has the benefit of a deed of indemnity.

The table on **page 59** shows the attendance at the scheduled Board meetings. Attendance at Committee meetings can be found in the relevant Committee reports on **pages 72 to 122**.

Corporate governance report continued
Governance Framework continued

Executive Committee

The Board delegates responsibility to the Group Chief Executive for overseeing the day-to-day operations of the Group, formulating, implementing and overseeing the Group's strategic objectives as approved by the Board. The Group's delegation of authority, matters reserved for the Board and Committees' terms of reference provide a clear direction on oversight and decision making. The Group Chief Executive is supported by the Executive Committee in carrying out this role. The Executive Committee comprises Ken Murphy and Imran Nawaz, Executive Directors of the Board, CEOs of our regional businesses and senior management in key functional roles detailed below.

Ken Murphy
Group Chief Executive
Member since October 2020

Imran Nawaz
Chief Financial Officer
Member since May 2021

Natasha Adams
CEO, Ireland and Northern Ireland
Member since June 2018

Matthew Barnes
CEO, UK
Member since March 2024

Guus Dekkers
Chief Technology Officer
Member since May 2021

Christine Heffernan
Group Communications Director
Member since March 2019

Kay Majid[1]
Group General Counsel
Member since July 2024

Ashwin Prasad
Chief Commercial Officer
Member since September 2020

Matt Simister
CEO, Central Europe
Member since April 2017

Emma Taylor
Chief People Officer
Member since March 2022

Andrew Yaxley
CEO, Booker
Member since July 2018

1. In July 2024, Adrian Morris left the business and was succeeded by Kay Majid.

The Executive Committee has 11 scheduled meetings per year which are minuted, together with more informal weekly check-in meetings.

During the year, the Executive Committee played a key role in driving the Group's strategy and objectives forward.

The Executive Committee's key responsibilities include:

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- Making recommendations to the Board and implementing the objectives and strategy set by the Board.
- Developing the Group's budget and long term plan for consideration by the Board.
- Supporting the delivery of the Group's strategic priorities.
- Developing the sustainability agenda to balance short, medium and long-term objectives.
- Review of capital investments required to achieve the net zero objectives, ensuring that the investments are included in the long term plan and annual budget.
- Ensuring identification, management and monitoring of risk and effective internal controls.
- Approving material contracts and transactions in accordance with the delegation of authority framework.
- Monitoring the people agenda across the Group including: culture; succession planning; talent management; and diversity, equity and inclusion.

The Executive Committee terms of reference are reviewed on an annual basis. These can be found on our website at **www.tescoplc.com**.

Biographies for each of the Executive Committee members can be found on our website at **www.tescoplc.com** which sets out their roles, responsibilities and experience.

There are a number of executive level committees established to support the Executive Committee in the delivery of their role. Some of the key executive level committees are detailed below.

Executive level committees

These executive level committees provide updates to the Board, Audit, Sustainability and Executive Committee on matters of significance.

Group risk and compliance

Responsible for: the oversight of key risks on behalf of the Executive Committee; evaluating and proposing policies; monitoring processes to control business, operational and compliance risks faced by the Group; and assessing emerging risks. It reports twice-yearly to the Executive Committee and Audit Committee.

Planet

T

Responsible for reviewing and monitoring the climate strategy against agreed performance measures and recommending the actions needed to achieve the Group's net zero objectives. Three steering groups underpin the implementation and compliance component of our planet governance structure and feed into the planet committee.

Cyber and privacy

Responsible for ensuring a comprehensive understanding of the potential cyber exposure of the Group and the effective oversight and governance of cyber risk management plans. A dedicated cyber security programme has been developed with clearly defined governance, oversight and structured training processes. Matters of significance are raised at the Board, Audit Committee and Executive Committee as appropriate.

More information on the Group's sustainability governance can be found in the Sustainability report on our website at **www.tescoplc.com**.

Spotlight on:

Risk.

Risk management and internal control framework

The Board has overall responsibility for internal controls and risk management processes. It has established a risk management framework to manage and report the risks faced by the business. A strong risk culture is at the heart of our risk management framework with clear risk ownership and proactive leadership. The responsibility for identifying, assessing, escalating and managing risks resides with management at a functional, business unit and executive level. The Audit Committee, on behalf of the Board, undertakes an annual effectiveness assessment of the risk management framework, with regular focus on specific emerging risk themes and a review across all principal risks, twice a year, which also supports the external reporting process, see **page 86**. The Group risk and compliance committee is responsible for the oversight of key risks on behalf of the Executive Committee.

Our approach to risk allows us to adapt to changing internal and external factors through the three lines of defence model and combines the top-down with bottom-up risk management approach to ensure the Group can respond to a continuously changing environment.

The Board, Audit Committee and Executive Committee undertake deep dives into our principal risks periodically during the year.

Did you know:

The risk management framework provides clear processes for risk identification, assessment and management.
The approach is supplemented by red team testing, the development of resilience plans and assurance outputs from second and third lines.

Purpose and culture.

Culture

The Board has overall responsibility for establishing and monitoring the Company's purpose, values and behaviours, ensuring that the Group is appropriately managed and achieves its objectives in a way that is supported by the right culture. We aim to create a positive culture at Tesco which aligns our purpose, values and win together behaviours. Our clear diversity, equity and inclusion strategy strives to create an inclusive workplace, where colleagues feel welcome and able to be themselves. Operating within this culture supports the delivery of our strategy and our long-term sustainable success, while generating value for shareholders. Our purpose and values are fundamental to the way we act and drive the Group's culture. Our values and win together behaviours ensure that the Tesco culture is embedded throughout the organisation.

Our purpose

Serving our customers, communities and planet a little better every day means we always keep customers at the heart of what we do, while also reflecting our responsibilities to the communities we serve and to society more broadly.

Our values

- No one tries harder for our customers
- We treat people how they want to be treated
- Every little help makes a big difference

Our three values underpin our purpose, setting out how we work together as a team and guiding the decisions and choices we make across the Group.

Win together behaviours

- **Believe in each other:** Building trust in teams and enabling end-to-end collaboration across Tesco.
- **Stay curious:** Seeking new and different ideas and listening to every voice in the room.
- **Be brave:** Doing the right thing and creating safe spaces where colleagues can test, learn and speak up.
- **Live 20/80:** Prioritising the few things that will make the biggest difference.

Our win together behaviours underpin our values.

How does the Board monitor culture?

The Board receives detailed reports on a wide variety of topics to allow it to assess culture within the Group, to ensure it is aligned with our purpose and supports the delivery of the strategy:

People updates

People updates include metrics and KPIs on senior management succession planning, talent management and monitoring progress against our diversity, equity and inclusion (DE&I) strategy.

More information on the Group's diversity, equity and inclusion strategy can be found on **page 23 and page 75.**

Assessment of executive performance

Assessment of executive performance to ensure it is aligned to the strategic drivers, KPIs and win together behaviours. The Board and Remuneration Committee monitor the outturns of Your Contribution for Executive Committee members and senior management. Your Contribution is the way performance is measured for all colleagues around the Group to drive the culture we want to see, and a newly introduced Line Manager Standard ensures anyone with management responsibilities is measured against a clear set of expectations.

Supported by the Executive Committee

Supported by the Executive Committee, the results of the colleague survey are analysed and an action plan is developed to address any issues. Additionally, the results of supplier engagement surveys are analysed and reviewed by the Board and Executive Committee. An action plan is developed for improvements required.

Colleague Contribution Panels

CCPs, which represent the workforce across all business areas of the Group, are hosted by an Independent Non-executive Director (the Workforce Engagement Host). Each forum meets twice during the year and the Workforce Engagement Host provides feedback to the Board following each meeting.

More information on our CCPs can be found on **page 69.**

Our Code of Business Conduct

Our Code of Business Conduct defines the standards and behaviours expected of colleagues and is supported by Group policies and mandatory training which is completed by all colleagues in the first five business days after joining, and on an annual basis, to reinforce the importance of these standards. The results of the annual compliance programme are reported to the Audit Committee for review.

Visit **www.tescoplc.com** to view Tesco's Code of Business Conduct.

Protector Line

Protector Line provides colleagues and suppliers with a completely independent support service where they have the ability to raise concerns regarding possible misconduct and breaches of the Tesco's Code of Business Conduct. The whistleblowing policy sets out how matters of concern can be reported and explains the protection and support that will be given. The Audit Committee provides oversight of the effectiveness of the Group's internal whistleblowing policy and the independent Protector Line arrangements.

All of this allows the Board to assess progress against strategy and provides oversight of the culture we operate in.

Performance review.

The Chair and the Board continually work to strengthen and enhance the performance, skills and experience of the Board to align with Group strategy. To ensure the Board remains effective, a performance review is carried out each year to review the effectiveness of the Board, its Committees and Directors. These reviews operate on a three-yearly cycle as shown below.

Year 1	Year 2	Year 3
Internal effectiveness review via questionnaire led by the Chair	Internal effectiveness review via questionnaire led by the Chair	Externally facilitated effectiveness review

The Chair's review is undertaken on an annual basis and is always led by the Senior Independent Director.

The external effectiveness review offers an independent review of the Board's performance. This year, Calibro Consult Limited was appointed to facilitate the external review. Calibro Consult Limited has no other connection to Tesco or any of its Directors. During 2025/26 an internal effectiveness review will be undertaken.

Progress against actions identified through the FY 23/24 internal performance review are detailed below:

Action identified	Progress against action
Continue to review Board composition, with a focus on strengthening the expertise and skills required to deliver the Group's long-term objectives and opportunities to further enhance diversity.	The Nominations and Governance Committee reviewed Non-executive Director skills and expertise through succession plans, executive and senior management roles. Lygon Group were instructed to perform a search for an experienced CFO to join the Board and Audit Committee and we announced the appointment of Chris Kennedy in December 2024. All Independent Non-executive Directors were appointed to Nominations and Governance Committee providing oversight and input to succession plans.
Continue to shape the Board agenda to concentrate on the longer-term strategy with a focus on growth, net zero commitments, the customer experience and technology.	Forward planners for the Board and Committees reviewed to enhance stakeholder reporting to the Board. Additional strategy sessions scheduled.
Continue to review Group performance in a changing market and the changing needs of our customers.	Board views sought on 1:1 basis on longer-term trends and opportunities and discussed at strategy meeting.
Continue to develop and test risk appetite.	Risk Appetite Framework reviewed and developed. Additional risk deep dives scheduled at the Audit Committee at which all Board members were invited to attend.

Spotlight on:

Effectiveness.

FY 24/25 External Board effectiveness review

Stage 1	Stage 2	Stage 3	Stage 4
Scope of effectiveness review	Attendance at meetings	Discuss findings	Development of action plan

An overview of the process is set out below:

- **June–August** – selection of external effectiveness review provider. Discussions with Chair, Group Chief Executive, Senior Independent Director and Group Company Secretary on scope and deliverables.
- **September** – attendance and observation of Board and Committee meetings.
- **October–December** – individual interviews with Independent Non-executive Directors and Executive Committee members.
- **November** – attendance and observation at the strategy Board session and Committee meetings.
- **January** – draft report on findings.
- **February** – discussions with Chair on findings and presentation to the Board.
- **April** – development of action plan to measure progress against key objectives.

Focus of effectiveness review

- Purpose, culture, values and behaviours
- Strategy and future growth ambitions
- Approach to sustainability and inclusion
- Key challenges for the Board and management team linked to the strategy
- Board composition, dynamics, operations and structures
- Internal culture
- External factors and the changing business environment

The Nominations and Governance Committee will review the action plan to track progress against the actions identified.

Actions identified

Continue to:

- develop and implement the longer-term strategy and growth ambitions;
- shape the agenda and Board focus with a balance of operational oversight and strategic development;
- enhance our strategic enablers through technology and our people with a focus on succession and talent planning, capability, diversity and expertise; and
- evolve the appetite for risk in alignment with the longer-term strategy.

Board activity.

During discussions at Board meetings, the views of our stakeholders form an integral part of the Board's decision making. Key topics are reviewed, discussed and debated during the year by the Board to support Directors in their oversight and provide the opportunity to challenge executive management.

Spotlight on:

Planning.

Crisis management simulation

As a large business, we make sure that we are well prepared to respond to incidents at all levels of the organisation. Every year, leaders from across the business are invited to take part in a series of crisis simulations.

In February 2025, the Board took part in one of these exercises alongside the Executive Committee and the UK leadership team. The aim of the exercise was to rehearse the Group's response and ensure that all participants understand their roles in a crisis. All the exercises are based on fictitious but plausible scenarios that could impact Tesco such as cyber attacks, disruptive geopolitical events, natural disasters or civil unrest and are kept secret from the exercise participants until a few days before the exercise, to make it as realistic as possible.

Our response to a crisis is guided by our purpose and values, and by our legal and regulatory obligations. Our guiding principles in a crisis are: prioritising the safety and security of our customers and colleagues; maintaining the supply of food and essential products and services across our footprint; and safeguarding our financial viability.

The February exercise saw our Board, Executive Committee and UK leadership team demonstrating a high level of maturity in crisis preparedness, and has led to further initiatives on scenario planning aligned to our principal risks.

Our response to a crisis is guided by our purpose and values, and by our legal and regulatory obligations.

Strategy and purpose

Each year the Board spends a few focused days immersing itself in the Group strategy. This involves meeting colleagues and suppliers, discussing the operational alignment with strategy, and horizon scanning impact, risks and opportunities for the business. During the year, the Board hosted two strategy workshops to further develop the longer-term strategy with a focus on customer strategy, digitisation and personalisation.

Additionally, the Board receives strategic updates throughout the year with the aim of gaining a better understanding of market trends, technology developments, innovation and people strategies to support the long-term planning and strategic direction of the Group. The Board regularly reviews the progress of the Group's strategic drivers and long-term plan, which represents a strong three-year plan delivering growth and sustainable value for stakeholders.

Having a clear strategic direction for the short, medium and longer term, and understanding our stakeholder expectations, is vital for the delivery of our strategic priorities.

Updates are provided by the Group Chief Executive, the Chief Financial Officer and other members of senior management in respect of all material matters, to ensure the delivery of strategic drivers and KPIs in line with our culture, purpose and values.

Technology updates provide an overview of operational stability, technical capability, transformation, cyber security and the use of AI in our business. Our dedicated cyber security programme has clearly defined governance, oversight and structured training processes. Updates provide the Board with oversight of the risks and opportunities available. Improvements in technology continue to support the delivery of the Group's strategic priorities. We continue to embed AI into our business to optimise operations to better serve our customers, communities and planet. As new techniques and uses emerge, we are exploring how they could be adopted to deliver on our purpose. Through our AI governance framework, we ensure that any AI technologies utilised by the business are fair, safe, transparent, explainable, accountable and sustainable, and that they comply with existing legislation and any emerging legislation.

Strategic drivers

Magnetic value for customers: Re-defining value to become the customer's favourite

I love my Tesco Clubcard: Creating a competitive advantage through our powerful digital capability

Easily the most convenient: Serving customers wherever, whenever and however they want to be served

Save to invest: Significant opportunities to simplify, become more productive and reduce costs

Corporate governance report continued
Board activity continued

Did you know:

The Board's forward planner ensures that there is sufficient time for discussion and debate on topics scheduled and provides an opportunity to deep dive into matters relating to each of our stakeholder groups during the year.

Operational performance

Business updates from UK, ROI, Central Europe, Booker, dunnhumby and Tesco Mobile provide essential oversight of the operational performance of the Group, highlighting opportunities, challenges and risks faced by the different business areas, insight into how our different markets operate and the differing needs of our stakeholders. Trading updates to the Board provide insight into managing capacity through peak trading, stock management and resourcing. This supports the Board in identifying growth opportunities and the delivery of the Group's strategic drivers.

The Board places significant importance on looking after the safety of colleagues, customers and anyone else impacted by our business. Health and safety updates focus on people safety, the safety framework and strategy, progress against safety priorities, opportunities for improvement, the volume and severity of injuries and cost of injury claims across all business areas.

Throughout the year, Directors, individually and collectively, explored specific operational activities through presentations, meetings and site visits, giving them the opportunity to meet with senior management to gain insight into the business operations and the challenges they face. This enables the Non-executive Directors to engage with colleagues from across the Group, giving them a greater understanding of colleague views and provides a true understanding of the operations. Directors have visited a number of our business functions, including Tesco Business Services in India, distribution centres and supplier operations.

Financial performance, risk management and internal controls

Through the Chief Financial Officer's report, the Board regularly reviews the financial position, going concern and viability of the Group, with updates on progress against the Group budget and the long term plan, plus a detailed overview of each of the business areas including performance against each business unit budget, sales, profit, cash flow and capital expenditure. Updates provide the Board with oversight of the progress against the Big 6 and the key performance indicators across the Group.

More information on the Big 6 and key performance indicators can be found on **page 19**.

The Board reviews the most significant or principal risks facing the Group. Having the right systems and controls in place across the Group facilitates effective management and sound decision making. Efficient internal reporting, effective internal controls, and oversight of current and emerging risk themes are embedded into our business processes and are fundamental to Tesco's governance framework. The Board has visibility of the strategic, financial, operational, change and compliance risks facing the business. The Board is kept abreast of developments through the work of the Audit Committee, to ensure it has dedicated oversight and the relevant mitigations are put in place.

More information on the principal risks and uncertainties and the risk management and internal control framework can be found on **pages 40 to 47 and page 64**.

The Board reviews and approves the capital allocation framework, dividend policy and shareholder returns and the management of the Group's debt capital markets activities, including any new issuance of bonds under the euro medium term note programme. Oversight of these activities ensures that future liabilities can be met.

The Board, supported by the Executive Committee, has visibility of the property strategy and approves any significant capital expenditure under that strategy. The annual fair value property valuations provide oversight of the property portfolio, ensuring the portfolio is properly managed and accounted for.

Governance and culture

Reports from the Group Company Secretary at each Board meeting update the Board on governance-related matters, which have included over the year: regulatory changes; the share buyback programme; Non-executive Director fees; share forfeiture programme; modern slavery; material litigation; review and approval of statutory reporting and shareholder documentation; the annual renewal of directors' and officers' insurance and the review and approval of material contracts taking into consideration the associated operational and financial benefits, risks and opportunities, and consideration of the impact on all stakeholders.

More information on how the Board monitors culture can be found on **page 65**.

Corporate governance report continued

The Board in action continued

Stakeholder engagement

Engagement with all our stakeholders is led by our Executive team. The Board's forward planner schedules matters for discussion by the Board and ensures that the Board has the opportunity to have a deep dive into each of our stakeholder groups during the year, providing the opportunity for directors to discuss, challenge and create opportunities in line with strategy. This facilitates the Board's understanding of stakeholder views, market trends and challenges in light of the Group's strategic priorities and sustainability objectives. Each decision taken by the Board aligns to our culture and values, and considers the benefits, risks, financial implications and impact on relevant stakeholders. The Board reviews the results, management action plans and areas for improvement based on customer, colleague and supplier surveys.

Our commitment to our customers extends beyond our stores, and into every community we serve. Our partnerships with suppliers are vitally important in delivering great value and great quality products for our customers.

Our work on human rights is fully integrated within our operations, forming a key part of our broader commitment to being a responsible and sustainable business. We will always look to work with suppliers to meet our responsible sourcing and ethical requirements. The Sustainability Committee provides oversight on human rights matters.

During the year, the Board met with a number of suppliers, which included a Board visit to one of our suppliers, to deepen the Board's understanding of the challenges faced and support that can be provided.

More information on the Sustainability Committee supplier visit can be found on **page 78**.

Throughout the year, regular dialogue between our Group Chief Executive, Chief Financial Officer and senior management, and our institutional investors, potential investors and analysts has taken place, including through calls, and individual and group meetings, with a particular focus on themes such as the consumer and market environment, strategic priorities and capital allocation.

It is the Board's intention to continue to pay a progressive dividend, broadly targeting a payout of around 50% of earnings. Our long-term plan sets out our growth ambitions over the next three years, including continued delivery for all stakeholders and ongoing cash returns to our shareholders.

We continue to see the buyback programme as an ongoing and critical driver of shareholder returns. By April 2026, we plan to buy back £1.45bn worth of shares.

Our commitment to operating in a responsible and sustainable way reflects our values; we know we can make a big difference. We aim to be carbon neutral across our own operations by 2035 and are working with suppliers and partners to deliver our goal to be net zero from farm to fork by 2050. We will continue to deliver action on climate through our planet plan across all our businesses.

More information on our stakeholder engagement and climate commitments can be found on **pages 20 to 22 and pages 31 to 35**.

Spotlight on:

Colleagues.

Colleague Contribution Panels

The CCPs provide a platform for colleagues to bring new ideas to the table, including improvements for communications and colleague benefits. The forum facilitates open discussions and ensures that the Board is aware of the views of the workforce. Having a designated Non-executive Director (the Host) for each CCP provides continuity, allows a deeper understanding of specific workforce-related matters by the Board and supports colleagues develop a better awareness of Board matters and business priorities.

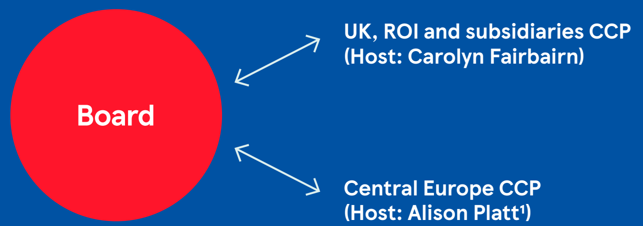
During FY 24/25, five CCPs were held to discuss topical issues and matters of importance, with a focus on: health and wellbeing; executive remuneration policy; and would you recommend Tesco as a place to shop. Each Host provided highlights of the Board's activities, which included: our growth strategy; progress against the six pillars of the planet plan; sale of the Group's Banking operations; an overview of our Chair and Senior Independent Director induction programme; details of Board visits undertaken during the year; everyone's welcome strategy; and an overview of Board governance and the Board's future focus.

In addition, management went through some of the key elements of the Every Voice Matters colleague engagement survey and actions captured at the previous CCP.

Themes raised by representatives included pay and reward, increased availability of healthier food, flexible working and the need for more product variety and better regional product placement. Positive feedback was received on the introduction of virtual GP services and mental health support services, the free fruit initiative and improved discounts in Central Europe.

The Board receives updates directly from each Host, allowing for more informed decisions to be made in the long term in the interests of the Company and its stakeholders.

In addition to the CCPs, we have engaged with contractors through the Contingent Workers Survey to obtain their views as part of capturing wider workforce engagement. Contractors highly value Tesco's collaborative environment, flexibility and strong management support. They seek better communication, aligned benefits and streamlined administrative processes.



1. Melissa Bethell will take on the role of Central Europe CCP Host in June 2025.

Section 172 statement.

The Board recognises that stakeholder engagement and understanding the consequences of any decision in the long term are vital to the sustainable success of the Company. The differing interests of stakeholders are considered in the business decisions we make across Tesco at all levels and are reinforced by the Board. However, it is not always possible to provide positive outcomes for all stakeholders, and sometimes the Board has to make decisions based on balancing competing stakeholder priorities, while ensuring it is in the best interests of the Group. Through engagement with our key stakeholders, the Board understands these competing priorities. In addition, the interests and views of Tesco pensioners and our relationship with regulators and NGOs are taken into consideration. Details of our key stakeholders are set out on **pages 20 to 22**.

In performing their duties during the year, the Directors have had regard for the matters set out in section 172 of the Companies Act 2006. Examples of how the Directors have oversight of stakeholder matters and had regard for these matters when making decisions is included throughout this Annual Report.

Directors have acted in a way they consider to be in good faith and to be most likely to promote the long-term success of the Company.

This statement is incorporated by reference into the Strategic report.

Section 172 (a)–(f) additional information		Pages
A. Consequences of any decisions in the long term	Chair's statement and Group Chief Executive's review	8, 9 and 11 to 13
	Our market context and Our strategic priorities	14 to 17
	Key performance indicators and Our business model	18 and 19
	Longer term viability statement	50 and 51
	Board activity and Section 172 statement	67 to 69 and 70
B. Interests of the employees	Key performance indicators	19
	Everyone's welcome	23
	Stakeholder engagement	20 and 69
	Corporate governance report	65 and 69
	Nominations and Governance Committee	72 to 75
	Directors' remuneration report	91 to 95, 101 to 106 and 117
	Directors' report	239
C. Foster business relationships with suppliers, customers and others	Chair's statement and Group Chief Executive's review	8, 9 and 11 to 13
	Our market context and Our strategic priorities	14 to 17
	Key performance indicators and Our business model	18 and 19
	Principal risks and uncertainties	40 to 49
	Stakeholder engagement	20 to 22 and 69

Section 172 (a)–(f) additional information		Pages
D. Impact of our operations on the community and environment	Our market context	14 and 15
	Planet, Nature and TCFD	31 to 39, 48 and 49
	Stakeholder engagement	22
	Board activity and Section 172 statement	67 to 69 and 70
	Sustainability Committee report	76 to 79
E. Maintain a reputation for high standards of business conduct	Our purpose framework and Our business model	10 and 18
	Governance framework	61 to 63
	Purpose and culture	65
	Board activity and Section 172 statement	67 to 69 and 70
F. Acting fairly between members of the Company	Our strategic priorities and Key performance indicators	16, 17 and 19
	Board activity and Section 172 statement	67 to 69 and 70
	Stakeholder engagement	21, 22 and 69

More information on the Board's activities and how we engage with our stakeholders can be found on **pages 20 to 22 and pages 67 to 69**.

Corporate governance report continued

Section 172 Statement continued

Key strategic decisions

Completion of the sale of the Banking operations to Barclays

As reported over the year, the Board approved the sale of its Banking operations to Barclays and entered into an exclusive 10-year partnership providing customers with access to Tesco-branded banking products and services, combining Tesco's market-leading brand, physical and digital reach, and relentless customer focus with Barclays' deep financial services capabilities and expertise in commercial partnerships. The partnership also creates the opportunity to develop new and innovative products with Barclays under the Tesco Bank brand. Through the partnership it allows us to offer customers Tesco-branded banking products and services, while continuing to benefit from the Tesco Clubcard, and exploring other opportunities that offer value to Tesco customers. We have retained all the existing insurance and money services activities, including ATMs, travel money and gift cards. The remaining activities have lower capital requirements than the Banking operations, and are profitable businesses with a strong connection to the core retail offer. Following the completion in November 2024, the Board announced its intention to return £700m to shareholders via an incremental share buyback. When considering the strategic partnership and sale, the Board discussed a number of factors including those affecting our stakeholders.

Strategic priorities

Our strategic priorities ensure that we focus on offering great value, quality and convenience for our customers, while rewarding loyalty. Through our colleagues, our reach and our supplier relationships, we are well placed to serve our customers wherever, whenever and however they need us. Our strategy guides us to deliver top-line growth, grow profit and generate cash and in doing so, deliver for all our stakeholders.

Over the past 18 months, the Board has spent significant time working alongside the Executive Committee to shape the longer-term strategy and growth opportunities. This is being achieved through: expanding our thinking; gaining insight into how others utilise technology; reviewing key trends; performing strategic diagnostics; challenging our ways of thinking; and considering the future needs of customers.

The Board has focused on key trends, the future consumer, AI, geopolitics, climate change and technological advances to support efficiency. We have made good progress on key initiatives to support our strategic priorities. We continue to build our capabilities to support delivery of our longer-term objectives through investments in our people and technology, including robotic automation to streamline operations, improve efficiency and support our commitment to deliver a seamless shopping experience for our customers. We have partnered with some of the UK's leading healthcare companies as part of a new store concept that gives customers easy and convenient access to even more high-quality health services. With our network of stores and pharmacies in communities all over the UK, we are uniquely placed to help make food and healthcare accessible to our customers. Sustainability initiatives are now well integrated across our strategic priorities. Investment in Booker has supported the growing demand for delivery with the opening of new catering hubs, improved availability and greater customer satisfaction.

Through this process, the Board has considered the views and impacts on all stakeholders, in particular the needs of our customers, how we support our suppliers through long-term strategic partnerships, the impact of a rapidly evolving retail environment and supporting colleagues across our workforce. Through regular updates and feedback on management engagement with stakeholders, the Board has oversight of stakeholder views. More information can be found in Stakeholder engagement on **pages 20 to 22**, Board activity on **pages 67 to 69** and the Board's visit to Cranswick on **page 78**.

Throughout 25/26, the Board will continue to develop initiatives to deliver the longer-term strategy through greater focus of key areas in scheduled Board meetings, additional strategy workshops, advice from external experts and Board visits to strengthen our capability and strategic partnerships.

Personalisation

Our ambition is to deliver the most helpful personalised shopping experience for customers through healthy swaps, nudges and suggestions with the help of Clubcard pricing. This will also support our customers through health and wellness initiatives. We continue to enhance our data analytics insight and the use of AI to better understand our customers and deliver them more personalised offers, to improve outputs from customer feedback and assist with demand forecasting and waste reduction.

Personalised Clubcard Challenges were offered to 10 million customers and launched a trial of Your Clubcard Prices, which contributed to record levels of digital engagement.

Retail media

We are expanding our retail media channel via the Tesco Media and Insight Platform which will result in a growth in active advertisers, number of campaigns per advertiser and an increase in spend per campaign. This will support our supplier strategy, build strategic partnerships and form part of our enhanced brand strategy.

We have mobilised a dedicated Tesco Media and Insight Platform team. Through new partnerships with WPP and Publicis we have been able to leverage our combined expertise and reach across a broader pool of advertisers. We now have more than 5,000 in-store screens and more than 9,000 retail media campaigns.

Marketplace

In June 2024 we introduced our own marketplace proposition, offering customers an even broader range of products from our specially selected partners. While we are still in the early stages of this, we are now offering more than 400,000 third-party products across a range of categories. We have ambitious growth plans aimed at expanding our product range and enhancing the overall customer experience. We aim to deliver a more integrated consumer offering through expansion of our range and building more strategic brand partnerships.

Integration of sustainability across our longer-term strategy

Our commitments to reduce carbon emissions, tackle food waste and promote healthier diets demonstrates the importance of our role as a responsible business. Our key climate priorities through our planet plan continue to be a focus for the Board and senior management, ensuring our current approach to sustainability delivers competitive advantage for the business, as well as delivering on our commitments.

More information on our sustainability initiatives can be found on **pages 31 to 35**.

Corporate governance report continued

Nominations and Governance Committee.

Chair of the Board and Committee Chair

Gerry Murphy.

Committee membership[2] and tenure

Director	Member since	Meeting attendance
Gerry Murphy, Committee Chair	September 2023	4/4
Melissa Bethell[1]	June 2024	3/3
Bertrand Bodson[1]	June 2024	3/3
Carolyn Fairbairn[1]	June 2024	3/3
Thierry Garnier[1]	June 2024	3/3
Stewart Gilliland	April 2019	4/4
Chris Kennedy[3]	February 2025	1/1
Alison Platt[4]	April 2019	3/4
Caroline Silver[1]	June 2024	3/3
Karen Whitworth[1]	June 2024	3/3

1. In June 2024, the Committee membership was expanded to include all Non-executive Directors.
2. Byron Grote was a member of the Committee until he stood down from the Board in June 2024. He attended one meeting during the year.
3. Chris Kennedy joined the Committee in February 2025.
4. Tesco PLC Board and Committee meetings are scheduled two years in advance of the meeting. Due to unavoidable circumstances, it was necessary to change a couple of meeting dates during 2024/25. This resulted in Alison Platt being unable to attend one committee meeting during the year.

Focus during 2024/25

- Board and committee composition: succession planning, skills and experience matrix.
- Senior management talent and succession planning.
- Diversity, equity and inclusion strategy and progress.
- Board governance: Board performance review and progress against 2023/24 actions, time commitments and independence.

Committee activity

Board and senior management succession planning	35%
Talent management	33%
Group governance	32%

Key responsibilities

Board and senior management succession planning

- Board and Board-level committee composition.
- Board and senior management succession plans.
- Directors' skills and experience matrix.
- Recommendation of annual election and re-election of Directors.
- In-depth three-year and six-year review of Non-executive Directors' performance.

Talent management

- Talent management priorities and progress made against the priorities.
- Review and implementation of Board diversity, equity and inclusion policy.
- Monitor the progress of the Group's diversity, equity and inclusion strategy.

Group governance

- Review of corporate governance framework, including matters reserved for the Board and Committee terms of reference.
- Monitoring compliance against the UK Corporate Governance Code.
- Board and Committee effectiveness review process and progress against actions identified.
- Effectiveness review of Non-executive Directors including review of time commitments, independence and conflicts of interest.
- Governance-related legal and regulatory developments including impact of the UK Corporate Governance Code 2024.

The terms of reference for the Committee are reviewed on an annual basis and are published on our website at **www.tescoplc.com**

Further details on compliance with the UK Corporate Governance Code 2018 is set out on **page 53**.

Committee membership and meetings

The Committee is composed of the Non-executive Chair and nine independent Non-executive Directors. The Committee held four scheduled meetings during the year with a focus on talent management, succession planning, diversity, equity and inclusion, Board composition and Board effectiveness.

Board composition, expertise and succession planning

To ensure the composition of the Board remains aligned to the Group strategy, the Committee monitors the size and composition of the Board and its committees. Memberships are reviewed to ensure an appropriate balance of skills, knowledge, experience and diversity. The Committee recognises the need to attract Board members with a diverse range of backgrounds who can contribute a wealth of knowledge, understanding and experience of the communities where Tesco operates.

The Committee is responsible for identifying and reviewing suitable candidates through a formal and transparent process, ensuring that plans are in place for orderly succession to the Board. There have been a number of changes to the Board during the year.

Appointment of Senior Independent Director

In anticipation of the retirement of Byron Grote at the conclusion of the AGM in June 2024, following 1:1 interviews by the Chair of the Board, the Committee recommended Carolyn Fairbairn be appointed as Senior Independent Director to replace Byron upon his retirement.

Board evolution

Alison Platt will retire as a director of the Board following nine years' service at the conclusion of the 2025 AGM. Following the retirement of Byron Grote, a detailed role profile was developed, and an in-depth selection process was initiated, assisted by Lygon Group, to identify a new Non-executive Director. The Committee considered a shortlist of candidates and reviewed each against the current Board and Committee composition, the existing diversity of skills, knowledge and experience on the Board, the diversity of gender and ethnicity, together with the skills, experience and time commitments required in the delivery of the role. The Committee recommended to the Board the appointment of Chris Kennedy who joined the Board as a Non-executive Director in February 2025.

Appointments are always based on merit and relevant experience. The Committee continues to challenge the external search consultants where necessary, to ensure that diversity is always considered when drawing up candidate shortlists. Open advertising was not used. Lygon Group has no connection to Tesco or any of its Directors.

NED succession planning and skills matrix

As part of the succession planning process, the Board reviews Committee composition to ensure the size of each Committee is appropriate with the relevant skills and expertise required, ensuring governance requirements are met when replacing certain roles, for example Chair of Audit and Remuneration Committees. The Chair leads the Committee in annually evaluating the balance of skills, experience, independence, and knowledge on the Board, preparing a description of the role and capabilities required for a particular appointment.

To support the succession planning process, a skills matrix detailing skills and competencies of the Board is regularly reviewed to ensure that there is broad experience on the Board, and that the skills required to deliver the strategy and objectives in the longer term are maintained, as well as to ensure the cultural fit of every member of the Board. Having a skills matrix also identifies the skills and experience that may potentially be lost when a Non-executive Director retires from the Board. Collectively, our Non-executive Directors have a wide range of industry and sector backgrounds, with a wealth of international experience in complex organisations. For more details on the experience of the Board, see **pages 56 to 58**.

Senior management talent planning

The Board recognises the need to create conditions that foster talent and encourage all colleagues to achieve their full career potential. During the year, the Board has placed greater emphasis on talent management and diversity, and ensuring the required future capabilities and skills are in place. The aim is to have a diverse set of leaders with the right skills to deliver our business strategy, ready when we need them. It has focused on critically evaluating internal talent pipelines against these ambitions. The Committee strongly believes that an inclusive culture is a key driver of business success and the Committee is committed to having a leadership team which provides a range of perspectives, insights and critical challenge needed to support good decision-making, helping with risk management, strategic planning and delivery.

Succession planning at executive and senior management level continues to be a priority for the Committee and throughout the year, the Committee monitored the future leadership pipeline and the available pool of talent in the Group. The Committee and management both align to take a more strategic and future-focused view of succession, using refreshed success profiles, leading to more robust career and development conversations with successors. This is essential to ensuring a continuous level of quality in management, avoiding instability by helping mitigate the risks which may be associated with unforeseen events, such as the departure of a key individual. The Committee's review included a review of talent management, key role profiles and succession planning, all through a lens of inclusion.

Board effectiveness and performance

Effectiveness of the Board encompasses many aspects of Board governance including: matters reserved for the Board and delegation of authority; review of the Board and Committee performance; Board and Committee composition and succession planning; review of skills and expertise; independence; time commitments; conflicts of interest; and Director election and re-election. The Committee undertakes detailed reviews of each of these aspects at least annually.

The Committee oversees the Board performance effectiveness review process. The Committee discussed the proposed approach to the 2024/25 external effectiveness review of the Board, Committees and Directors, considering the key themes and focus of the review. The Committee reviewed the progress against the actions identified through the 2023/24 effectiveness review and discussed whether any further actions were required.

Details of the 2024/25 Board performance review together with progress against actions from 2023/24, can be found on **page 66**.

A review of the Committee's terms of reference and the Board's Matters Reserved for the Board were undertaken during the year and are published on the Corporate website at **www.tescoplc.com**.

The Committee reviewed the Governance sections of the Annual Report and reviewed compliance with the UK Corporate Governance Code. The relevant sections of the Annual Report were recommended for adoption by the Board.

NED time commitments

The Board recognises the importance of all Non-executive Directors having the necessary time to commit to the business. Prior to appointment, the Committee assesses the commitments of a proposed candidate, including other directorships, to ensure they have sufficient time to devote to the role.

Upon appointment, Non-executive Directors' letters of appointment stipulate the expected time commitment while acknowledging that this may vary depending upon the demands of the business and other events. The Committee regularly assesses the time commitments of Directors to ensure that they each continue to have sufficient time for their role. Each Director completes a self-assessment of the time spent on their external commitments which supports the Committee in their assessment. The assessment takes into account the number and nature of the external commitments each Director has and considers whether each Director has demonstrated they have sufficient time to devote to their present role within Tesco, including under potential periods of corporate stress.

The Board is currently satisfied that the number of appointments held by each Director in addition to their position with Tesco is appropriate to allow them to fulfil their obligations to Tesco. All Directors make themselves freely available as required, even at short notice, in order to meet the needs of the business.

External appointments, which may affect existing time commitments relevant to the Board, must be agreed with the Chair in advance.

During the year, the Board approved the additional external commitments taken on by Alison Platt. An assessment of time-commitment, effectiveness, independence and the impact of any cross-directorships was considered. It was determined that these additional external commitments would not impact her role and commitment to Tesco PLC as a Non-executive Director.

Further details on Non-executive Directors' external appointments are set out on **pages 56 to 58**.

NED independence

The Non-executive Directors provide a strong independent element to the Board and a solid foundation for good corporate governance, fulfilling the vital role of corporate accountability. The Committee formally reviews the independence of each of the Non-executive Directors at least annually. In assessing each Director's independence, the Committee concluded that each provides objective challenge, strategic guidance, holds management to account and is willing to stand up and defend their own beliefs and that each Non-executive Director continues to be independent in character and judgement in line with the definition set out in the 2018 UK Corporate Governance Code.

Conflicts of interest

In accordance with the Companies Act 2006 and the Company's Articles of Association, Directors are required to report actual or potential

Did you know:

The directors' induction programme constantly evolves, changing as appropriate to reflect the business priorities, the experience and expertise of the inductee and the role they will perform.

conflicts of interest to the Board for consideration and, if appropriate, authorisation. If such conflicts exist, Directors excuse themselves from consideration of the relevant matter. On behalf of the Board, the Committee reviews the register of authorised conflicts of interests at least annually to confirm its ongoing authorisation of any potential or actual conflicts arising from a Director's interest. During the period, in reviewing the cumulative conflicts of interests of each of the Directors, the Committee concluded that no Director had a conflict that would have a detrimental impact on their independence and judgement or their time commitment to Tesco.

Annual re-election of Directors

Annually, the Committee considers and recommends to the Board the re-election of Directors by shareholders at the AGM. This is supported by each Director's individual assessment undertaken as part of the annual Board effectiveness review. Following a review of each of the Independent Non-executive Directors' time commitment, contribution and effectiveness, the Committee considered and recommended to the Board that each of the Directors be proposed for election or re-election by shareholders at the 2025 AGM, with the exception of Alison Platt who, as announced in June 2024, will retire at the conclusion of the 2025 AGM.

Director induction

All new Directors receive a comprehensive induction programme over a six-month period which is designed to facilitate their understanding of the business and is tailored to their individual needs. The Chair and the Group Company Secretary are responsible for delivering the programme which covers the Company's core purpose and values, strategy, key areas of the business and corporate governance.

The new director programme is delivered through introductory meetings held with each member of the Board and Executive Committee, the Group Company Secretary, the Company's advisors and key senior managers across the Group including Tesco Mobile, dunnhumby, Booker, F&F, Insurance and Money Services.

In addition, they undertake site visits to stores across different store formats and locations, urban fulfilment and distribution centres, providing an opportunity to meet colleagues and see at first hand the business operations.

Directors joining Nominations and Governance, Audit, Remuneration and Sustainability Committees also spend additional time with the Committee Chairs and the relevant senior management covering key issues relating to the Committee's focus.

The Committee reviews the induction programme ahead of a new Director joining. Feedback from Directors has been that the programme provides great insight into the business operations, governance and controls, with an opportunity to meet colleagues within the business. Following appointment, Directors agree their individual training and development needs with the Chair.

2024/25 Committee effectiveness review

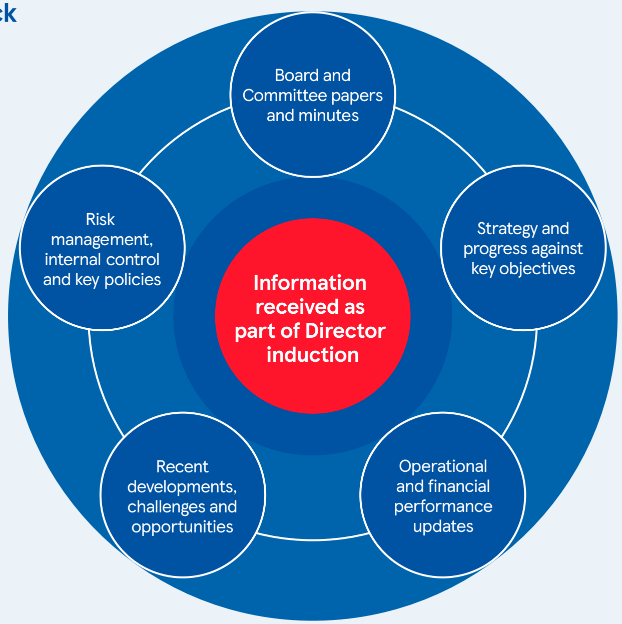
The 2024/25 Committee effectiveness review formed part of the external Board performance review. The review found that the Committee was performing effectively, with a well-balanced composition. The expansion of the Committee to include all Non-executive Directors has meant that the whole Board feels properly informed, and able to contribute to discussions relating to key people matters. Meetings were well chaired, with good quality papers. It was felt there was a good mix of skills and members were well informed, prepared and able to challenge.

Committee priorities for 2025/26

The Committee will continue to consider future Non-executive Director succession planning requirements, strategic ambitions and longer-term strategy, as well as the need for diversity across the Board.

Directors' induction pack

Directors receive access to a detailed library of information, which in addition to key policies, includes information relating to:



Diversity, equity and inclusion

We place great importance on having an inclusive and diverse Board and workforce. We aim to build a culture where people see themselves represented, feel they can be themselves at work, meet their career aspirations and thrive. The Board supports and monitors Tesco's diversity, equity and inclusion strategy and management's efforts to ensure that the diversity of Tesco's senior management is continuously enhanced. The Committee reviews progress against the strategy at least twice a year, including our five commitments to our colleagues:

1. Inclusion for all
2. Flexibility for all
3. Accessible first
4. Transform recruitment
5. Developing careers

Board diversity, equity and inclusion policy

The Board diversity, equity and inclusion policy (the Policy) was first adopted in July 2019 and is subject to an annual review by the Committee to monitor the progress against the Policy and make any updates as required. The Policy sits alongside the Group's values, business code of conduct and the Company's wider strategy, which aims to create an inclusive workplace where colleagues see themselves represented, feel they can be themselves at work and develop. The Committee reviews the Policy in detail each year and monitors progress against it. Through its succession plans, the Board considers the wider diversity of the Tesco PLC Board, its Committees and the Executive Committee, while ensuring the right skills and experience are in place for oversight, challenge and to promote the success of the Group.

Gerry Murphy
Committee Chair
9 April 2025

Board diversity

Policy objectives	Implementation	Progress against objectives
A gender balance between 40% and 60% on the Board.	Regular succession planning sessions are undertaken to review Board and Committee composition throughout the year to ensure that the appropriate balance of skills and experiences required to deliver on the strategic objectives are in place over the short, medium and long term. Appointments are always based on merit and relevant experience, while taking into account the broadest definition of diversity. The Committee continues to challenge the external search consultants where necessary, to ensure that diversity is always considered when drawing up candidate shortlists.	We currently have 42% female representation on the Board.
At least one Director from a non-white ethnic minority background on the Board (as defined in categories recommended by the Office of National Statistics).	Consideration is given to this as part of the succession planning process.	We currently meet the Parker Review recommendations with both Melissa Bethell and Imran Nawaz being from Asian backgrounds. 17% of the Board is ethnically diverse.
At least one woman in the role of Chair, CEO, CFO or Senior Independent Director.	Consideration is given to this as part of the succession planning process.	Carolyn Fairbairn was appointed as the Senior Independent Director in June 2024.

Diversity in senior roles

Policy objectives	Implementation	Progress against objectives
To achieve 39% female representation of our top global leaders by 2027.	Scheduled updates to the Board, Nominations and Governance Committee and Executive Committee to discuss talent management, succession planning and diversity, equity and inclusion to assist the development of a pipeline of high-potential and high-performing candidates with diverse backgrounds in senior management roles. KPIs have been established to measure progress. During the year, members of the Committee have taken on mentoring roles to some of our senior leaders within the business. Representation at Board and senior management level is considered as part of the talent management and succession planning processes.	Achieved 32% female representation of our top global leaders (director and above), and our targets will extend to senior managers from 2027 onwards.
To achieve 18% ethnically diverse representation of our top global leaders by 2027.		14% ethnically diverse representation of our top global leaders (director and above).

Further details on the Group's diversity, equity and inclusion strategy and the schedule in accordance with Listing Rule 6.6.6(10), can be found on **page 23**.

Corporate governance report continued

Sustainability Committee.

Committee Chair

Stewart Gilliland.

Committee membership and tenure

Director	Member since	Meeting attendance
Stewart Gilliland, Committee Chair	June 2021	4/4
Bertrand Bodson	June 2021	4/4
Carolyn Fairbairn	September 2023	4/4
Karen Whitworth	June 2021	4/4
Thierry Garnier[1]	June 2024	3/3

1. Thierry Garnier joined the Committee in June 2024.

Key activities in 2024/25

- Review of initiatives required to support the delivery of our Scope 1, 2 and 3 net zero commitments.
- Deep dive into the pillars of the planet plan with a focus during 2024/25 on decarbonisation, healthy sustainable diets, sustainable agriculture, nature and waste.
- Oversight of the Group's human rights and community initiatives.
- Sustainability-related site visits and events.

Committee activity

Sustainability strategy	27%
Planet plan pillars	27%
Current issues	21%
Stakeholders and governance	25%

Key responsibilities

Integrated sustainability strategy

- Support and advise the Board on matters relating to the integrated sustainability strategy, planet plan, human rights and our communities.
- Review progress towards the Group's climate commitments.
- Provide constructive challenge of sustainability initiatives to support delivery of the Group's purpose and strategic priorities.
- Support the development of the sustainability agenda to balance short, medium and long-term objectives.
- Monitor KPIs relating to sustainability and climate metrics.
- Monitor external developments on sustainability.

Planet plan

- Progress updates and deep dives on initiatives supporting each of the planet plan pillars.

Community

- Receive updates on our community programmes.
- Approve the use of share forfeiture funds for good causes.

Governance and stakeholder engagement

- Annual review of sustainability communication and customer plan.
- Review of human rights strategy; oversight of human rights risk and assurance; review of the governance; and monitoring of human rights matters.
- Review and approve current and forthcoming sustainability-related corporate reporting requirements.
- Regular updates on stakeholder engagement on sustainability matters.
- Review of the effectiveness of the Committee and annual review of Committee terms of reference.

The Committee's terms of reference are reviewed on an annual basis and are published on our website at **www.tescoplc.com**.

As the Chair of the Committee, I am pleased to present the Committee's 2024/25 report into the key activities undertaken during 2024/25 alongside its anticipated activities for 2025/26. This report provides an overview of the Committee's role, responsibilities and activities throughout the year and demonstrates how in 2024/25, we continued to place an increased focus on our core purpose serving customers, communities, the planet and sustainability, to monitor sustainability performance to achieve our goals and objectives, as we strive to meet expectations from our stakeholders and while we ensure we manage our risks and take advantage of opportunities to serve our customers with affordable, healthy and sustainable food.

We have built sustainability into our purpose, strategy and business plans as we know our business depends on the world around us. Having a sustainable business is a strategic priority for the Board and reference to our work in this area can be found throughout this Annual Report. It is central to what we do, and the Committee helps to ensure that it is given as much of the Board's time and attention as our business priorities. This report explains how in 2024/25 the Committee has assisted the Board in fulfilling its responsibilities by reviewing the progress of Tesco with respect to sustainability and overseeing the effective integration of sustainability matters into the Company's strategy and operations, including the Group's sustainability initiatives to support the delivery of the Group's purpose, strategic priorities and pillars of the planet plan, further details of which can be found on **pages 31 to 35**.

At Tesco, we continue our journey with respect to sustainability, an area of critical strategic importance in which the Company aims to implement change through the Committee's various activities, which provide a clear path on the oversight of initiatives to deliver climate goals, with activities grouped into the pillars of our planet plan. As the UK's largest retailer, we know we can make a difference and the Committee provides strategic oversight and advice to the Board on our objectives and targets as well as key priorities of the Group's integrated sustainability strategy, and to allow for more detailed consideration of sustainability related risks and opportunities. This reflects the importance of sustainability matters globally as well as the Company's recognition of the increasing importance of sustainability. Tesco has developed a detailed plan which sets out the pathway to achieve our Group targets for each of the pillars of the planet plan as outlined on **page 32**.

The Committee meets regularly to provide strategic oversight and advice to the Board by continuing to develop the Group's sustainability agenda to balance its short, medium and long-term objectives. It also considers the Group's net zero commitments for Scope 1 and 2 by 2035 and Scope 3 by 2050; its impact on the natural environment and the environment's impact on the Group; community programmes and charity partnerships; and our objectives and targets, as well as key priorities, and allows for more detailed consideration of sustainability related risks and opportunities. The Committee also reviews and considers external stakeholder perspectives on sustainability issues of relevance to the Group's businesses, as well as overseeing the communication of the Group's sustainability matters with external stakeholders. I would like to thank the members of the Committee and the management team for their continued commitment throughout the year, and we look forward to continuing our work in 2025.

Committee activities

Throughout the year, the Committee focused on the areas of greatest strategic importance, allowing it to more effectively oversee Tesco's progress with respect to its sustainability objectives. Meeting agendas focus the discussion on a couple of key issues, allowing time for debate and deeper analysis if required.

In the year, the Committee held a joint meeting with the Remuneration Committee to determine the appropriate sustainability-related performance objectives and incentives for executive leaders and to ensure that sustainability matters are appropriately considered when setting the overall remuneration policy. The Committee also works in conjunction with the Audit Committee, as necessary, to consider requirements for internal and/or external assurance of sustainability-related matters, as well any sustainability-related disclosures, targets, key performance indicators and future plans.

Preparations are underway for compliance with EUDR deforestation legislation across relevant categories and products. The Committee has recognised efforts where the Group are in dialogue with our supply chain on the best way to do this and have held five webinars with suppliers to outline its approach and ensure they are fully supported. It has noted that a developed and detailed risk assessment framework, in line with the EUDR due diligence requirements is underway. The Committee is also closely monitoring preparations for forthcoming Corporate Responsibility reporting directives, including EU Taxonomy regulation, Corporate Sustainability Due Diligence Directive and EU Corporate Sustainability Reporting Directive.

The Committee regularly discusses how the evolving approach to sustainability delivers competitive advantage for the business, as well as delivering on the Group's sustainability commitments. The Committee leveraged the results of brand review work to understand what resonates with our customers and wider stakeholders. We evaluated how supplier relationships could support our journey and considered what Tesco would want to be most well known for.

Our planet plan provides a clear structure for the Committee's oversight of the initiatives to deliver Tesco's climate goals, with activities grouped into the six pillars of the plan. Details of the pillars can be found on **page 32**. The Committee reviews and challenges initiatives supporting the Group's net zero commitments with regular deep dives into each of the planet plan pillars, providing an opportunity to monitor progress against targets, consider key areas of focus and to address and mitigate any risks.

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The Committee held four scheduled meetings during the year and each meeting followed an agenda to focus the discussion on key issues, allowing time for debate and deeper analysis if required. The timeline below provides details of the key issues discussed at each meeting over the past 18 months.

October – June
- Sustainability strategy to include food waste, nature, transition plan and planet leadership areas
- Planet plan: decarbonising transport and reduce store emissions, improve our products, eliminate waste (food waste and packaging)
- External trends, risks and opportunities and sustainability coverage
- Human rights: simplification and aligning ways of working, effectiveness and enhancing the performance quality of audits and the efficient and enhanced management of audit providers, independence and intelligence sharing
- Annual Report disclosures, ESG reporting assurance and regulations
- Current issues: net zero targets, River Wye and water pollution (support the WRAP Courtauld 2030 Water Roadmap and several water catchment projects), deforestation, ultra processed foods (UPFs)
- Sustainability communication plan 2024/25: serving the planet a little better every day, better baskets/pharmacy/health and the UK agriculture transition to net zero
- Investor update
- Tesco community programmes: Stronger Starts, Fareshare and Trussell Trust
- Approval of use of share forfeiture funds (for use in Stronger Starts, Trussell Trust and community programmes across Central Europe and Ireland)
- ESG considerations in remuneration
- TCFD Disclosures

July – October
- Sustainability strategy: competitive advantage, (including the dashboard, EUDR update, supplier update and trials update)
- Planet plan: decarbonising transport and reduce store emissions, protect nature
- Current issues: River Wye, deforestation, human rights
- Human rights: enhanced first-line due diligence, community impact, information on supply chains, agency labour and additional training programmes
- Investor update
- External trends, risks and opportunities and sustainability coverage
- Cranswick farm visit
- ESG reporting and disclosure update
- ESG considerations in remuneration

November – February
- Sustainability strategy: competitive advantage, deforestation free soy, EUDR compliance and adoption and current commitments
- Planet plan: support sustainable consumption: healthy sustainable diets including UPFs, improve our products
- Current issues: recycling and soft plastics, farm animal welfare and food certification scheme, River Wye/water catchments and deforestation
- Investor update
- ESG trends, risks and opportunities and sustainability coverage
- Annual Report disclosures and ESG reporting assurance and regulations

Corporate governance report continued

Sustainability Committee continued

The Committee feeds back to the wider Board on matters discussed at meetings and helps to ensure that delivery of the integrated sustainability strategy is embedded into the Group's overall strategy. The cross-committee membership, combined with defined and focused responsibilities across each Board Committee, supports collaboration and consistency across the governance framework. At each meeting, the Committee monitors external developments on sustainability-linked issues, especially where they relate to planet plan pillars. It reviews a planet plan dashboard and glide path setting out the key initiatives and this enables it to monitor progress, KPIs and key milestones, and to challenge and request deep dives into specific topics and issues.

Specific deep dives

- **Decarbonisation:** the Committee reviewed progress on operational change and transport innovation within our own operations which will support the delivery of Scope 1 and 2 targets. Further information can be found in the Sustainability report 2024/25 available on our website at **www.tescoplc.com**.
- **Healthier and sustainable diets/UPFs:** the Committee reviewed the development of Tesco's position on UPFs, a complex scientific area where we want to support customers make healthier choices. The Committee also reviewed the proposed modernisation of health laws, which calls for progressive age restriction increases aimed at eventually phasing out smoking, and the introduction of age restrictions for the sale of energy drinks.
- **Improve our products:** while these initiatives are on track overall, the Committee has recognised the challenging environment concerning UK agricultural policy following the decision to not progress the industry Greener Farms Commitment standard. Tesco has continued to drive progress through its Sustainable Farming Groups, and aimed to accelerate innovative solutions through Agri T-Jam which identified promising innovations and matched them with suppliers who could lend their scale.
- **Nature:** the launch of the nature programme was considered by the Committee. Alongside our suppliers and through industry collaboration, Tesco plays a part in protecting nature in at-risk landscapes, including forests, freshwater catchments and marine environments.
- **Waste:** the Committee recognised that progress has been made on rebuilding the food waste programme, with a focus on diverting surplus bakery and produce items and food that is unsuitable for human consumption to animal feed and pet food. Work is also underway on the evolution of our packaging targets to ensure they are stretching but pragmatic, and take into account changing regulations.
- **Water pollution:** the Committee has continued to oversee the WRAP Courtauld 2030 Water Roadmap, a multi-year funding programme for a number of water catchment projects and was advised that the majority of suppliers with operations within the River Wye and Usk catchment areas had responded positively to a request that they match the Group's ambition on achieving the WRAP Courtauld 2030 commitment. The Group remains committed to ensuring all its suppliers sign up to a relevant environmental standard.
- **Deforestation:** the Committee discussed supplier readiness to respond to new EU regulations on deforestation concerning products entering the EU market. There has been a need for further strengthening of corporate due diligence and end-to-end traceability along the supply chain and EUDR preparations have been phased according to the complexity, resource requirements and timelines involved. The Group has continued to prioritise legal compliance in line with risk management protocols and is currently working towards compliance in this area. The Group engaged with and worked with the European Commission on scenario planning and to work with the wider industry to seek further guidance on the scope of EUDR.

Spotlight on:

Impact.

Committee sees true strategic partnership in action

In October 2024, the Committee spent some time with Norfolk-based supplier Cranswick. Cranswick produce, slaughter, butcher and retail pack Tesco own brand fresh pork. Visiting four different open-air sites, Cranswick demonstrated various livestock farming sustainability initiatives, as well as how pork production processes supported improvements in future land use and crop rotation programmes.

The Committee discussed the various environmental factors such as the benefits of organic manure fertilisation produced by grazing livestock to support the cycle of regenerative agriculture. Its high value was recognised by cereal farmers as it replaces the need for synthetic fertilisers and reduces the carbon footprint involved in crop production. Cranswick highlighted the benefits derived from the circularity back into animal feed and improved product quality. The Committee discussed the longer-term benefits of improved soil health and the contribution to topsoil regeneration and biodiversity improvements due to the pig production process. Cranswick explained how the farms manage ground irrigation and mitigate run off into local rivers. The Committee explored the value gained from working with farmers to reduce carbon emissions.

The Committee considered future projects and innovation initiatives. Demonstrating alignment with the Group's planet plan, purpose and strategy, as well as how the Group could support the industry in achieving some of these goals. Directors discussed the strategic alignment and how Cranswick worked in partnership with Tesco to unlock value, manage risks, improve security of supply and maximise growth opportunities to further support the Group's sustainability and welfare agenda. Cranswick explained how they were collaborating with other suppliers in order to share successes and simplify the product to market process. Both Cranswick and the Committee recognised the value of true strategic partnership and how collectively, working with suppliers like Cranswick, Tesco could better support British producers, minimise further consolidation and maintain competitiveness and innovation.

During the visit, the Cranswick team showcased the innovative technology solutions deployed within the operations. These included:

- the use of solar-powered sensors to monitor local insect and pollinator populations and measure the corresponding carbon uplift from the soil;
- measuring biodiversity in the local ecosystems; and
- optimisation techniques in the pig-rearing process.

More information on Board activity can be found on **pages 67 to 69**.

Corporate governance report continued

Sustainability Committee continued

- **Human rights:** the Committee has considered and discussed progress made concerning our human rights agenda covering risks, assurance and future plans. During the year, the Committee considered key human rights risks, the progress to implement and embed our human rights blueprint, and enhancements to the due diligence programme, including identifying the root causes of breaches and issues. For further details on human rights see **page 21**.

Sustainability communication plan

Tesco's approach to the disclosure of its sustainability impacts is to bring about continuous improvement in the quality of information disclosed. Tesco's sustainability reporting aims to demonstrate the way it creates value for shareholders and society in a sustainable way and provides detailed information on the policies, practices, performance and governance of a range of economic, social and environmental matters. The Group's first stand alone sustainability report for 2024/25 and other information can be found on our website at **www.tescoplc.com**. During the year, the Committee reviewed the Group's sustainability communication plan (the Plan), which focuses on delivering on our purpose and raising awareness of the planet plan with our internal and external stakeholders, showcasing initiatives and demonstrating the actions we are taking to deliver on our commitments.

During the year, the Committee reviewed the Plan which is built around three initiatives (serving the planet a little better everyday, better baskets/pharmacy/health and supporting UK agriculture transition to net zero), and designed to be delivered by the Group Communications team, the Group Customer team, the Group Quality, Technical and Sustainability team and the Group Finance team. The Plan focuses on delivering on our purpose and raising awareness of the planet plan with our internal and external stakeholders, showcasing initiatives and demonstrating the actions we are taking to deliver on our commitments.

Community

The Committee regularly reviews community initiatives and received a number of updates during the year. We want to use our place at the heart of communities across the UK to support customers to live healthier lives. Our Community Food Connection scheme has grown into the biggest food redistribution initiative of its kind in the UK. To date it has provided more than 300 million meals to charities and local communities who depend on the food they receive to be able to support people facing hunger. We also continue to support our health charity partners, the British Red Cross in the UK and internationally and support our community champions at a hyperlocal level to fulfil requests for support.

Governance and stakeholder engagement

We recognise the importance of collaboration with suppliers, governments and customers as we look toward a more sustainable future. Further details on our community initiatives and stakeholder engagement can be found on **pages 20 to 22**.

2024/25 Committee effectiveness review

The 2024/25 Committee effectiveness review formed part of the external Board performance review. The review found that the Committee was performing effectively, with positive contribution by members and meetings well chaired. The quality of the support and input from the executive team was highlighted as particularly important in the absence of dedicated external advisors.

Looking ahead: Committee priorities 2025/26

Over the next year, the Committee will continue to monitor the delivery of the integrated sustainability strategy and some of its planned activities will include:

- Continued focus on the planet pillars by rotation of our planet plan.
- Monitoring of material issues which are also overseen by our Nominations and Governance Committee (such as diversity, equity and inclusion and human rights).
- Governance including updates on TCFD and TNFD reporting as well as FY 24 ESG reporting and disclosure (and climate risk overseen by the Audit Committee). Further details on TCFD and TNFD can be found on **pages 34 to 39**.
- Increasing the focus on competitive advancement and the integration and implementation of sustainability initiatives in the business, including deep dives into the pillars and carbon emission reductions in our own operations and value chain.
- Continue to oversee the delivery of key milestones that support our sustainability initiatives across the Group and hold the business to account on delivering on its commitments.
- Ensure the Group's conduct as a responsible business.

The sustainability agenda and supporting regulation continue to grow at speed and it is vital that we continue to be clear on how we can make an impact as a Company and continue to deliver strong performance for all our stakeholders. The Committee will continue to focus on overseeing the delivery of key milestones that support our sustainability initiatives across the Group, ensure the Group's conduct as a responsible business, and hold the business to account on delivering on its commitments in all aspects of Tesco's operations. We recognise the importance of collaboration with suppliers, government, and customers as we look toward a more sustainable future. The Committee will continue to oversee the evolution of sustainability-linked reporting disclosures in compliance with EU regulations.

Stewart Gilliland
Committee Chair
9 April 2025

Spotlight on:

Community.

The launch of our Fruit & Veg for schools initiative has supported more than 140,000 pupils over 400 schools across the UK. The Stronger Starts and Fruit & Veg initiatives provide fruit and vegetables for children for a full academic school year. Working closely with the British Nutrition Foundation, Stronger Starts aims to give children the healthy start they deserve by pledging a further £4m under the programme by giving disadvantaged pupils regular access to five-a-day, further details of which can be found on **pages 11, 12 and 15**.

During our 2024 Winter Food Collection, our customers also donated 1.9 million meals to support our food charity partners, FareShare and Trussell Trust. In addition to the donations of food, the collection saw more than £440,000 donated to the charities by customers rounding up their shop at the self-service till and donating through a link from Tesco's online groceries website. We also provided an additional £500,000 of funding to both FareShare and Trussell Trust to address heightened levels of food poverty during the summer holiday period and in the run-up to Christmas. The Company used share forfeiture funds from 2023/24 to support community programmes with a focus on food and nutrition, such as Stronger Starts.

Corporate governance report continued

Audit Committee.

Audit Committee Chair

Karen Whitworth.

Committee membership[1] and tenure

Director	Member since	Meeting attendance
Karen Whitworth[2], Committee Chair	June 2021	5/5
Melissa Bethell	September 2018	5/5
Carolyn Fairbairn[3]	June 2024	4/4
Chris Kennedy[4]	February 2025	0/0
Caroline Silver	October 2022	5/5

1. Byron Grote was a member of the Committee until he stood down from the Board in June 2024. He attended one meeting during the year.
2. Karen Whitworth became Chair of the Committee in June 2024.
3. Carolyn Fairbairn became a member of the Committee in June 2024.
4. Chris Kennedy became a member of the Committee in February 2025.

Focus during 2024/25

- Completion of the disposal of the Banking operations and separation of the Insurance and Money Services business
- Other relevant key accounting judgements and estimates
- Internal controls and assurance
- Risk management and risk appetite
- Readiness for the requirements of the 2024 UK Corporate Governance Code

The Committee considered the Annual Report and Financial Statements 2025 and concluded that the disclosures, as well as the processes and controls underlying its production, were appropriate.

For more details on our fair, balanced and understandable consideration see **page 53.**

Key responsibilities

The Audit Committee continues to focus on issues relevant to the Group's financial reporting, considering key accounting judgements and ensuring the ongoing quality of related disclosures, and supporting the Board in the oversight of the effectiveness of risk management and internal controls processes and systems. Key responsibilities are set out below.

Financial statements and reporting

- Monitor the Group's financial reporting processes, reviewing and submitting recommendations to the Board.
- Where necessary, challenge the integrity of financial statements and disclosures, including any impacts from the external environment on key accounting judgements.
- Review the Group's assessments of going concern, longer term prospects and viability and the distributable reserves position prior to any declaration of dividends.
- Review externally reported sustainability-related disclosures and sustainability KPIs, including any definitions, data sources and levels of assurance for each.

External auditor

- Consider and make recommendations to the Board on the appointment of the external auditor.
- Approve the external auditor's remuneration.
- Review the external auditor's terms of engagement, audit representation letter and management's response to recommendations.
- Assess the quality of the external auditor's contribution and effectiveness.
- Monitor the provision of non-audit services and associated fees in line with policy on non-audit services.

Risk management and internal controls

- Identify, prioritise, respond to and monitor the Group's principal risks and material internal controls and the effectiveness of the Group's internal control and risk management framework, including key financial, operational and compliance risk and controls.
- Review the approach to identify and assess emerging and principal risks, including the management and mitigation of those risks.
- Review the effectiveness of the risk appetite framework and mitigating controls.

Group Audit

- Review the effectiveness of the internal audit processes.
- Review the annual audit plan.
- Review reports from the internal audit function and consider management's response to any major external or internal audit actions.
- Approve the appointment of the Chief Audit and Risk Officer.

The terms of reference for the Committee are reviewed on an annual basis and are published on our website at **www.tescoplc.com**.

Committee membership and meetings

The Committee is composed of five independent Non-executive Directors and since the 2024 AGM, has been chaired by Karen Whitworth. The Board is satisfied that all members of the Committee have significant, relevant and recent financial experience. Each of Karen Whitworth, Caroline Silver and Chris Kennedy are chartered accountants and are considered suitably qualified. In addition, Chris Kennedy is currently a serving chief financial officer at another FTSE listed company. The Board considers that the Committee members collectively have competence relevant to the Company's sector, in addition to their general management and commercial experience. The Committee members' expertise and experience is set out in each of their biographies on **pages 56 to 58**.

The Committee held five scheduled meetings during the year. Each meeting followed an agenda to reflect the financial reporting cycle

Corporate governance report continued
Audit Committee continued

and particular matters for the Committee's consideration. Regular attendees to meetings include the Non-executive Chair, Group Chief Executive, Chief Financial Officer, Group General Counsel, Chief Audit and Risk Officer, senior management from Group Finance and representatives of the external auditor.

Members of the Committee meet regularly with management to understand more about the business operations, which provides greater oversight and enables them to scrutinise processes and controls in a more effective way. Members hold private sessions with both the external auditor and Internal Audit team following each meeting which provides an additional opportunity for open dialogue and feedback without management being present. The Committee Chair also meets with the Chief Audit and Risk Officer and external auditor on an ad hoc basis and prior to each Committee meeting to discuss matters relating to its remit and any issues arising from the audits. The Committee Chair provides a written report to the Board following each meeting for discussion.

The Committee has a forward-looking planner which is regularly reviewed by management and with input from the external auditor, to ensure the responsibilities of the Committee are discharged in full and that regulatory developments and other business-critical matters are brought to the Committee's attention. During the year, the forward planner was refreshed to schedule additional risk deep dives on particular topics which align to our principal risks such as Cyber Security and Health and Safety. An invitation is extended to other members of the Board to attend these scheduled risk deep dives. These deep dives will support the Board's Assurance Statement to be made under provision 29 of the UK Corporate Governance Code 2024 when that comes into effect in 2027.

Financial statements and regulatory reporting

During the year, the Committee considered and recommended the approval of the interim financial results, preliminary results and this Annual Report, taking into consideration key accounting judgements, adjusting items and quality of earnings, as well as monitoring the external audit. During the year, the Committee specifically reviewed the accounting for the disposal of the Group's Banking operations and the associated separation activities. The Committee also reviewed climate risk-related disclosures, capital allocation strategy, the Company's distributable reserves position in advance of the declaration of dividends and corporate governance disclosures. The Committee received updates on the store impairment review and property fair values. The impairment methodology and details of the impairment of non-current assets can be found in **Note 15**.

Going concern and viability

The Committee considered the viability and going concern statements, their underlying assumptions and longer-term prospects of the Group. The Committee considered the base case liquidity headroom and the net impact of the following agreed stress-test scenarios applied and the mitigating actions available: ongoing geopolitical and global supply issues triggering further inflation, leading to weak consumer confidence and intensified competition, data breach and climate change.

More information on the viability statement scenarios can be found on **pages 50 and 51**.

The Committee evaluated going concern over an 18 month period, which included a review of available cash in the base case and in the severe but plausible case applying three stress-test scenarios and considering the mitigating actions which could be drawn upon. The Committee considered it appropriate to prepare the Group's Financial Statements on a going concern basis.

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Environmental disclosures and assurance

Work continued to support the development of the Group's risk management framework and an external reporting assurance policy to govern assurance over key published non-financial information. The Committee was updated on our climate and nature disclosure plans, including key areas of strategic progress and KPI performance. The external auditor has provided limited assurance over six material KPIs including sustainability metrics in the Performance Share Plan targets and sustainability-linked financing. KPIs which are not assured by the external auditor are internally validated and the Committee reviewed the assurance status prior to external disclosure.

The Committee received updates on the Group's preparations for corporate sustainability reporting, including a review of the gap analysis undertaken to compare future disclosure requirements with that of our current disclosures and an assessment of the double materiality process and the disclosure metrics. For further information on the Group's environmental commitments and details of the sustainability-linked targets, visit **www.tescoplc.com**.

Frequency of reporting	April 2024	July 2024	September 2024	November 2024	February 2025
Financial statements and reporting					
Key accounting judgements	●	●	●	●	●
Going concern and viability	●		●	●	●
Full and half-year reporting and disclosures	●		●		●
Sustainability reporting and assurance	●	●	●		●

Corporate governance report continued
Audit Committee continued

Significant financial statement reporting matters

The Committee considered the following significant issues during the year. As part of these considerations, the Committee received updates from management and sought assurance from the internal auditors and external auditors. The Committee was satisfied with how each of the significant issues discussed were addressed.

Matter considered	How the matter was addressed by the Committee	Sources of further information
Going concern basis for the financial statements and viability statement	The Committee reviewed and challenged management's assessment of forecast cash flows including sensitivity to trading and expenditure plans, intensifying competitor activity, and for the potential impact of certain scenarios, including resurgent inflation, higher input costs alongside weakening consumer confidence, a data breach and climate change impacts. The Committee also considered the Group's financing facilities and future funding plans. Based on this, the Committee confirmed that the application of the going concern basis for the preparation of the Group financial statements continued to be appropriate, with no material uncertainties noted, and also recommended the approval of the viability statement.	For further information see **pages 50 and 51**.
Disposal of Tesco Banking operations	The sale of the Group's Banking operations completed on 1 November 2024. The Committee reviewed the final disposal accounting, including the remeasurement loss of £64m recognised within discontinued operations during the year. Following the disposal, the Committee reviewed the change to the Group's segmental reporting, the remaining Insurance and Money Services business is included in the UK & ROI segment following changes in management structure and how performance is monitored and resources allocated by the Chief Operating Decision Maker. The Committee also reviewed the approach to revenue recognition under the Barclays partnership agreement. As set out below, the Committee also considered the consequential impact on the Group's Alternative Performance Measures, and found each to be appropriate.	For further information see **Note 8** to the financial statements.
Impairment	The Committee reviewed and challenged management's impairment testing of the Group's portfolio of store cash-generating units and goodwill, giving rise to a net charge for the year. The Committee considered the key assumptions and methodologies used in both the value in use and fair value less costs of disposal models, in order to conclude on the appropriateness of the impairment charges. The Committee challenged key inputs into the impairment calculations including the projected cash flows, the discount rates and the use of independent third-party valuations. The Committee reviewed management's weighting assessment of risk and uncertainties within the cash flows arising from macroeconomic events, higher input costs and inflationary pressures and climate change. The Committee confirmed its agreement with management's judgements. The Committee also reviewed the impairment disclosures including the sensitivity to key assumptions and considered them to be appropriate.	For further information see **Note 15** to the financial statements.
Pensions	Accounting for defined benefit pension schemes remains an area of significant focus for the Group given the sensitivity of the liabilities to changes in assumptions. The Committee reviewed and challenged the key actuarial assumptions used by management in estimating the defined benefit pension obligations, including the discount rate, inflation rate and mortality assumptions, which drove a reduction in the overall net defined benefit obligation (net of deferred tax) of £293m and concluded they were reasonable. They also reviewed the sensitivity disclosures provided on the key assumptions. The Committee was also provided with updates on the transition of investment management for the Tesco PLC Pension Scheme to Schroders, which completed in July 2024, noting that the transition had been successful, and there was no material impact on the valuation of the scheme assets arising.	For further information see **Notes 1 and 29** to the financial statements.

Corporate governance report continued

Audit Committee continued

Matter considered	How the matter was addressed by the Committee	Sources of further information
Recognition and disclosure of commercial income	The Committee continued to monitor commercial income controls across the Group and discussed the outcome of internal audits on commercial income. The Committee reviewed a detailed summary of the different types of promotional activity that the Group enters into as well as key drivers for movements in the income statement and balance sheet. The Committee concluded that they were comfortable with the accounting and presentation of commercial income.	For further information see **Notes 1 and 21** to the financial statements.
Adjusting items	The Committee considered the presentation of the Group's financial statements and the appropriateness of the presentation of adjusting items, and the nature of the adjusting items identified. The total charge from adjusting items this year was primarily driven by impairment charges and the final remeasurement loss on the sale of the Banking operations. The Committee concurred with management that the treatment was clear, balanced and consistently applied.	For further information see **Note 1** to the financial statements for a definition of adjusting items and **Note 5** for an analysis of adjusting items.
Reassessment of alternative performance measures (APMs)	The Committee reviewed the Group's APMs presentation and disclosure, including their level of prominence, and considered any changes in APMs and the clarity of APM reconciliation. Following the disposal of the Banking operations, the Audit Committee assessed the changes in APMs to consider the treatment of the retained Insurance and Money Services business, and where appropriate the restatement of the prior year comparatives. The Committee was comfortable that the new definitions were appropriate and the changes appropriately disclosed.	For further information on the Group's APMs, see **pages 230 to 236**.

Spotlight on:

Controls.

Strengthening and centralising the internal financial control environment

During the year, the Committee has reviewed on an ongoing basis the processes undertaken by management to continue to enhance its control environment, including its roadmap to increase the level of automation and its expanded centralisation of control activities, including at Tesco Business Services (TBS) and Central Europe.

The Group's internal controls over financial reporting (ICFR) programme is now well advanced, and during the year, work continued to embed the processes as business as usual, in good time for the changes that will be required under the new Corporate Governance Code in FY 27.

During the year, the Committee reviewed the Group's progress to remediate IT general controls and noted significant progress. Members of the Committee, including the Chair, spent time with the TBS team in India, reviewing the progress the team has made in continuing to strengthen and deliver a more efficient control environment.

During FY 24/25, management undertook the following approach to ICFR, and reported progress to each meeting of the Audit Committee:

March–May
- Annual risk assessment and scoping process for the ICFR programme
- Determination of business units in scope
- Development of delivery of plan

June–August
- Detailed walkthrough of processes
- Testing of design and operating effectiveness of high frequency controls
- Validation of remediated controls from FY 24/25

September–November
- Ongoing testing of design and operating effectiveness, focused on monthly and quarterly controls, first cycle of IT general control testing
- Validation of any remediation activity

December–February
- Continuation of operating effectiveness testing, including second cycle of IT general control testing
- Review of entity level controls and year end control processes
- Completion of update training

Internal controls

Through its ICFR programme, management is responsible for maintaining an effective internal financial controls framework, that identifies risks, maps these to controls and gives assurance over the effective operation of its control activities. Management undertakes this through a three lines of defence model, including financial controls testing by a team independent of the relevant control operators and use of the Group's internal audit function as a third line of defence. Such testing includes validation of IT general automated controls as well as manual business process control activities, and entity level controls.

Management is also responsible for identifying and managing risks, and for maintaining the Group's system of internal controls, which is designed to manage and mitigate relevant risks. During the year, on behalf of the Board, the Committee conducted a review of the effectiveness of management's internal controls processes. The Committee did this principally through updates provided to it by management, Group Controls and Compliance, Group Audit, and the external auditor.

During the year, the Committee reviewed the effectiveness of the ICFR framework, including considering the output of the work undertaken by the Group Control and Compliance team, the Group internal audit team and the external auditor. In addition, the Committee has reviewed the work performed by management to embed ICFR as a business-as-usual activity ahead of the requirements of the new Corporate Governance Code in FY 27, including the process by which the Board will be required to make its declaration under Provision 29 of the Code. As part of this, the Committee reviewed the progress made at TBS to further improve its level of control effectiveness.

The Committee also received regular updates about the progress made by management to remediate and improve IT general controls and IT automated controls and challenged the external auditor to continue seeking to increase the level of reliance on such controls during the audit. As a result, the external auditor has been able to increase its level of reliance on IT general controls over our main financial reporting system as well as certain other key business process areas.

> Work continued during the year to embed the ICFR programme as a business-as-usual activity, in good time for the changes that will be required under the new Corporate Governance Code in FY 27.

Capital allocation and liquidity funding

As appropriate during the year, the Committee discussed with management its plans for refinancing as well as optimising its net debt position.

In addition, the Committee reviewed the Group's capital allocation framework and its plans for shareholder returns, including ordinary dividends, the share buyback programme, and the incremental buybacks funded with the disposal proceeds from its sale of its Banking operations.

Business updates

The Committee considered the Group's FY 25/26 energy hedging strategy. The Committee will continue to consider the impact of changes in the macroeconomic environment on the underlying wholesale energy cost assumptions.

Annually, the Committee reviews the Group Treasury Policy, which contains a framework and approach to managing treasury risks.

Throughout the year, the Committee received presentations from different areas of the business providing an update on the financial performance, key achievements, key audit updates, risk overview, key priorities, developments and how the Finance function has supported its business units. These include updates from TBS, UK & ROI, Central Europe, Group Pensions, Tesco Bank and more recently, Insurance and Money Services. During the year, the Committee Chair has attended Tesco Bank and latterly Insurance and Money Services Audit Committee meetings to ensure that knowledge is shared.

Given the importance of the Group's TBS team in India to the overall effectiveness of the Group's control environment, several members of the Committee travelled to, and met with the team in India. This included the Chair of the Committee spending two days with the TBS team to review the work of the TBS team, including with respect to internal controls over financial reporting. In March 2025, the Shared Services & Outsourcing Network awarded TBS the World's Best Global Business Services Award. The award recognised the strength of TBS's service delivery model and strategic alignment, the function's evolution in maturity and scope, the continued adoption and impact of automation and the expertise and capabilities of our TBS talent. The TBS team continue to contribute core value to the business in terms of cash, impact on working capital, margin and market growth. Additionally, the TBS team was recognised by the British Quality Foundation for its continuous improvement culture reflecting ongoing efforts to optimise processes, embrace technological advancement and promote a collaborative work environment.

The Committee received regular updates in relation to the disposal of the Group's Banking operations and the separation of the Insurance and Money Services business. The Committee also reviewed the accounting treatment of partnership funding during the year which included a review of the arrangements through the Barclays partnership agreement.

In addition, the Committee receives periodic updates on other key areas of the business, including the Group's pension schemes, its property portfolio and finance systems and change projects.

Frequency of reporting	April 2024	July 2024	September 2024	November 2024	February 2025
Financial strategy and planning					
Capital allocation, funding proposals, liquidity management and dividend	●		●		●
Business updates	●	●	●	●	●
Business transformation (including the transition of the Banking operations and separation of Insurance and Money Services)	●	●	●	●	●

Corporate governance report continued
Audit Committee continued

Risk management

The Audit Committee, on behalf of the Board, undertakes an annual effectiveness assessment to manage the most significant risks or principal risks facing the Group and actions taken to mitigate them, validating the key risk movements and approving any required outcomes arising from the risk assessments. Maintaining a strong risk and internal control environment is fundamental to Tesco's governance framework.

The Committee received regular updates on the strengthening of the risk management framework, Group risk register and principal and emerging risks, reviewing detailed appetite statements, risk appetite levels and mitigations for critical risk events for each principal risk. The Committee reviewed the prioritisation of risks and risk movements and the changes proposed. Following discussion, there were changes to the principal risks, namely a reduction in the number of risks from the previous year. This reduction was attributed to the retirement of the Tesco Bank principal risk, following the completion of the sale of Banking operations to Barclays, and the consolidation of the Customer and Competition and Markets principal risks. The 'Geopolitics and other global events' risk impact score has slightly increased given the heightened level of geopolitical uncertainty due to wars and civil unrest, terrorism, elections and government restrictions. In addition, the previously named 'Financial Performance' risk has been renamed 'Macroeconomic Exposures' to better reflect its focus.

During the year management has embedded the framework and optimised mitigation plans to enhance and strengthen the Group's risk culture, to support risk-informed decision making across all business units. The enhancements to the Risk Appetite framework support the internal control requirements under the UK Corporate Governance Code.

Additional risk deep dives are scheduled throughout the year to align with our principal risks. The Board are invited to attend these sessions. This provides the Board with greater insight to the risks and challenges faced, the mitigations in place and the actions to be undertaken to reduce the risk.

During the year, deep dives relating to two of our principal risks – 'Cyber Security' and 'Health and Safety' were undertaken to explore risk appetite, key focus areas, risk governance controls and assurance activities in place.

The Audit Committee is supported by the cyber and privacy risk committee, which continues to oversee prioritisation and progress towards reducing risk exposure in this area.

A robust assessment of the Group's principal risks and detailed scenario analysis work to stress test liquidity was performed as part of the viability scenario modelling. Additionally, an assessment of emerging risks was undertaken.

Frequency of reporting	April 2024	July 2024	September 2024	November 2024	February 2025
Risk management and internal controls					
Review of principal and emerging risks	●		●		
Risk management business updates		●		●	●
Internal controls: ICFR, IT general controls	●	●		●	●
Risk deep dive	●			●	

Further details on our Principal risks and uncertainties and the Group's risk management framework are set out on **pages 40 to 49 and 64.**

Internal audit plan

Internal audit is part of the Group Risk and Audit function. It reports directly to the Committee and administratively to the Chief Financial Officer, with a remit to provide independent and objective assurance over the Group's prioritised risks and management structures. Its purpose, authority and responsibilities are defined in the Group Audit charter, which is reviewed and approved annually by the Committee.

During the year, the Chief Audit and Risk Officer left the business and a new Chief Audit and Risk Officer joined in April 2025. In the interim period, the Committee appointed a senior partner from PwC to oversee the internal audit function and safeguard its independence effectively. This ensured that the internal audit plan was delivered in line with the initial plan submitted to and approved by the Committee, and the Chair of the Committee met with the PwC partner regularly.

The Committee monitors the activity, role and effectiveness of the Group Risk and Audit function. At each meeting, the Committee received updates covering a range of management issues. Internal audit's activity is primarily driven by the annual internal audit plan which is discussed and approved by the Committee. The plan is aligned to the Group's principal risks and focuses on the biggest risk areas and strategic drivers. The internal audit plan is reviewed throughout the year to ensure it remains appropriate and if required is updated as necessary to reflect any changes in risk profile, business objectives and the external environment. Any changes proposed to the plan are approved by the Committee. This year, audits have covered a wide spectrum of business activities with a focus on Group frameworks and policies, monitoring controls, third-party management, accountability structures and significant change programmes. The Committee receives regular updates on the outcome of the work performed and the follow up actions required. The audit process has been strengthened through the use of data analytics and this will remain a focus through FY 25/26.

The Committee has reviewed the 25/26 audit plan which aligns to the Group's principal risks, has a focus on resilience, risk management to support the identification of potential issues, and the readiness for new regulatory reporting.

Internal audit undertakes several assurance activities including continuous programme controls reviews, pre-and/or post-implementation audits, advisory reviews, and other management requested assurance. The results of these reviews are also presented and reviewed by the Committee.

Audit and assurance policies

The Committee periodically receives internal policies for review and adoption including the employment of former auditor employees, external reporting assurance (non-financial information), and non-audit services policies. The external reporting assurance (non-financial information) policy sets out Tesco's approach to assuring the quality of non-financial information externally reported to stakeholders ensuring accuracy, reliability and integrity of externally reported non-financial information. Through a risk-based approach, this policy enables information owners to determine appropriate levels of assurance for different categories of information, supporting the work undertaken as part of the internal controls framework.

Frequency of reporting	April 2024	July 2024	September 2024	November 2024	February 2025
Internal audit					
Audit outcomes	●	●	●	●	●
Internal audit plan				●	
Internal audit effectiveness review	●				●

Spotlight on:

Data.

Increased use of data metrics

The Group's internal audit team is continuously improving the effectiveness and efficiency of its assurance processes by leveraging data and advanced technologies. This involves a collaborative approach across the three lines of defence. By integrating data analytics, continuous monitoring and artificial intelligence (AI) into the audit process, internal audit can provide greater insights and assurance to the business.

The Group's internal audit team has expanded its use of data analytics, to allow it to analyse large volumes of data quickly and accurately, identifying trends, anomalies, and potential risks that might not be visible through traditional audit methods. Continuous monitoring involves the ongoing review of business processes and transactions in real-time or near-real-time. This helps in the early detection of issues, enabling timely corrective actions and reducing the risk of significant problems going unnoticed.

In addition, the Group's external auditor also uses various analytics and AI tools, a number of which have been presented to the Audit Committee. They have outlined a five-year plan for the Tesco audit, focusing on enhancing efficiency, quality and insights through data analytics and AI. The plan is based on three pillars: analytics and AI technology; targeted controls reliance; and centralisation. It also emphasises the continuous assessment and deployment of new tools to keep the audit approach dynamic and aligned with Tesco's evolving finance transformation strategy.

During 2025, members have a workshop with the external auditor to showcase Deloitte's technology and AI data-led metrics.

AI technologies, such as machine learning and natural language processing, can automate routine audit tasks, enhance risk assessment and provide predictive insights.

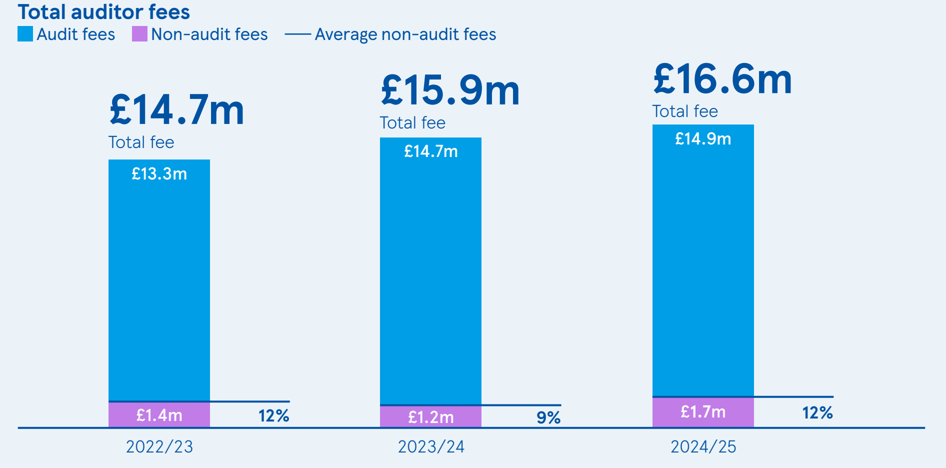
Corporate governance report continued
Audit Committee continued

External audit fees: non-audit and audit-related services

Nature of service	Level of fees in 2024/25 (£m)	Level of fees in 2023/24 (£m)	Change	Safeguards to preserve independence and objectivity
Interim review: performed under International Standards of Review Engagements (UK and Ireland) 2410	0.6	0.6	No change	Considered a non-audit service under the FRC Revised Ethical Standard 2019 although the objectives of the review are aligned with those of the audit.
Other non-audit services: various audit, assurance and compliance-related services	0.5	0.3	Increase	Scope of work sets out Deloitte's and management's responsibilities ensuring management takes all management roles. Application of engagement quality control review process.
ESG Limited Assurance services including services performed under International Standards of Assurance Engagements 3000 (Revised) and 3410	0.6	0.3	Increase	Scope of work sets out Deloitte's and management's responsibilities ensuring management take all management roles. Application of engagement quality control review process.
Total	**1.7**[a]	**1.2**[b]		

(a) £269,650 of the 2024/25 fees are not subject to the cap (all within other non-audit services). The remaining fees are all subject to the cap.
(b) £212,000 of the 2023/24 fees are not subject to the cap (all within other non-audit services). The remaining fees are all subject to the cap.

Increase No change Decrease



External audit

Following the tender process undertaken in 2023, Deloitte was reappointed as external auditor, which was approved by shareholders at the 2024 Annual General Meeting. Following a review of the external auditor's effectiveness the Committee recommended to the Board the reappointment of Deloitte as External Auditor, for the 2025/26 financial year. The reappointment is subject to approval at the forthcoming Annual General Meeting.

At each Committee meeting, members consider reports from the external auditor which provides their views on the half and full year financial statements including management's key accounting judgements, updates on its audit plan and fees, any actions undertaken to address the FRC's annual report on the external auditor and the inspection results of the external auditor's quality control processes, as well as the auditor's independence and an overview of non-audit services. Through these updates, the Committee receives an early warning of any concerns, management letter observations, updates on ongoing progress and scope of the external auditor's work and provides additional comfort to the Committee on the quality and effectiveness of the external auditor.

The Committee regularly reviews the independence and role of the external auditor and the scope of its audit. The Committee also considers the effectiveness of the external auditor including its independence, objectivity, appropriate mindset and professional scepticism. The Committee's conclusions are based on its own observations and interactions with the external auditor and having regard to the Minimum Standard for Audit Committees.

Later in April 2025, Richard Muschamp will replace John Adam as the new lead audit partner following the completion of John's five-year tenure in that role. Richard has been shadowing John Adam and observed all Audit Committee meetings during the year.

The Committee will consider future audit needs as part of the External Reporting Assurance Policy.

Non-audit services

The Committee oversees the process for approving all non-audit work provided by the external auditor to safeguard the objectivity and independence of the auditor and comply with regulatory and ethical guidance. Where Deloitte has been chosen, it has demonstrated the relevant skills and experience making them an appropriate supplier to undertake the work in a cost-effective and time-efficient manner, with appropriate safeguards in place.

Our policy for non-audit services is compliant with the FRC's Revised Ethical Standard 2019. In line with regulation, the Group is required to cap the level of non-audit fees paid to its external auditor at 70% of the average audit fees paid in the previous three consecutive financial years.

Fees paid to the external auditor are set out in **Note 4** to the financial statements.

Ethics and compliance

The Committee supports the Board in discharging its responsibilities in relation to serious reportable incidents, privacy, fraud, anti-bribery, people safety, whistleblowing, annual and Group compliance statements and received and reviewed biannual ethics and compliance data covering the aforementioned items.

Frequency of reporting	April 2024	July 2024	September 2024	November 2024	February 2025
External auditor					
External auditor report	●	●	●	●	●
Engagement letter and fees		●			
External audit plan		●		●	●
External audit effectiveness review	●				●

Corporate governance report continued
Audit Committee continued

The Committee discussed the controls and mitigating actions deployed in support of the Group's overall compliance strategy and culture to reduce instances of fraud and compliance breaches. We received updates on the effectiveness of the Group's internal and independent external whistleblowing arrangements and reviewed compliance with GSCOP. The Committee Chair met with the Groceries Code Adjudicator during the year. The Committee monitors the relationship with the Groceries Code Adjudicator and receives reports on supplier engagement and the internal auditing of ethical business processes.

The Group has complied with the provisions of the Statutory Audit Services Order 2014.

Audit effectiveness review

In accordance with the Audit Committee Terms of Reference and the Internal Audit Code of Practice, Tesco is required to assess annually the effectiveness of the Internal Audit and External Audit functions.

In January 2025, the Internal Audit and External Audit effectiveness reviews were undertaken. This review was facilitated by an independent third party, Lintstock Limited, through questionnaires completed by the Board and senior management and business representatives. The effectiveness results were presented to the Audit Committee, which concluded that, through this assessment and ongoing review and oversight of assurance activities, the Committee was satisfied with the effectiveness of the Internal and External Audit functions.

Frequency of reporting	April 2024	July 2024	September 2024	November 2024	February 2025
Governance					
Ethics and compliance (including fraud)	●		●		
Terms of reference and committee effectiveness review	●				●
Annual Report, half-year and full-year results: fair, balanced and understandable, Corporate Governance Code compliance	●		●		●
Policy review: including non-audit fees, Internal Audit charter		●		●	●

External Audit effectiveness review

The external auditor's independence, effectiveness and quality was evaluated and the external auditor was rated as effective. The assessment highlighted high levels of independence, objectivity, and value provided through audit insights which would feed into the audit priorities over the coming year. The Committee discussed areas for improvement to best meet the future needs of the Group, which included the use of innovative tools, technology and data analytics to drive efficiency through the audit process.

Internal Audit effectiveness review

Throughout the year, the Audit Committee monitored performance and the progress of innovation through technology, ensuring a greater focus on controls. Regular meetings were held without management present to foster open communication. Through a tailored survey, comprehensive feedback was provided. This feedback was thoroughly reviewed to inform our ongoing improvements and audit strategy.

The review assessed the effectiveness of Internal Audit across key areas such as composition and expertise, audit plan, quality of work and relationships. The Committee discussed areas for improvement concluding that continued enhancement to the effectiveness of assurance would be achieved by leveraging data analytics and advanced technologies across the three lines of defence.

Key outputs from Internal Audit effectiveness review

Action identified	Progress against action
Continue integrating data analytics and continuous monitoring into audit processes to facilitate valuable, timely insights and provide greater assurance to the business.	Early adoption of Artificial Intelligence and analytics has helped streamline audit and risk activities. First and second line have adopted continuous monitoring tools initially developed during audits.
Continue to assess the audit composition, expertise and skills required to deliver in line with business needs and evolution.	Adapting skill requirements with focus on developing internal capability as well as leveraging external specialist skills in fast paced areas where they are most needed.
Continue providing end-to-end assurance coverage across the three lines of defence to enhance risk management, collaboration, efficiency, and timely insights.	Assurance mapping across all Principal Risks to achieve appropriate and efficient coverage across all three lines of defence.
Continue horizon scanning to identify and provide assurance over emerging and developing risks.	Agile audit plan that proactively addresses emerging risks and aligns with Tesco's growth strategy. The approach focuses on the most significant risks, enhancing overall risk management, internal controls, and resilience.

2024/25 Effectiveness review of the Audit Committee

The 2024/25 Committee effectiveness review formed part of the external Board performance review. The review found that the Committee was performing effectively, with a well-developed and effective audit process. Meetings were well chaired, with appropriate challenge and good quality papers. It was felt that there was a good mix of skills and members were well informed, prepared and able to challenge.

Looking ahead: Committee priorities for 2025/26

- Oversee and monitor the developments of financial and non-financial controls to support the attestations that the Board will make in 2027 in accordance with the 2024 UK Corporate Governance Code;
- Enhance the audit process through data-led metrics;
- Review the transition, controls and system separation of the Insurance and Money Services business; and
- Further enhance the risk management framework, including greater clarity on risk appetite.

Key outputs from Inter
Action identified

Karen Whitworth
Committee Chair
9 April 2025

Corporate governance report continued
Directors' remuneration report

Remuneration Committee.

Committee Chair

Alison Platt.

Committee membership[3] and tenure

Director	Member since	Meeting attendance
Alison Platt, Committee Chair	April 2016	4/4
Melissa Bethell[1]	June 2024	3/3
Carolyn Fairbairn[2]	September 2023	3/4
Stewart Gilliland	June 2023	4/4
Byron Grote[4]	July 2015 to June 2024	1/1
Karen Whitworth[1]	June 2024	3/3

1. Melissa Bethell and Karen Whitworth became members of the Remuneration Committee in June 2024.
2. Carolyn Fairbairn was unable to attend one meeting due to a known conflict at the time of joining the Board. Carolyn contributed to discussions in advance of the meeting.
3. Thierry Garnier stepped down from the Remuneration Committee in June 2024. He attended one meeting during the year.
4. Byron Grote was a member of the Committee until he stood down from the Board in June 2024. He attended one meeting during the year.

Committee activity

Senior management remuneration	6%
Remuneration Policy and stakeholder experience	23%
Governance and reporting (including wider-workforce remuneration)	26%
Performance monitoring	45%

Key activities in 2024/25

- in-depth review of remuneration policy, incorporating views from major shareholders and other stakeholders;
- extension of all employee share plan to colleagues in dunnhumby and Central Europe as part of improvements for wider workforce reward; and
- review of non-financial measures for variable reward, including joint meeting with Sustainability Committee.

Chair's Letter.

Dear Shareholder,

On behalf of the Remuneration Committee, I am pleased to present the Directors' remuneration report for the financial year ended 22 February 2025.

This report outlines the key decisions made by the Committee in the year, including our proposed remuneration policy that is due to be put to a shareholder vote at the 2025 AGM, and is in line with our previous policy. We set out how we have implemented our remuneration policy, and how we intend to implement our proposed policy in the coming year, in alignment with our purpose, values and strategic priorities. It also provides an overview of both Executive Director and wider workforce remuneration for the year.

The Committee appreciates the strong shareholder support for the remuneration report, which was approved by 93.5% of shareholders at the 2024 AGM. We value ongoing dialogue with stakeholders on remuneration matters, especially this year during our remuneration policy review.

Delivering our strategic priorities and living our purpose

Throughout 2024/25, Ken Murphy and his team have continued to drive our strategy forward, with the strength of our customer offer delivering both volume growth and market share gains. We have seen significant improvements in customer perception, with our YouGov BrandIndex scores increasing across all measures.

Our continued success is a testament to our dedicated colleagues who have played a crucial role in achieving our strategic priorities. This year, we have continued to make significant investments in our colleagues, with a particular focus on improving pay competitiveness for our hourly-paid colleagues and investing in their wellbeing through our colleague discount and virtual GP service.

Our core purpose – serving our customers, communities and planet a little better every day – remains central to our decision-making process. In this challenging economic climate, it is more important than ever that we remain conscious of that when assessing our remuneration decisions.

Alongside consideration of our overall business performance, the table overleaf sets out some of the key factors that have been considered throughout the year to ensure that our remuneration decisions and implementation of the policy take into account the broader perspective of our key stakeholders.

Directors' remuneration report index

Corporate governance report continued
Directors' remuneration report

Area	Factors considered by the Committee
Key stakeholders	
Customers	– Improved customer satisfaction driving market share to 28.3% in the UK and 23.9% in ROI. – Launched over 1,000 new products and improved over 600, underscoring our commitment to quality and innovation. – Continued to offer over 1,000 products at Low Everyday Prices and more than 8,000 Clubcard Prices deals each week. – Launched Tesco Marketplace. – Tesco Whoosh is now in 1,500 stores.
Colleagues	– Record investment of more than £300m in hourly store colleague pay. – 85% of colleagues recommend Tesco as a Great Place to Work (+10% vs market benchmark). – Improvements to colleague benefits with wellbeing index up to 74%.
Suppliers	– Ranked 1st in Advantage supplier survey for 9th year running. – Further 16 brands included in 2024 Accelerator Programme. – Re-launched the Sustainable Farming Group for pigs and sustainability partnership with Arla and Müller UK.
Communities	– Stronger Starts provided financial support to over 12,200 projects from community groups and schools. – Continued 'Kids Eat Free' campaign in over 300 Tesco Cafés. – Donated more than 300 million meals to charities and local communities to date.
Shareholders	– Group sales grew by 4% at constant exchange rates, driven by strong growth across all operating segments. Adjusted operating profit increased by 10.9% at constant exchange rates, driven by further progress in our core retail markets as higher sales volumes and a further £510m contribution from Save to invest more than offset our investments in the customer offer and colleague pay. Additionally we saw growth in our insurance and money services business. – Bought back £1bn worth of shares in the year. Since October 2021, we have bought back £2.8bn worth of shares. – Final recommended dividend of 9.45 pence in line with our progressive dividend policy, taking the full year dividend to 13.70 pence, up 13.2% year-on-year. – Tesco's total shareholder return of 39.0% outperformed the FTSE 100 index by 22.5% (Tesco TSR: 39.0% vs FTSE 100 TSR: 16.5%). – The sale of our Banking operations during the year realised £700m of cash, which will be returned to shareholders through an incremental buyback.
Wider factors considered	
Sustainability commitments	– Signed the UK's largest solar corporate power purchase agreement. – Trialling methane-reducing feed supplement for dairy cows. – Launched tenth 'Tesco train' to help cut freight road miles. – Made positive progress on carbon reduction and diversity targets. – Supplier challenges with food waste processing, leading to the withdrawing of previously reported food waste data.

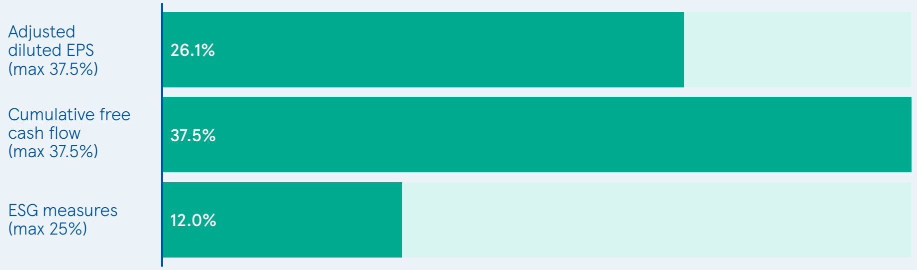
2024/25 business performance and incentive outcomes

The remuneration for our Executive Directors is closely tied to the strong performance of the business. Our policy reflects the complexities of managing a large-scale operation like Tesco and is comparable to other FTSE 50 companies. A significant portion of the total package has been achieved due to Ken Murphy and Imran Nawaz meeting challenging targets in a competitive sector, creating value for all stakeholders.

Tesco's strong performance is reflected in the outcomes of the 2024/25 annual bonus and 2022 Performance share plan (PSP), as demonstrated below. Full details of performance against the 2024/25 individual objectives in relation to the annual bonus plan are set out on **page 108**.

2024/25 bonus achievement

2022 PSP achievement



Within this Directors' remuneration report we have used colour coding to define different elements of remuneration:
Salary Benefits Annual bonus PSP Pension Shareholding

Details of the definitions of the financial performance measures used throughout the Directors' remuneration report are set out on **pages 117 to 119**.

The overall formulaic vesting level for the annual bonus is 78.8% of maximum for Ken Murphy and 80.8% for Imran Nawaz. Based on the strong performance outcomes over the three-year period, the formulaic level of vesting for the 2022 PSP awards is 75.6% of maximum for both Executive Directors. The PSP awards are delivered entirely in Tesco PLC shares and are subject to a further two-year holding period.

No discretion was applied to adjust the formulaic outcomes, and the remuneration policy operated as intended.

Corporate governance report continued

Directors' remuneration report continued

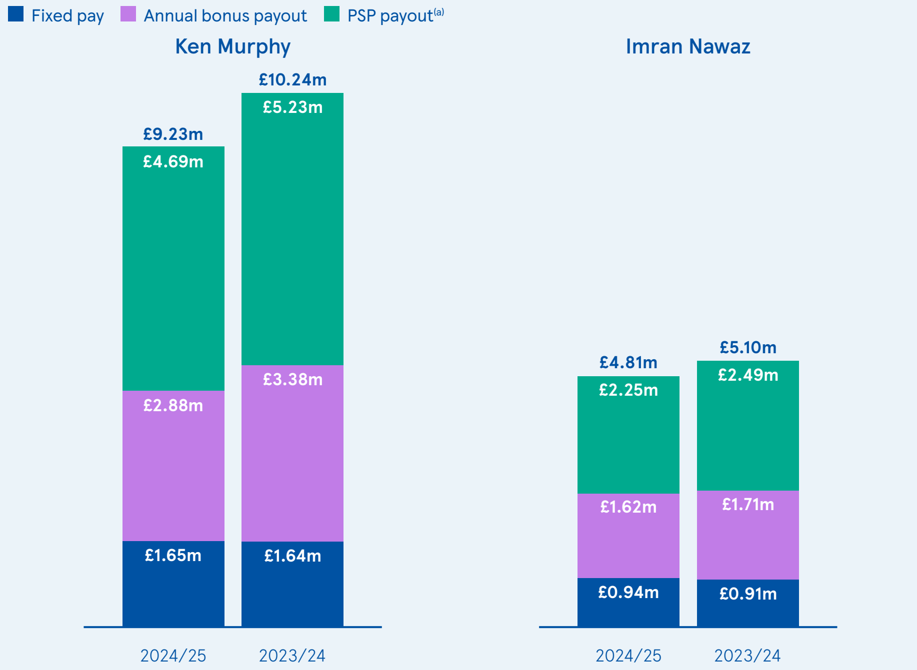
Further details of the performance outcomes versus targets and the vesting of these awards can be found in the Remuneration for the year section on **page 96**. The Committee is satisfied that the measures and targets set were robust and challenging, reflecting the business performance and wider stakeholder experience. Despite the economic challenges, Tesco has continued to lead the way on value, being recognised as Employer of the Year (Retail) at the Grocer Gold Awards, and delivered its commitments to shareholders.

The chart below shows a breakdown of fixed and performance-based remuneration paid to Ken Murphy and Imran Nawaz for 2024/25 and 2023/24. The small decrease in total remuneration reflects slightly lower bonus levels and PSP vesting levels, although outcomes continue to reflect strong performance against stretching targets over a challenging period.

Remuneration policy review

The current remuneration policy was approved by 91.98% of shareholders at the 2022 AGM, and is required to be put to shareholder vote at the 2025 AGM. The Committee conducted a comprehensive review of the remuneration policy during the year to ensure that it remains fit for purpose and continues to support us to deliver our strategic priorities.

Breakdown of single figure remuneration



(a) 2023/24 PSP estimated values have been restated based on the share price of 307.60p at the time of the PSP vesting.

As part of this process, we engaged with a large proportion of our shareholders, as well as listening to the views of our executives and the wider workforce. Key areas of focus included the alignment of executive pay with business performance and competitiveness of our remuneration packages. We also reviewed market trends, regulatory developments and the broader economic environment, ensuring that our policy remains competitive and aligned with the expectations of our key stakeholders.

Having undertaken this review, we have determined that the current policy is working effectively and supports our goals of attracting, retaining and motivating high-calibre executives to deliver our strategic priorities. More details on the policy review and consultation are set out on the next page. The full policy can be found on **pages 117 to 122**.

Looking ahead to 2025/26

When considering base salary increases for our senior executives, the Committee remains mindful of the wider colleague experience and our fairness principles. Ken Murphy and Imran Nawaz will receive base salary increases of 2.0% and 4.0% respectively, effective 25 May 2025. These are below the increase for UK hourly-paid colleagues in 2025 of 5.2%.

For the 2025/26 annual bonus and 2025 PSP, there will be no changes to opportunity levels, performance measures or their weightings, as the Committee believes these continue to incentivise the Executive Directors towards delivering the strategy.

Board and Committee changes

As previously announced, I will be stepping down from the Board and as Chair of the Committee at the conclusion of the 2025 AGM. I will be succeeded as Committee Chair by Melissa Bethell and I would like to wish her every success in this role. It has been a privilege to serve as Committee Chair and I extend my sincere thanks to the Committee members, both past and present, for their support and guidance over the past three years.

On behalf of the Committee, I would like to thank shareholders for their input and engagement throughout the year. We welcome any comments you may have on this report and hope to receive your support at the 2025 AGM on our remuneration resolutions.

Alison Platt
Committee Chair
9 April 2025

Corporate governance report continued
Directors' remuneration report

2025 Remuneration policy consultation.

Timeline

Feb–May 2024	Jun–Jul 2024	Aug 2024	Sep–Feb 2025	Mar 2025	May–Jun 2025
Internal review of current policy, including interviews with management and Committee members to develop initial proposals.	Committee review and determination of potential policy amendments.	Letter sent to major shareholders and proxy agencies setting out policy amendments under consideration.	Consultation with major shareholders and colleagues on the policy. Committee discuss and agree final policy proposals.	Letter sent to major shareholders to explain how feedback was considered and set out final policy proposals.	Proposed policy published in this Annual Report, and voting resolution being put to shareholder vote at the 2025 AGM.

Key areas of shareholder engagement

The consultation focused on two potential remuneration changes:

Potential consideration		Feedback received	Response to feedback in our proposals
Flexibility of bonus deferral period (when shareholding requirement met).	In line with emerging market practice, we considered a potential reduction of bonus deferral for annual bonus awards when an individual has met their shareholding requirement.	New Investment Association (IA) guidance supported this change. While many shareholders were comfortable with a change, other shareholders noted that shareholdings of Executive Directors would be reduced.	Although many shareholders signalled support for a reduction in bonus deferral, we noted the feedback and concluded that a change is not required at this time. We will, however, continue to monitor market practice.
Weighting of non-financial measures in the PSP (within the flexibility of the current policy).	While there are no immediate plans to increase weighting, the Committee sought views on implementing a higher weighting on non-financial measures in the future, in the event that this aligns with our future strategy.	Consistent feedback from major shareholders that the current weighting of non-financial PSP measures (25%) is appropriate.	The Committee welcomed the clear and consistent feedback from shareholders and does not intend to increase the weighting of non-financial PSP measures. If new measures emerge to drive our strategy, we may look to adjust or replace existing measures.

Strategic alignment of remuneration.

The Committee believes it is vital that a significant proportion of the remuneration package for the Executive Directors and senior management is performance-related and that performance measures are aligned to our purpose and strategic priorities. Delivering against our purpose and strategic priorities is critical to the creation of long-term, sustainable value for our key stakeholders: customers, colleagues, suppliers, communities and shareholders.

Our purpose	Serving our customers, communities and planet a little better every day.			
Multi-year performance framework	**Drive top-line growth, underpinned by:** – Increasing customer satisfaction relative to the market. – Growing our core UK market share. **Grow our absolute profits while maintaining sector-leading margins through:** – Using our assets efficiently across all channels. – Accessing new revenue streams across our digital platform. – Targeting productivity initiatives to at least offset inflation in the medium term. **Generate between £1.4bn and £1.8bn free cash flow each year**			
Strategic priorities	Magnetic value for customers	Easily the most convenient	I love my Tesco Clubcard	Save to invest

Our remuneration approach supports our purpose and strategic priorities and reflects the views of our stakeholders.

There are four key principles which guide our approach to reward for all our colleagues, including Executive Directors:

1. **Simple**
   Helping all colleagues to understand how they are rewarded
2. **Fair**
   Achieving consistent outcomes through flexible and transparent policies
3. **Competitive**
   Setting pay with reference to internal relativity and external market practices
4. **Sustainable**
   A responsible and flexible approach, aligning reward to business strategy and performance

Corporate governance report continued

Directors' remuneration report

The tables below set out the performance measures we use within our incentive plans and how these align to our purpose and strategic priorities to deliver the Group's financial, operational and sustainability plans.

2025/26 bonus

Measures	Alignment to strategic priorities	Alignment to purpose
Group sales (30%)	Our ambition is to drive top-line growth by increasing customer satisfaction relative to the market and growing our core UK market share.	We aim to provide customers with brilliant, helpful service in every corner of our business, with products and services that are sustainable and accessible to all.
Group adjusted operating profit (50%)	Our ambition is to grow absolute profits while maintaining sector-leading margins through leveraging our assets efficiently across all channels, accessing new revenue streams across our digital platform and targeting productivity initiatives.	
Individual performance (20%)	Individual objectives are aligned to our strategic priorities. Further details are set out on **page 16**.	Individual objectives are aligned to each part of our purpose: customers, communities and planet.

2025 PSP

Measures	Alignment to strategic priorities	Alignment to purpose
Cumulative free cash flow (37.5%)	Profitable growth and free cash flow are key elements of our multi-year performance framework. They are aligned to the delivery and success of our strategic priorities over the medium and long-term.	We aim to continue to be a champion for customers, providing great value, high-quality products wherever, whenever and however customers want them.
Adjusted diluted EPS (37.5%)		
Sustainability measures (25%)		
Carbon reduction (8.3%)	Aligns to our commitment to be carbon neutral across our own operations by 2035 against a 2015/16 baseline.	This is a critical time for our planet. As a responsible company we are therefore finding new ways to reduce our impact on the environment and collaborate with our supplier partners and customers to help them do the same. These measures bring to life our purpose to serve our planet a little better every day.
Food waste reduction (8.3%)	Aligns to our commitment to deliver a 50% reduction in tonnage of food wasted (as a percentage of food handled), compared with a baseline of 2016/17. For further details, please refer to the Sustainability Report.	
Diversity, equity and inclusion (8.3%)	Aligns to our commitment to be an inclusive and equitable business, with diverse representation at all levels and a gender equal workforce, with the PSP measure based on percentage of women and ethnically diverse colleagues in senior roles.	Embedding diversity and building inclusion into everything we do is key to our business success and helps us connect to our colleagues, customers and communities. In doing so, the measure brings to life our purpose to serve our customers and communities a little better every day.

We continue to apply a high degree of rigour with regard to our sustainability goals and progress. For our most material issues, we publicly report progress with clear KPIs and provide full transparency on our historical performance. Our reporting on these issues is assured by an independent third party. Wherever applicable, we align our reporting methodologies to recognised disclosure standards. Our Sustainability Accounting Standards Board disclosure, along with all our KPI performance data can be found in our Sustainability Report, which is available on the Company's website at **www.tescoplc.com/sustainabilityreport2025**.

Our sustainability strategy will evolve over time and, as such, we anticipate that our sustainability performance measures will evolve to ensure they remain material to the business.

Further details of our approach to sustainability are detailed on **pages 31 to 35**.

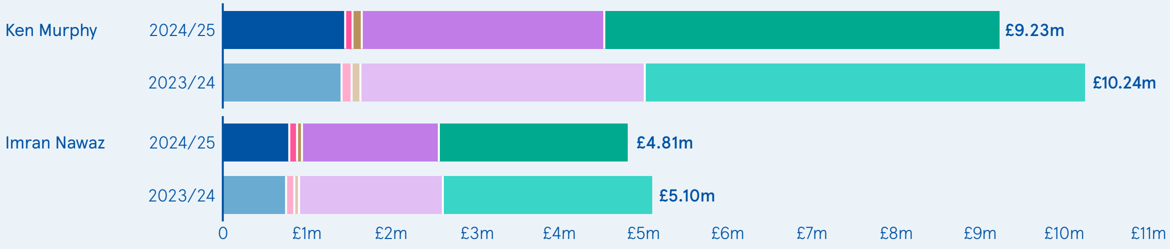
Corporate governance report continued

Directors' remuneration report continued

Remuneration for the year.

Single figure remuneration (excluding buy-out awards)

Salary Benefits Pension Annual bonus PSP[a]



(a) The PSP figures for 2024/25 relate to the 2022 PSP award and are estimates based on the average share price over the three months to 22 February 2025 of 370.34p. These will be restated in next year's Directors' remuneration report to show the actual value upon vesting.

Fixed pay

Salary			Benefits	Pension
Ken Murphy £1.45m	**Imran Nawaz** £0.79m	Salary increase of 3.0% for Ken Murphy and 5.4% for Imran Nawaz from 26 May 2024	Benefits packages remained unchanged	Pension allowance of 7.5% of salary remained unchanged

Annual bonus outcomes (audited)

	Weighting	Threshold (25% payout)	Target (50% payout)	Stretch (100% payout)	Actual (at constant rates)	Outcome Ken Murphy	Outcome Imran Nawaz
Group sales	30%	£61.9bn	£63.8bn	£65.8bn	£64.0bn	**15.9%**	**15.9%**
Group adjusted operating profit	50%	£2.74bn	£2.96bn	£3.18bn	£3.14bn	**44.9%**	**44.9%**
Individual objectives	20%	Details of performance are set out on **page 108**.				**18.0%**	**20.0%**
Total (% of maximum)						**78.8%**	**80.8%**

Value of annual bonus

Ken Murphy
£2.88m

Imran Nawaz
£1.62m

2022 PSP vesting (audited)

	Weighting	Threshold (25% payout)	Stretch (100% payout)	Actual	**Outcome**
Cumulative free cash flow	37.5%	£3.9bn	£5.8bn	£5.9bn	**37.5%**
Adjusted diluted EPS	37.5%	20.9p	31.8p	27.4p	**26.1%**
Sustainability measures:					
– Carbon reduction	8.3%	56%	60%	65%	8.3%
– Food waste	8.3%	48%	55%	(14)%	0.0%
– Diversity, equity and inclusion (gender/ethnicity)	8.3%	32%/13%	40%/15%	32%/14%	3.7%
Total (% of maximum)					**75.6%**

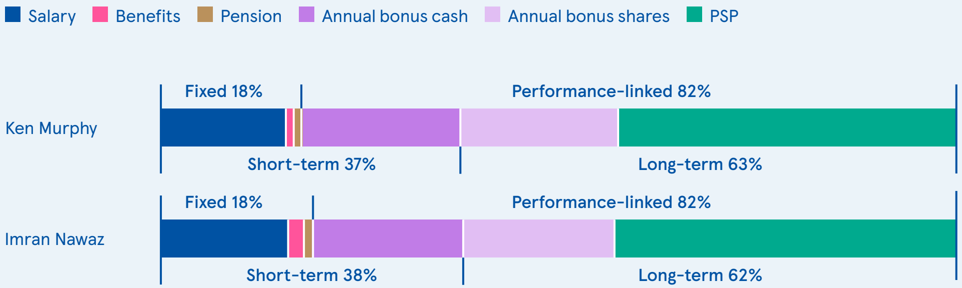
Value of PSP

Ken Murphy
£4.69m

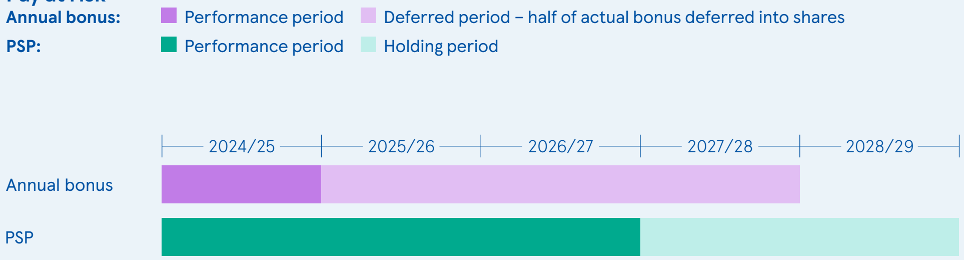
Imran Nawaz
£2.25m

Fixed versus performance-linked remuneration

A significant proportion of Executive Directors' remuneration is performance-linked, long-term and at risk for a period during which the Committee can withhold vesting or recover sums paid. The charts below show the fixed and performance-linked and short-term and long-term elements of pay for the Group Chief Executive and Chief Financial Officer based on maximum payouts in 2024/25. As half of the annual bonus payout is deferred into Tesco shares for three years, it is deemed long-term for the purpose of the chart.



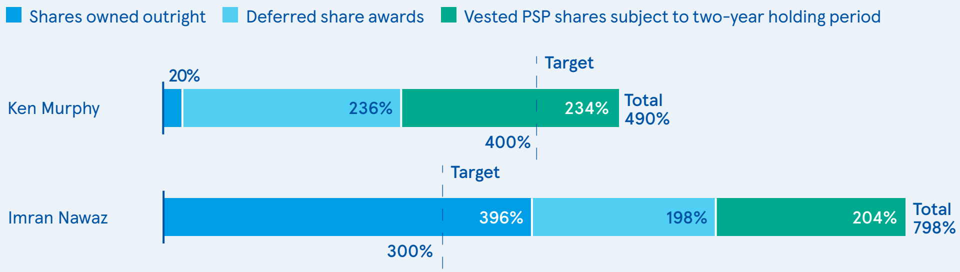
Pay at risk



Shareholding requirement (audited)

Share ownership is a key means by which the interests of Executive Directors are aligned with those of shareholders. Ken Murphy and Imran Nawaz have both reached their shareholding requirements of 400% and 300% of base salary respectively.

Executive Director shareholdings (% of base salary) (audited)



Executive Director shareholdings counting towards shareholding requirement (audited)

Further details of Executive Directors' shareholdings and share interests are given in the table below and on **page 111**.

	Shareholding requirement (% of salary)	Current shareholding (% of salary)[a]	Number of shares owned outright		Deferred share awards[b]		Vested PSP shares subject to holding period		Total shares counting towards shareholding requirement	
			24/02/24	22/02/25	24/02/24	22/02/25	24/02/24	22/02/25	24/02/24	22/02/25
Ken Murphy	400%	490%	78,396	80,982	605,607	932,425	–	925,184	683,983	1,938,591
Imran Nawaz	300%	798%	841,811	854,974	264,672	428,383	–	439,746	1,106,483	1,723,103

(a) Share price used is the average share price over the three months to 22 February 2025 of 370.34p.
(b) Net number of shares after deemed statutory deductions of 47% count towards the shareholding requirement.

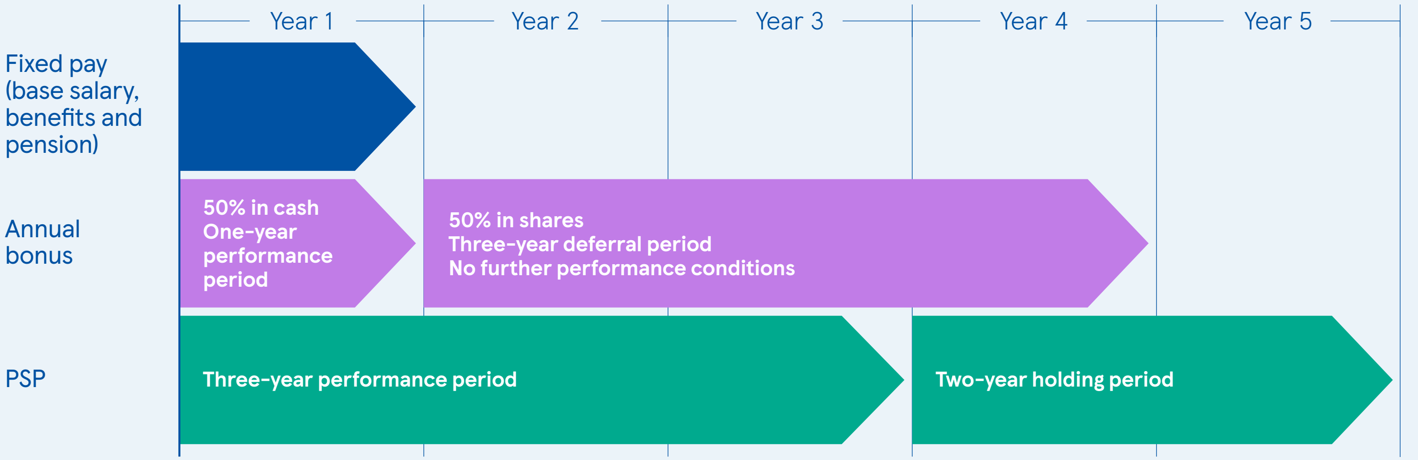
Corporate governance report continued
Directors' remuneration report continued

Implementation of remuneration policy for 2025/26.

The purpose of the remuneration policy remains to attract, retain and motivate the talent capable of delivering our purpose and strategy and provide clear leadership. In this way, it aims to create long-term sustainable performance and increased shareholder value.

The table and details below set out a summary of the proposed remuneration policy for Executive Directors and implementation in 2025/26. The diagram to the right illustrates the time period of each element of pay. Full details of the remuneration policy that shareholders are asked to approve at the 2025 AGM are on **pages 117 to 122**. This will also be made available on the Tesco website at **www.tescoplc.com**.

Total pay over five years



Pay element, purpose and link to strategy	Operation	Implementation in 2025/26
Base salary Supports the attraction and retention of the best talent with the capability to develop and deliver Tesco's strategy.	Salaries are normally reviewed annually by the Committee, with changes being effective on or around 1 June. Salaries take account of: – individual performance; – role, skills and experience; – pay and conditions elsewhere across the Group, including the wider workforce; and – salary levels at leading FTSE companies and other large consumer businesses in the UK and internationally. Any increases will normally be no higher than the typical level of increase awarded to other colleagues. Higher increases may be awarded in certain circumstances such as where there is a change in responsibility, experience or a significant increase in the scale of the role.	Increases of 2.0% and 4.0% will be applied to the salaries of Ken Murphy and Imran Nawaz, respectively. Salaries from 25 May 2025 are: Ken Murphy: £1,493,729 Imran Nawaz: £832,000 These increases are below those awarded to UK hourly-paid colleagues of 5.2%.
Benefits Provides market-competitive and cost-effective benefits to support the attraction and retention of Executive Directors.	Core benefits include a car or cash allowance and a driver, incapacity benefits, private medical insurance and life assurance. Other benefits (including relocation and commuting support) may be offered as required. There is no pre-determined maximum limit.	Normal Company benefit provision. See **page 101** for further details of benefits provided in 2024/25.

Corporate governance report continued
Directors' remuneration report continued

Pay element, purpose and link to strategy	Operation	Implementation in 2025/26
Pension Provides a competitive level of retirement income to support the attraction and retention of Executive Directors.	A defined contribution scheme or a cash allowance in lieu of pension. The maximum company contribution for Executive Directors of 7.5% of base salary is aligned to the wider workforce.	Cash allowance of 7.5% of base salary.
Annual bonus Encourages improved operational and financial performance and aligns the interests of Executive Directors with shareholders through the partial deferral of bonus outturn into Tesco shares.	**Maximum opportunity** The maximum award is 250% of base salary. **Performance measures** Bonuses are based on financial, operational and individual performance. Performance metrics and targets are set by the Committee at the beginning of the performance period and at least 70% of bonus is based on financial performance. Up to 25% is paid for threshold performance and 100% paid for achieving stretch targets, with straight-line vesting between threshold and target, and target and stretch. **Compulsory deferral of bonus** Half of the bonus payout is deferred into Tesco shares for three years, subject to continued employment. This provides assurance that the Group is being run in the long-term interests of shareholders and other stakeholders beyond the annual bonus performance period. It also provides assurance to stakeholders that some or all of the deferred bonus could be withheld, if during the deferred period this is deemed necessary. Dividend equivalents in the form of additional shares are payable on deferred annual bonus awards that vest. Malus and clawback provisions apply.	The maximum bonus opportunity for Ken Murphy and Imran Nawaz is 250% of base salary. Performance measures (as a percentage of maximum) are in line with previous years: – 50% Group adjusted operating profit – 30% Group sales – 20% individual performance The Board considers bonus targets to be commercially sensitive as they could inform Tesco's competitors about our budgeting. However, full and transparent disclosure of targets and performance outcomes will be set out in next year's annual report. See **page 107** for further details of annual bonus outturns for 2024/25 and **page 115** for details of malus and clawback provisions.
PSP Encourages the achievement of Tesco's strategic, financial and sustainability targets and provides a focus on long-term value creation and alignment with the interests of shareholders and other stakeholders.	**Maximum opportunity** The maximum award is 350% of base salary. **Performance measures** Awards are subject to the achievement of financial and non-financial performance conditions over three years. Performance metrics and targets are set by the Committee at the beginning of the performance period. Up to 25% of an award vests for threshold performance and 100% vests for achieving stretch targets, with straight-line vesting between them unless stated otherwise. Dividend equivalents in the form of additional Tesco shares are paid on PSP awards that vest. Malus and clawback provisions apply. **Additional holding period** Following the vesting of the PSP award, Executive Directors are required to hold the shares for an additional two-year period, so the overall vesting and holding period is at least five years. The holding period continues to operate post-cessation of employment, with shares held in a corporate sponsored nominee account. This ensures continued longer-term alignment with the interests of shareholders and other stakeholders. It also provides assurance to stakeholders that some or all of the PSP payout could be withheld, if during the holding period this is deemed necessary.	The maximum award opportunity for Ken Murphy and Imran Nawaz is 275% of base salary. Performance measures (as a percentage of maximum) are in line with previous years being: – 37.5% adjusted diluted EPS – 37.5% cumulative free cash flow – 25% sustainability measures See **pages 109 and 110** for further details of 2022 PSP outturn and the PSP awards to be granted in 2025. Details of malus and clawback provisions can be found on **page 115**.
All-colleague share plans Encourages widespread colleague share ownership to enable colleagues to share in the success of Tesco.	Executive Directors are eligible to participate in applicable all-colleague share plans on the same basis as other eligible colleagues in the UK. These currently comprise the Company's Save As You Earn (SAYE) and Buy As You Earn (BAYE) plans.	SAYE and BAYE plans will continue to be operated in 2025/26.
Shareholding requirement Ensures alignment between the interests of the Executive Directors and shareholders both during and after employment.	**In-post shareholding requirement** The Group Chief Executive is required to build and maintain a holding of shares to the value of 400% of base salary, and the Chief Financial Officer to 300% of base salary. Executive Directors are required to retain all shares that vest to them, net of any tax liability, whether from the annual bonus, PSP or buyout awards, until the relevant shareholding requirement is satisfied. **Post-cessation shareholding requirement** Following their departure from the Company, Executive Directors are required to hold the lower of their shareholding requirement or their actual shareholding for two years. They must hold their shares covered by the post-cessation shareholding requirement in a corporate sponsored nominee account.	Shareholding requirement will continue to be operated in 2025/26. See **pages 97 and 111** for further details of Executive Directors shareholdings and interests in share awards.

Corporate governance report continued
Directors' remuneration report continued

Approach to remuneration

In developing its approach to remuneration, the Committee considers that the executive remuneration framework addresses the following factors:

Clarity	– Our remuneration policy is designed to be sustainable, simple and support the delivery of Tesco's strategy and purpose of serving our customers, communities and planet a little better every day. – The Directors' remuneration report sets out the remuneration arrangements for the Executive Directors in a clear and transparent manner. – The Board has designated Non-executive Directors to host Colleague Contribution Panels to engage on various topics to ensure internal clarity on remuneration. You can find further details on how the Board engages with stakeholders on **pages 20 to 22**.
Simplicity	– The Company operates an approach to remuneration that is simple to understand and familiar to stakeholders. Executive Directors receive a fixed element (base salary, benefits and pension) and participation in a short-term incentive (an annual performance-related bonus) and single long-term incentive (the PSP).
Predictability	– Payouts under the annual bonus and PSP schemes are dependent on the performance of the Company over the short and long term, and a significant proportion of Executive Director remuneration is performance-related. – These schemes have a maximum opportunity, with details set out in the Directors' remuneration report clearly showing potential performance and reward outcomes.
Proportionality	– Our annual bonus and PSP plans provide clear alignment between incentive outcomes and the achievement of Tesco's purpose and strategy, with stretching performance conditions set to achieve commensurate reward for commensurate performance. – Performance measures have been selected to support the Group's purpose and strategic priorities and consist of both financial and non-financial measures. – Use of annual bonus deferral, PSP post-vesting holding periods and shareholding requirements (including after leaving Tesco) ensures that Executive Directors have a strong drive to ensure that performance is sustainable over the long term. – Stretching performance conditions, along with the discretion available to the Committee to adjust formulaic outcomes, ensure that outcomes do not reward poor performance.
Risk	– The Committee has designed incentive arrangements that do not encourage inappropriate risk-taking. – The Committee retains overall discretion in both the annual bonus and PSP schemes to adjust payouts where formulaic outturns are not considered reflective of underlying performance and individual contributions. – Malus and clawback provisions apply to variable incentives, including in the event of any behavioural risks. You can find further details on malus and clawback provisions on **page 115**.
Alignment to culture	– Performance measures used for the annual bonus and PSP schemes are selected to align with Tesco's purpose, values and strategic priorities, with a strong focus on delivering for our customers and other stakeholders. – The use of annual bonus deferral, PSP holding periods and shareholding requirements promotes integrity and provide a clear link to the ongoing performance of the Group to ensure alignment with shareholders, which continues after employment.

Wider remuneration at Tesco.

Our pay and reward framework

The shape of the reward package depends on the role of colleagues. Remuneration for most colleagues is principally fixed pay to support a good standard of living. For more senior colleagues, who have greater influence on overall Tesco performance, remuneration is weighted more towards variable pay, which can increase or decrease based on business and individual performance against our challenging goals. While the balance of the elements of remuneration may differ, our consistent overall principle is that all colleagues should be paid competitively against the relevant pay benchmark.

We regularly ask colleagues across the Group how they feel about pay and benefits at Tesco. In our 2025 Every Voice Matters colleague survey, 68% of colleagues agreed that the total reward package at Tesco is competitive, which is well ahead of relevant external benchmarks. In addition, 83% of colleagues said they are able to work flexibly and 86% feel they can be themselves at Tesco, without fear of judgement. 74% of colleagues feel Tesco supports them with their wellbeing. Our colleagues are the heart of our business and Tesco remains committed to building an inclusive workplace where everyone can get on. The survey showed that 85% of colleagues regard Tesco as a Great Place to Work (10% above the market benchmark).

Cascade of remuneration

Consistent with best practice, the Committee spends considerable time on matters relating to remuneration arrangements across the Group. Details of pay trends for the wider workforce provide context when making decisions regarding remuneration for the Executive Directors as well as ensuring consistent approaches and competitive reward packages are being adopted throughout Tesco.

The table below summarises the reward and benefits package of UK colleagues and how it compares to Executive Directors' remuneration.

Element of pay	Policy	Comparison with Executive Directors' remuneration
Colleagues at all levels		
Base salary	We want to attract and retain colleagues of the calibre, capability and experience needed to deliver the strategy. Salaries are reviewed annually.	The approach is the same for Executive Directors, with any increase normally no higher than the level awarded to other colleagues.
Wellbeing benefits	We want to help colleagues live a healthier and more sustainable lifestyle and ensure they have access to early and effective treatment, advice and information so they can be their best at work and home. Colleagues at all levels have access to an Employee Assistance Programme which provides access to a wide range of experts and resources to support colleagues' mental and physical wellbeing. In addition, a 24/7 virtual GP service is available as well as a hub providing access to mental, physical and financial resources.	Executive Directors have access to the same level of wellbeing support and resources.
Other benefits	A market-competitive level of benefits is available for all colleagues, enhancing the reward package and providing other reasons to work at Tesco, such as our Colleague Clubcard discount and colleagues deals and offers. In 2024, we launched a flexible benefits platform for our salaried colleagues in the UK. Further details are set out on **page 104**.	Executive Directors also receive market-competitive benefits, including the same discount in store as other colleagues. Further details are set out on **page 118**.
Pension	A defined contribution pension scheme is available to all colleagues, with colleague contributions being matched by Tesco. When colleagues get closer to retirement, Tesco provides education and support to plan for the next stage in their lives.	The maximum contribution into the defined contribution scheme of 7.5% for Executive Directors is aligned to the UK wider workforce. Executive Directors can elect to receive a cash allowance of 7.5% of base salary in lieu of pension contribution.

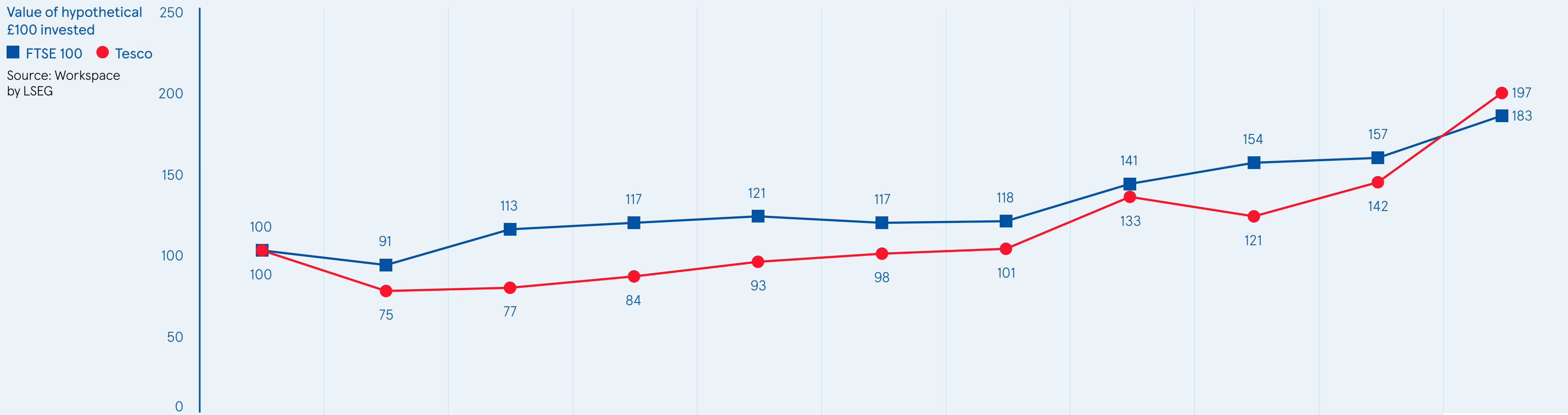
Element of pay	Policy	Comparison with Executive Directors' remuneration
Share plans	Buy As You Earn (BAYE) and Save As You Earn (SAYE) plans are available to all colleagues and provide an opportunity to become a shareholder in Tesco and share in its success.	Executive Directors participate on the same terms as other UK colleagues in the BAYE and SAYE plans.
All salaried colleagues		
Annual bonus	The annual bonus incentivises eligible colleagues to deliver Tesco's short-term financial and strategic objectives and share in our success. A consistent design is operated throughout Tesco for delivering against business and individual goals. Specific weightings and award levels vary by work level. For senior leaders, a proportion of any bonus is deferred into shares. Bonuses are normally paid to eligible colleagues in May or June.	The annual bonus plan for Executive Directors is directly linked to the same financial performance measures as all colleagues. Half of the bonus payout for Executive Directors is deferred into Tesco shares for three years.
Executive Directors, Executive Committee and senior leaders		
Performance Share Plan (PSP)	The PSP incentivises the delivery of long-term value creation and aligns with our purpose and strategic objectives. Award levels vary by work level. Measures and targets for long-term incentive plans are consistent for all participants and measured over a three-year period.	The same measures and targets are applied to Executive Directors awards as other participants. Executive Directors' PSP awards are subject to an additional two-year holding period post vesting.

Corporate governance report continued
Directors' remuneration report continued

Performance and change in Group Chief Executive remuneration

The graph below illustrates the Company's total shareholder return (TSR) performance against the FTSE 100 index over the past 10 years. We have chosen the FTSE 100 index because it is a broad-based index of which the Company has been a constituent member throughout the period. The table below the TSR graph shows the Group Chief Executive's annual remuneration over the same period.

Historical total shareholder return performance



		2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24[b]	**2024/25**
Group Chief Executive single total figure of remuneration (£'000)	Ken Murphy	–	–	–	–	–	992	4,745	4,443	10,243	**9,226**
	Sir Dave Lewis[a]	4,632	4,147	5,113	4,600	6,328	1,650	–	–	–	**–**
Annual bonus outturn (% of maximum award)		96.0%	76.0%	73.0%	52.5%	75.9%	0%	95.0%	79.1%	95.0%	**78.8%**
PSP vest (% of maximum award)		–	–	30.0%	28.8%	48.8%	23.1%	–	–	85.0%	**75.6%**

(a) Sir Dave Lewis stepped down as Group Chief Executive on 30 September 2020 and was succeeded by Ken Murphy on 1 October 2020.
(b) 2023/24 PSP estimated values have been restated based on share price of 307.60p at the time of the PSP vesting.

Spotlight on:

Colleagues.

At Tesco, our people are at the heart of everything we do.

We believe that our people are what set us apart, and we are dedicated to creating an environment where everyone can succeed, regardless of their background. As our business evolves, we want to ensure colleagues have the skills they need to succeed now and in the future.

Our colleagues want to be treated fairly and feel supported with their health, safety and wellbeing, while being recognised and rewarded for their contribution. To ensure our colleagues feel secure and valued, we offer a reward package that is competitive, fair, simple and sustainable. Inclusivity and fairness are at the core of our approach, and we continuously strive to enhance the wellbeing of our team. Safety is central to how we do business, with a heavy focus on protecting our colleagues.

We are positioned very competitively for both basic pay and total reward, which is supported by positive feedback from our colleagues on their reward package. Through our Every Voice Matters survey – the largest colleague engagement programme in the UK – colleague scores on both working at Tesco and their reward package are significantly ahead of our external partner's global benchmark. In 2025, 85% of colleagues said that they would recommend Tesco as a Great Place to Work, an increase from our 2024 score of 84%.

Over the last year, we have balanced wider cost pressures with our commitment to improving rewards and introducing new initiatives. We are proud to have been recognised for our efforts, winning 'Employer of the Year (Retailer)' at the Grocer Gold Awards 2024. Additional details on how our reward and benefits have evolved over 2024 are outlined as follows:

Continued investment in colleagues' reward and skills

We have a strong track record of making substantial investments in colleague pay. In March 2025, we announced pay increases of 5.2% for store colleagues, bringing the hourly rate to £12.64 from the end of August 2025. This represents a total increase of 32% since April 2022, amounting to an investment of more than £900m. These changes reflect our commitment to providing competitive pay and recognising the contribution of our colleagues.

We are also investing in our colleagues' skills to equip them for the present and future. Our store colleagues have become more skilled and flexible, while managers have undertaken training to improve their abilities.

Balanced benefits package

At Tesco, we feel a duty of care to provide our colleagues with a competitive benefits package that supports their different needs in addition to base pay, across all our markets.

Our most valued benefit is the Colleague Clubcard discount which was previously capped at £2,000 in the UK and €2,000 in ROI. From April 2025, we are removing the cap so colleagues benefit from the discount on all their shopping.

We know that colleagues want flexibility and we continue to look for ways to provide choice. The option to buy extra holiday has proved to be popular and we have introduced improvements to family leave and sickness policies.

A new flexible benefits platform enables colleagues to make selections that suit their lifestyle, whether that's investing in their pension or Tesco shares, or taking advantage of salary sacrifice, such as our Green Car and Cycle to Work schemes. In 2025, we introduced opportunities for colleagues to reinvest their bonus directly into their pension and take critical illness insurance cover.

Colleague wellbeing remains a major area of focus. We provide free, confidential support through our Employee Assistance Programme and free 24/7 access to a virtual GP. We have also introduced resources to support mental health and financial wellbeing. In recognition of ongoing cost-of-living challenges, we have also increased the range of free products that we offer in Colleague Rooms for everyone working in stores.

These benefits reflect our commitment to ensuring our colleagues feel valued and supported, both in and out of the workplace.

Opportunities to share in Tesco's success

We want colleagues to feel recognised and respected wherever they work, as well as experience the reward of our collective success. Under our SAYE scheme, in 2024 more than 20,000 colleagues, mainly shopfloor colleagues working in stores and distribution centres, shared in a profit of more than £30m as a result of strong growth in the Tesco share price over the duration of the scheme, representing a profit of ~ £2,900 for a store colleague who invested the average £75 a month for the last five years. Participation in the SAYE continues to grow in the UK, and we have extended the plan to colleagues in India and Central Europe.

£900m
investment in store colleague pay, an increase of 32% since April 2022.

Corporate governance report continued

Directors' remuneration report continued

Relationship between the pay of the Group Chief Executive and UK colleagues

Tesco is a retail business with one of the UK's largest workforces. We employ around 260,000 UK-based colleagues in our major subsidiary, Tesco Stores Limited. These are mostly in customer-facing roles in-store or in our distribution network. Given the workforce profile, all three of the Group Chief Executive pay ratio reference points compare our Group Chief Executive's remuneration with that of colleagues in mainly customer-facing roles. There is relatively little difference in the outcomes, as we show below. Regardless of the Group Chief Executive pay ratio, Tesco will continue to invest in competitive pay for all colleagues.

The following table shows the ratio between the consolidated single total figure of remuneration (STFR) of the Group Chief Executive for 2024/25 and the lower, median and upper quartile pay of our UK colleagues. We also show for comparison the pay ratios for the five preceding years.

Total pay ratio

	2019/20	2020/21	2021/22	2022/23	2023/24	**2024/25**
Ratio of CEO's STFR						
25th percentile	355:1	136:1	251:1	231:1	447:1	**411:1**
50th percentile	305:1	118:1	224:1	197:1	431:1	**373:1**
75th percentile	279:1	116:1	216:1	182:1	388:1	**325:1**

The table below sets out the base salary, total pay and benefit details of the Group Chief Executive and UK colleagues who are at the 25th, 50th and 75th percentile.

	2024/25
Group Chief Executive's base salary	**£1,453,777**
Group Chief Executive's total pay and benefits	**£9,225,993**
UK colleagues' salary	
Colleague at 25th percentile	**£21,975**
Colleague at 50th percentile	**£23,960**
Colleague at 75th percentile	**£27,430**
UK colleagues' total pay and benefits	
Colleague at 25th percentile	**£22,452**
Colleague at 50th percentile	**£24,731**
Colleague at 75th percentile	**£28,358**

The total full-time equivalent (FTE) pay and benefits for the relevant colleagues are based on the period from Sunday, 4 February 2024 to Saturday, 1 February 2025. The reporting regulations offer three calculation approaches for determining the pay ratio – Options A, B and C. We have chosen Option C for all years, which we deem the most appropriate methodology for Tesco.

As more than half of Tesco's colleagues work part-time, the exercise required to determine FTE is extensive and complex. Tesco decided to use Option C as we had completed comprehensive data collation and analysis of all relevant colleagues for the purpose of gender pay gap (GPG) reporting. This enabled us to use additional pay data (including overtime, salary sacrifice values and employer pension contributions) to ensure the STFR reflects total pay made throughout the financial year. This approach minimised the differing definitions of pay for STFR and GPG to enable us to select the 'best equivalents' of P25, P50 and P75. The only adjustments made to determine the pay and benefits of the colleagues identified as P25, P50 and P75 related to working hours, basing amounts on a 36.5-hour working week. We believe the 'best equivalent' colleagues identified are reasonably representative of the 25th, 50th and 75th percentiles as Tesco has compiled pay on an FTE basis. We reviewed pay across a sample of colleagues at each percentile before selecting the colleague who was most representative.

In the case of the Group Chief Executive, his total remuneration includes a significant proportion of variable pay. The STFR therefore varies considerably depending on the level of performance against the measures driving the annual bonus and PSP. The Group Chief Executive's PSP award will vest at 75.6% of maximum in 2025 and the annual bonus paid out at 78.8% of maximum, which have resulted in a small decrease in the Group Chief Executive's pay ratio numbers this year. Since 2014, the median pay ratio has varied, increasing and decreasing in alternate years in line with variable pay outcomes.

As we set out on **page 101**, we base our reward framework across the Group on a consistent set of principles for all: that overall remuneration should be competitive when compared to similar roles in other organisations with which we compete for talent. We therefore determine colleague pay using the same principles as the pay for our Executive Directors. On this basis, we believe the median ratio is consistent with the Company's wider policies on employee reward, pay and progression.

Gender and ethnicity pay

Our business model is underpinned by understanding customers and creating a great place to work for our colleagues. It therefore follows that we need a diverse and inclusive workplace that represents the communities we serve.

Our 2024 Gender Pay report shows the median gender pay gap for Tesco UK colleagues is broadly flat at 5.1% (versus 5.0% in 2023), significantly below the UK national average of 13.1%. The key factor behind the gap is that a greater proportion of male colleagues work in roles which carry a premium and increase pay. If we remove premium payments from our calculation, our median pay gap reduces to 2.3%.

The mean gender bonus gap for Tesco Stores Limited has reduced from 58.3% to 36.7%. The main factor behind the gap is a greater proportion of male colleagues in senior roles which attract higher bonus levels. We have introduced a number of initiatives to improve the proportion of women at leadership levels. These include support for flexible working, making it easier for everyone to work at Tesco.

We are also making progress in ethnic representation. For the second year, we have chosen to publish our ethnicity pay gap which shows that the median gap for Tesco Stores Limited is (5.0)% (i.e. the median pay for ethnically diverse colleagues is higher than for white colleagues). The primary factor is a greater tendency for ethnically diverse colleagues to work unsociable hours which carry a premium, plus a lower likelihood of selecting salary sacrifice benefits. The ethnicity bonus gap mean is 5.4% reflecting a lower proportion of ethnically diverse colleagues in senior roles. As with gender, we have introduced initiatives to improve representation at senior levels, including the inclusion of diversity measures in our PSP.

See our Everyone's Welcome Report for more information at:
www.tescoplc.com/media/fkklxpqd/tesco-everyones-welcome-report-2024.pdf

Change in remuneration of colleagues and Directors

The table below shows the percentage change in the annual remuneration of Directors and the average UK colleague over the past five years.

The reporting regulations require disclosure of the change in remuneration of employees of the parent company. As the only employees of this company are the Executive Directors, the Committee decided to use the average UK colleague as the appropriate comparator group. This is because they represent the majority of Tesco colleagues and the Executive Directors are predominantly based in the UK.

	Salary/fees (% change)				
	2024/25	2023/24	2022/23	2021/22	2020/21
Executive Directors					
Ken Murphy	**3.0%**	2.8%	1.7%	0%	–
Imran Nawaz	**5.4%**	4.0%	3.7%	–	–
Chair					
Gerry Murphy	**4.4%**	–	–	–	–
Colleagues					
Average UK colleague[a]	**9.1%**	9.1%	8.6%	3.3%	6.8%
Non-executive Directors					
Melissa Bethell[b]	**27.0%**	3.1%	3.2%	2.2%	2.2%
Bertrand Bodson[b]	**15.0%**	3.1%	2.5%	–	–
Carolyn Fairbairn[b]	**50.0%**	–	–	–	–
Thierry Garnier[b]	**15.0%**	3.1%	2.3%	–	–
Stewart Gilliland	**10.7%**	25.0%	2.8%	2.8%	5.0%
Chris Kennedy[c]	**–**	–	–	–	–
Alison Platt	**4.5%**	8.1%	13.8%	2.8%	5.0%
Caroline Silver[b]	**15.0%**	4.2%	–	–	–
Karen Whitworth[b]	**40.2%**	3.6%	3.0%	–	–
Former Directors[d]					
Byron Grote	**2.7%**	5.2%	12.3%	12.3%	3.0%

	Benefits[e] (% change)				
	2024/25	2023/24	2022/23	2021/22	2020/21
Executive Directors					
Ken Murphy	**(26.1)%**	(50.0)%	170.5%	18.9%	–
Imran Nawaz	**(6.1)%**	(24.8)%	162.2%	–	–
Chair					
Gerry Murphy	**(32.8)%**	–	–	–	–
Colleagues					
Average UK colleague[a]	**0%**	0%	0%	0%	0%
Non-executive Directors					
Melissa Bethell[b]	**–**	–	–	–	–
Bertrand Bodson[b]	**–**	–	–	–	–
Carolyn Fairbairn[b]	**–**	–	–	–	–
Thierry Garnier[b]	**–**	–	–	–	–
Stewart Gilliland	**–**	–	–	–	–
Chris Kennedy[c]	**–**	–	–	–	–
Alison Platt	**–**	–	–	–	–
Caroline Silver[b]	**–**	–	–	–	–
Karen Whitworth[b]	**–**	–	–	–	–
Former Directors[d]					
Byron Grote	**–**	–	–	–	–

	Bonus (% change)[e]				
	2024/25	2023/24	2022/23	2021/22	2020/21
Executive Directors					
Ken Murphy	**(14.6)%**	23.7%	(14.8)%	100%	–
Imran Nawaz	**(5.4)%**	25.1%	(8.3)%	–	–
Chair					
Gerry Murphy	**–**	–	–	–	–
Colleagues					
Average UK colleague[a]	**N/A**	N/A	N/A	N/A	N/A
Non-executive Directors					
Melissa Bethell[b]	**–**	–	–	–	–
Bertrand Bodson[b]	**–**	–	–	–	–
Carolyn Fairbairn[b]	**–**	–	–	–	–
Thierry Garnier[b]	**–**	–	–	–	–
Stewart Gilliland	**–**	–	–	–	–
Chris Kennedy[c]	**–**	–	–	–	–
Alison Platt	**–**	–	–	–	–
Caroline Silver[b]	**–**	–	–	–	–
Karen Whitworth[b]	**–**	–	–	–	–
Former Directors[d]					
Byron Grote	**–**	–	–	–	–

(a) We agreed jointly with our unions in 2019 that hourly-paid colleagues in stores would no longer receive an annual bonus, replacing it with a higher rate of base pay.
(b) On 14 June 2024 Carolyn Fairbairn was appointed as Senior Independent Director and a member of the Audit Committee, Karen Whitworth was appointed as Chair of the Audit Committee and member of the Remuneration Committee, Melissa Bethell was appointed as a member of the Remuneration Committee, Melissa Bethell, Bertrand Bodson, Carolyn Fairbairn, Thierry Garnier, Caroline Silver and Karen Whitworth became members of the Nominations and Governance Committee, reflecting the fee increase changes in 2024/25.
(c) Chris Kennedy joined the Board on 20 February 2025 so no year-on-year comparison is possible.
(d) Byron Grote stepped down from the Board on 14 June 2024. To enable a meaningful year-on-year comparison his fees have been pro-rated for the purposes of comparison.
(e) Other than the Chair, Non-executive Directors receive fees only and do not receive any additional benefits or annual bonus payments. Gerry Murphy has the benefit of healthcare and a wellness programme for himself and his partner.

Please see **page 105** of last year's Directors' remuneration report for historic details of events that impact the changes in remuneration, such as role changes, joiners and leavers.

Relative importance of spend on pay

The table below indicates how the pay of Executive Directors compares with other financial dispersals. You can find further information in the Notes to the Group financial statements starting on **page 141**.

	2024/25 £m	2023/24 £m	% change
Executive Directors' remuneration	**14.0**	15.7	(10.9)%
Dividends and share buybacks	**1,881**	1,529	23.0%
Total income tax charge from continuing operations	**611**	525	16.4%
Colleague costs	**8,726**	8,161	6.9%

For every £1 we spent on Executive Directors' remuneration in 2024/25, £44 was payable in tax and £622 was spent on colleague costs. In addition, £62 was made in dividend payments to shareholders for every £1 spent on Executive Directors' remuneration.

Corporate governance report continued
Directors' remuneration report continued

Remuneration report.

Single total figure of remuneration – Executive Directors (audited)

The following table provides a summary Single total figure of remuneration (STFR) for 2024/25 and 2023/24 for the Executive Directors.

	Ken Murphy		Imran Nawaz	
	2024/25 (£'000)	2023/24 (£'000)	**2024/25 (£'000)**	2023/24 (£'000)
Fixed pay				
Salary	**1,454**	1,411	**790**	752
Benefits	**88**	119	**92**	98
Pension	**109**	106	**59**	56
Total fixed pay	**1,651**	1,636	**941**	906
Variable pay				
Annual bonus (cash and deferred shares)	**2,885**	3,377	**1,616**	1,708
PSP[a]	**4,690**	5,230	**2,255**	2,485
Total variable pay	**7,575**	8,607	**3,871**	4,193
Total fixed and variable pay	**9,226**	10,243	**4,812**	5,099
Compensation for forfeited income	**–**	–	**–**	405[b]
Total remuneration	**9,226**	10,243	**4,812**	5,504

(a) The PSP figures for 2024/25 relating to the 2022 PSP award are an estimated value based on the average share price over the three months to 22 February 2025 of 370.34p. These will be restated in next year's Directors' remuneration report to show the actual value upon vesting. The estimated PSP figures for Ken Murphy and Imran Nawaz for 2023/24 have been restated, using the actual share price at the date of vesting of 307.6p and includes dividend equivalents in respect of vested shares.
(b) Details of compensation of forfeited income were set out in the 2023/24 Directors' remuneration report.

The total aggregate remuneration paid to all Directors in 2024/25 was £15.9m (2023/24: £17.1m).

The Committee is satisfied that the STFR for each Executive Director is appropriate.

Base salary (audited)

Executive Directors' salaries were increased on 26 May 2024 by 3.0% from £1,421,786 to £1,464,440 for Ken Murphy and by 5.4% from £759,200 to £800,000 for Imran Nawaz. Details of increases to be applied in 2025 are set out on **page 92**.

Benefits (audited)

	Car and driver (£'000)	Medical insurance and wellness programme (£'000)	Life assurance (£'000)	Other benefits (£'000)	**Total (£'000)**
Ken Murphy	73	2	10	3	**88**
Imran Nawaz	83	2	5	2	**92**

Annual bonus outcomes (audited)

The annual bonus is determined by financial measures and individual performance, including objectives which are designed to support the achievement of certain strategic outcomes. The 2024/25 annual bonus outcome is 78.8% of maximum for Ken Murphy and 80.8% for Imran Nawaz. The annual bonus is paid 50% in cash and 50% in shares deferred for three years subject to continued employment. As set out in the Chair's letter on **page 90**, the Committee is satisfied that the formulaic annual bonus outcomes are appropriate and reflect Tesco's performance over the performance period. We provide a breakdown of the outturn of the financial measures on **page 99**. You can see details of the payouts and the achievement against individual objectives below and overleaf.

	2024/25 base salary (£'000)	Bonus opportunity (% base salary)	Bonus outcome (% maximum)	Actual bonus (% base salary)	Actual total bonus (cash and deferred shares) (£'000)	Actual bonus deferred into shares (£'000)
Ken Murphy	**1,464**	250	78.8	197	2,885	1,442
Imran Nawaz	**800**	250	80.8	202	1,616	808

Corporate governance report continued
Directors' remuneration report continued

Achievement of individual objectives (20% of annual bonus)

Ken Murphy

Objective	Key performance indicators	Summary of performance	Assessment
Delivery of medium-term and long-term strategy development	– Development of long-term strategy – Operating profit contribution from long-term growth plans	– Delivered successful strategy review and future growth plans incorporated into Long Term Plan (LTP) – Combined Group operating profit contribution from long-term growth plans in line with plan	**Overachieved**
Establish plans for future shape of the organisation, aligned with strategy development	– Plans developed and agreed with Board	– Plans agreed with Board, internal and external talent plans in place and on track	**Achieved**
Lead the delivery of Group-wide sustainability commitments: – Climate: carbon neutral across own operations by 2035 – Health: increase sales of healthy products as a proportion of total sales – Food waste: reduce food waste across own operations	– Climate: continue to develop investment analysis for Group estate to 2035 – Health: improve measure to 64% – Food waste: roadmap to take Food waste to 50%	– Climate: clear capital plans in place to deliver our carbon commitments – Health: delivered 64% sales of healthy products – Food waste: progressed from trials to scaled operations for bakery and produce waste; new purpose-built processing facility due for completion ahead of schedule in 2025	**Overachieved**

Imran Nawaz

Objective	Key performance indicators	Summary of performance	Assessment
Long-term strategy development including future growth plan	– Develop plan for long-term strategy	– Delivered successful strategy review – Future growth plans incorporated into LTP	**Overachieved**
Deliver Group-wide Save to invest target	– Deliver £500m savings target – Develop plan to deliver longer-term savings – Deliver year 3 of the Finance change plan – Deliver cash budget	– Delivered savings of c.£510m – Longer-term savings plan agreed and ready to be deployed – Year 3 Finance change plans delivered in line with expectations – Delivered free cash flow at upper end of guidance range	**Overachieved**
Ensure Corporate Sustainability Reporting Directive readiness	– Complete double materiality assessment and reporting gap analysis	– Double materiality analysis completed and assessed for assurance readiness; gap analysis complete – Reporting strategy defined and agreed for the Group in readiness for revised timelines	**Overachieved**

The percentage awarded for individual performance is based on an overall assessment of the achievement of objectives and demonstration of leadership behaviours. On that basis, Ken Murphy achieved a rating of 18% and Imran Nawaz 20%, both out of a maximum of 20%.

Corporate governance report continued
Directors' remuneration report continued

2022 PSP vesting in 2025 (audited)

The outcomes of the 2022 PSP award are shown on **page 96**. As set out in the Chair's letter, the Committee is satisfied that the formulaic PSP outcomes are appropriate, that they reflect performance over the performance period and that there were no windfall gains. You can see details of the payouts to the Executive Directors below.

			Value of shares due to vest					
	Shares granted	Outcome achieved	Face value at time of grant[a] (£'000)	Value due to share price appreciation[b] (£'000)	Dividend equivalents accrued over performance period (£'000)	PSP total (£'000)	Vesting date	Holding period
Ken Murphy	1,521,455	75.6%	2,870	1,251	569	4,690	24/06/2025	24/06/2027
Imran Nawaz	731,462	75.6%	1,380	602	273	2,255	24/06/2025	24/06/2027

(a) Calculated using the grant price of 249.5p.
(b) Calculated using the difference between the grant price of 249.5p and the average closing share price over the three months to 22 February 2025 of 370.34p.

2024 deferred bonus award grant (audited)

The following table summarises the deferred bonus awards made to Executive Directors on 12 May 2024 in respect of 50% of the 2023/24 bonus outcome. Awards were made in the form of conditional awards which will vest and be released on 12 May 2027, subject to continuous employment.

Executive Director	Number of shares granted	Value at award date	Vesting date	Market price on grant[a]
Ken Murphy	550,926	£1,688,368	12/05/2027	306.5p
Imran Nawaz	278,698	£854,098	12/05/2027	306.5p

(a) Based on five-day average share price.

2024 PSP grant (audited)

The following table summarises the PSP awards made to Executive Directors on 24 June 2024.

Executive Director	Type of award	% of base salary awarded	Number of shares granted	Value of award at grant	End of performance period	Vesting date	Market price on grant[a]
Ken Murphy	Conditional award	275%	1,305,247	£4,027,209	27/02/2027	24/06/2027	308.5p
Imran Nawaz	Conditional award	275%	713,035	£2,199,998	27/02/2027	24/06/2027	308.5p

The performance measures[b] and targets for the 2024 PSP are:

	Weighting	Threshold[c]	Stretch
Adjusted diluted EPS	37.5%	25.5p	38.2p
Cumulative free cash flow[d]	37.5%	£3,968m	£5,952m
Sustainability measures[e]:			
– Carbon reduction	8.3%	64%	70%
– Food waste reduction	8.3%	45%	52%
– Diversity, equity and inclusion (gender/ethnicity)	8.3%	37%/17%	43%/19%

(a) Based on five-day average share price.
(b) All measures have linear vesting between threshold and stretch, except food waste reduction for which the target is 50% with linear vesting between threshold and target, and target and stretch.
(c) Achievement of threshold will result in the vesting of 25% of the award granted.
(d) Adjustments have been made to the Cumulative free cash flow targets to reflect events not anticipated at the time targets were set, as set out on **page 111**. The original targets set were £4,000m and £6,000m at threshold and stretch respectively.
(e) The basis for sustainability measures is set out on **page 95**, in line with our strategic priorities.

2025 PSP grant

The table below sets out the performance measures[a] and targets for the PSP award grant to be made in June 2025:

	Weighting	Threshold	Stretch
Adjusted diluted EPS	37.5%	26.5p	39.7p
Cumulative free cash flow	37.5%	£3,600m	£5,400m
Sustainability measures[b]:			
– Carbon reduction	8.3%	68%	74%
– Food waste reduction	8.3%	47%	54%
– Diversity, equity and inclusion (gender/ethnicity)	8.3%	40%/18%	44%/20%

(a) All measures have linear vesting between threshold and stretch, except food waste reduction for which the target is 52% with linear vesting between threshold and target, and target and stretch.
(b) The basis for sustainability measures is set out on **page 95**, in line with our strategic priorities.

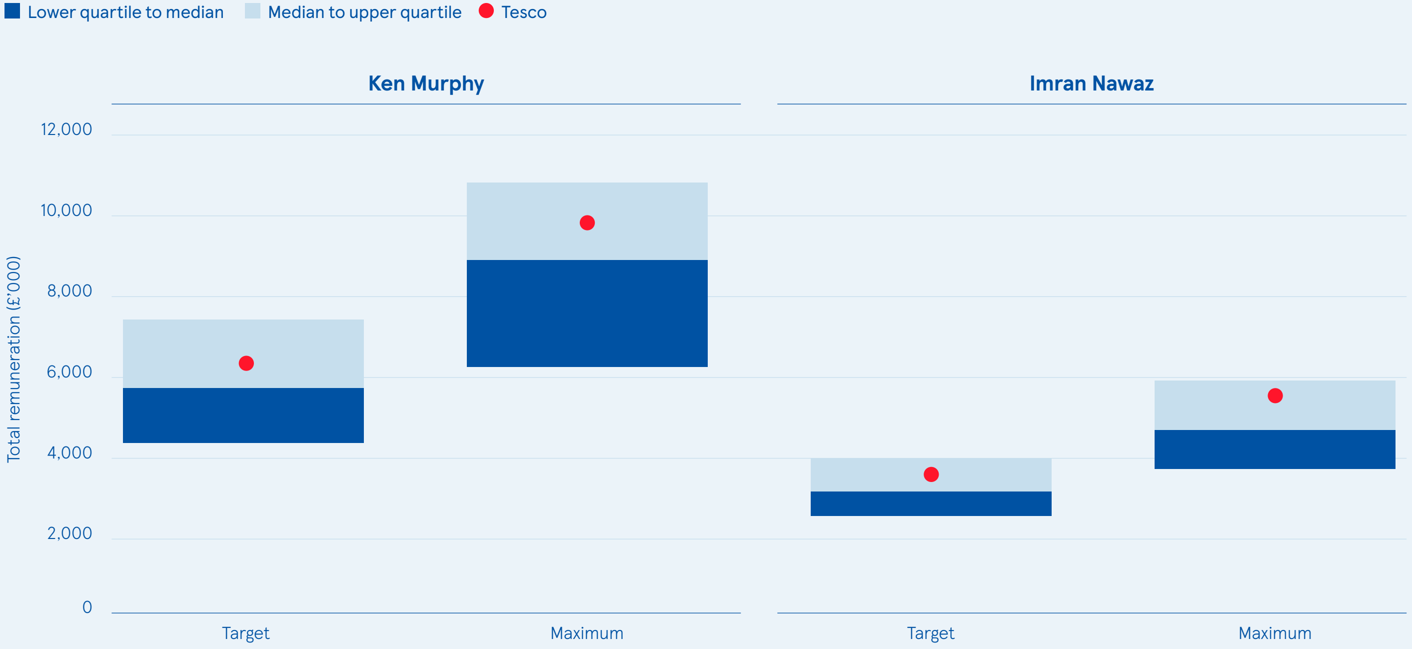
The award will incorporate the right to receive the value of dividends between grant and vesting in respect of the number of shares that vest. The calculation of dividend equivalents will assume the reinvestment of those dividends in Tesco shares on a cumulative basis.

Comparator groups for remuneration

When setting the remuneration of Executive Directors, one of the factors the Committee considers is the relevant markets for the Executive Directors; it believes this is the FTSE 50. When reviewing the Group Chief Executive's remuneration, the Committee also references remuneration of a group of leading international companies whose selection is based on their size and complexity.

The chart to the right sets out the market positioning of the Group Chief Executive's and Chief Financial Officer's on-target and maximum remuneration compared to the FTSE 50. This information is one of the inputs used by the Committee when setting executives' remuneration, which enables it to ensure remuneration levels are consistent with the approved remuneration policy.

Positioning of remuneration versus the FTSE 50



Corporate governance report continued
Directors' remuneration report continued

Adjustments to targets

The Committee considered adjustments to targets resulting from material events that were not anticipated at the time the targets were set. Adjustments were made to ensure PSP targets and outcomes are assessed on a like-for-like basis and events do not make the targets any easier or harder to achieve. The table below summarises the adjustments made, rationale, affected awards and the impact on the measure:

Performance measure	Difference	Rationale	Awards	Impact
Adjusted diluted EPS	Neutralise impact of sale of Banking operations	Targets were set including discontinued Banking operations	2022 PSP 2023 PSP	(1.0)p (0.5)p
Cumulative free cash flow	Neutralise impact of tax relief for Tesco Bank	Impact relates to an event not anticipated at the time the targets were set	2022 PSP 2023 PSP 2024 PSP	£72.0m £72.0m £72.0m
	Neutralise impact of sale of Banking operations	Targets were set including discontinued Banking operations	2023 PSP 2024 PSP	(87.0)m (112.0)m

Executive Directors' interests in share awards (audited)

The table below sets out the Executive Directors' interests in share awards. Details of Executive Director shareholding requirements and achievement against these are set out on **page 97**.

		Unvested PSP awards[a]	Deferred annual bonus awards[b]	Buyout awards	Vested but unexercised share options	SAYE options	Total
Ken Murphy	At 24/02/2024	5,191,827	1,142,654	–	–	9,890	6,344,371
	Granted	1,305,247	550,926	–	–	–	1,856,173
	Dividend equivalents	184,568	65,712	–	–	–	250,280
	Vested/released	(1,745,632)	–	–	–	–	(1,745,632)
	Lapsed	(300,077)	–	–	–	–	(300,077)
	Exercised	–	–	–	–	–	–
	At 22/02/2025	**4,635,933**	**1,759,292**	**–**	**–**	**9,890**	**6,405,115**
Imran Nawaz	At 24/02/2024	2,492,500	499,382	–	–	–	2,991,882
	Granted	713,035	278,698	–	–	–	991,733
	Dividend equivalents	89,789	30,189	–	–	–	119,978
	Vested/released	(829,711)	–	–	–	–	(829,711)
	Lapsed	(142,629)	–	–	–	–	(142,629)
	Exercised	–	–	–	–	–	–
	At 22/02/2025	**2,322,984**	**808,269**	**–**	**–**	**–**	**3,131,253**

(a) Awards will only vest to the extent that relevant performance conditions are met.
(b) No performance conditions apply to these awards but are subject to service.

Between 22 February and 9 April 2025 Ken Murphy acquired 37 partnership shares under the BAYE plan. No other changes in Executive Director share interests occurred in the period.

Payments for loss of office (audited)

There were no payments made for loss of office during the year.

Payments to former Directors (audited)

There were no payments made to former directors during the year.

Corporate governance report continued
Directors' remuneration report continued

Executive Directors' service agreements

The Committee carefully considers Executive Directors' service agreements, including arrangements for early termination, which are designed to recruit, retain and motivate Executive Directors of the calibre required to lead the Company. The details of existing Executive Directors' service contracts are summarised in the table below:

Executive Director	Date of service agreement	Date joined the Board	Notice period from Company	Notice period from Executive Director
Ken Murphy	1 October 2019	1 October 2020	12 months	12 months
Imran Nawaz	6 October 2020	1 May 2021	12 months	12 months

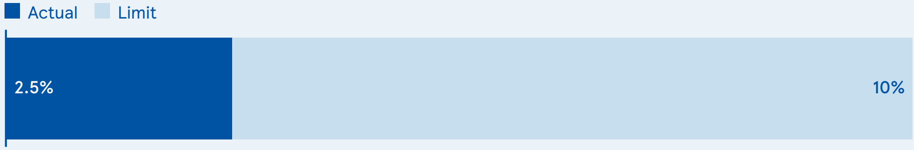
Neither Ken Murphy nor Imran Nawaz held an external directorship during the year. Both Ken Murphy and Imran Nawaz will stand for re-election at the 2025 AGM.

Funding of equity awards

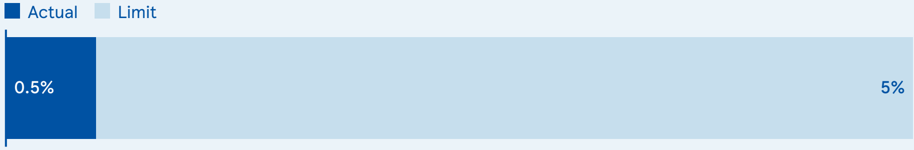
While current practice is to use market-purchased shares to satisfy incentive awards, the Company has in the past 10 years used newly-issued shares. As such, the Company complies with the Investment Association dilution guidelines on newly-issued shares. These provide that overall dilution under all plans should not exceed 10% of the Company's issued share capital over a 10-year period. Tesco also implement a further limitation of 5% in any 10-year period for executive plans. Where shares purchased in the market are held by Tesco Employees' Share Scheme Trustees Limited or Tesco International Employee Benefit Trust (together, the Trusts), the voting rights relating to the shares are exercisable by the Trustees in accordance with their fiduciary duties. At 22 February 2025, the Trusts held 37,142,726 shares.

Dilution from existing awards made over the past 10 years up to 22 February 2025 was as follows:

All colleague share plans



Executive share plans



Board Chair and Non-executive Director fees

The fees for the Board Chair and the Non-executive Directors are reviewed each year. The Board Chair's fee is reviewed by the Committee (without the Board Chair being present) and the Non-executive Director fees by a committee comprising the Board Chair, Group Chief Executive and Chief Financial Officer. In July 2024, following a review of independently sourced data, increases awarded to the wider workforce and the time commitments of the Board Chair and Non-executive Directors, it was agreed to increase the Board Chair's fee to £727,000 and increase the average total fees paid to Non-executive Directors from 18 August 2024 by 2.8%, lower than for the wider workforce. This year we introduced a new fee of £3,500 to recognise the additional time commitment of those designated Non-executive Directors who support our Tesco Colleague Contribution Panels. At the time of the increase and of those FTSE 100 companies disclosing wider workforce engagement programmes, 65% paid an additional fee, setting a fee value typically comparable to an equivalent day rate. Details of the remuneration arrangements for the Board Chair and Non-executive Directors are set out below:

	20/08/2023 to 17/08/2024	From 18/08/2024	Increase
Board Chair fee	£705,000	£727,000	3.12%
Non-executive Director fee	£85,000	£87,500	2.94%
Additional fees:			
Senior Independent Director	£35,000	£36,000	2.86%
Chairs of the Audit, Remuneration and Sustainability Committees	£35,000	£36,000	2.86%
Membership of Audit, Nominations and Governance, Remuneration and Sustainability Committees	£16,500	£17,000	3.03%
Colleague Contribution Panel	–	£3,500	new

Corporate governance report continued
Directors' remuneration report continued

Single total figure of remuneration – Non-executive Directors (audited)

The table below sets out the fees paid to the Non-executive Directors during the year. Non-executive Directors are not paid a pension and do not participate in any of the Company's variable incentive schemes. Under the Company's articles of association, the total fees paid to Non-executive Directors are capped at £3m per annum. Byron Grote stood down from the Board on 14 June 2024.

Taxable expenses include expense reimbursements relating to travel, accommodation and subsistence in connection with attendance at Board and Committee meetings during the year. Each Non-executive Director had the £2,000 colleague discount allowance. Gerry Murphy also has the benefit of healthcare and a wellness programme for himself and his partner. The amounts in the table below include the grossed-up cost of UK tax paid by the Company on behalf of the Non-executive Directors.

			2024/25			2023/24		
	Committee memberships	Date of appointment	**Fees (£'000)**	**Taxable expenses and benefits (£'000)**	**Total (£'000)**	Fees (£'000)	Taxable expenses and benefits (£'000)	Total (£'000)
Melissa Bethell	A N R	24 September 2018	**127**	**1**	**128**	100	1	101
Bertrand Bodson	N S	1 June 2021	**115**	**–**	**115**	100	1	101
Carolyn Fairbairn	A N R S	1 September 2023	**171**	**1**	**172**	57	1	58
Thierry Garnier	S N	30 April 2021	**115**	**4**	**119**	100	3	103
Stewart Gilliland	N R S	5 March 2018	**155**	**1**	**156**	140	1	141
Chris Kennedy	A N	20 February 2025	**1**	**–**	**–**	–	–	–
Gerry Murphy	N	1 September 2023	**716**	**4**	**720**	343	3	346
Alison Platt	N R	1 April 2016	**140**	**1**	**141**	134	1	135
Caroline Silver	A N	1 October 2022	**115**	**2**	**117**	100	1	101
Karen Whitworth	A N R S	18 June 2021	**157**	**1**	**158**	116	–	116
Former Directors								
Byron Grote	A N R	1 May 2015	**57**	**–**	**57**	183	1	184

Non-executive Directors do not have service contracts. Instead, they are engaged by letters of appointment that are terminable by either party with no notice period. There is no compensation in the event of such termination, other than accrued fees and expenses. All Non-executive Directors will stand for re-election at the 2025 AGM, except Alison Platt who will step down from the Board at the conclusion of the 2025 AGM.

Beneficial share ownership – Non-executive Directors (audited)

The table below outlines interests in the Company's securities of the Non-executive Directors. There were no changes to Non-executive Director share interests between 22 February and 9 April 2025. Non-executive Directors are expected to build up and maintain a personal holding in the securities of the Company equal to the value of their base fee over a period of five years following appointment.

Non-executive Director	Shares held at 24/02/2024	Shares held at 22/02/2025	Value of shareholding (% of base fee)[a]
Melissa Bethell	37,447	**37,447**	**158%**
Bertrand Bodson	61,238	**63,581**	**269%**
Carolyn Fairbairn	35,000	**35,000**	**148%**
Thierry Garnier	15,000	**15,000**	**63%**
Stewart Gilliland	53,212	**55,248**	**234%**
Chris Kennedy	–	**–**	**0%**
Gerry Murphy	50,000	**90,000**	**46%**
Alison Platt	38,046	**39,527**	**167%**
Caroline Silver	15,000	**15,000**	**63%**
Karen Whitworth	52,300	**52,300**	**221%**

(a) The value of Non-executive Directors' shareholdings is based on the average share price over the three months to 22 February 2025 of 370.34p. The range of the Company's share price for the year was 279.5 to 397p. The year-end share price was 374.1p (2023/24: 280p).
(b) Byron Grote held 377,703 shares from 24 February 2024 until he retired from the Board on 14 June 2024.

Committee governance.

Role of the Remuneration Committee

The role of the Committee is to determine the remuneration policy and packages for Executive Directors and senior executives. When setting and operating the policy, the Committee aligns reward to performance to promote the long-term success of the Group and has regard to policies and practices relating to workforce remuneration, the experiences of other stakeholders and alignment with purpose, strategy and culture. This means we can recruit, retain and motivate our executives as part of an integrated overall approach to remuneration.

Committee's priorities in 2025/26

As well as considering its standard business, the Committee will focus during 2025/26 on the following:

- maintaining an ongoing dialogue with our major shareholders and other stakeholders and to continue to engage with them individually and collectively on the remuneration policy which will be put to shareholders at the 2025 AGM;
- ensuring the smooth transition of chair to Melissa Bethell;
- continuing to monitor and assess the external market when considering remuneration arrangements for Executive Directors and senior executives;
- monitoring developments on our purpose and strategy to ensure remuneration practices and policies continue to be consistent with the Group's long-term goals and aligned to the interests of all our stakeholders;
- ensuring all aspects of remuneration are viewed through a sustainability lens. This will include monitoring our current sustainability measures and considering whether new measures should be used for future PSP awards to reflect our integrated sustainability strategy;
- ensuring colleagues' views on pay, policies and practices are attained through the Colleague Contribution Panels, Every Voice Matters surveys and meetings and that these are reflected in the decisions the Committee takes; and
- continuing to monitor and oversee wider workforce remuneration, policies and practices. This aims to ensure pay fairness and transparency across the workforce, that there is a consistent cascade throughout the Group and that the rewards, incentives and conditions available to colleagues are taken into account when considering the remuneration of Executive Directors and senior executives.

Colleague engagement and understanding colleague pay

Engaging with colleagues and understanding their views is vital to the Committee and its decision making. This year, two Colleague Contribution Panels (CCPs) for UK & ROI, Central Europe and subsidiary businesses took place in November 2024, where colleague representatives met with Alison Platt, Melissa Bethell and Carolyn Fairbairn to share their views which provide the Committee with useful insight. Further details on this year's CCPs can be found on **page 69**.

In addition, Directors regularly visit stores, distribution centres, customer engagement centres and offices to meet with colleagues to gauge their overall opinions and assess our culture. We use the information provided by colleagues to guide our approach to Executive Director and senior executive remuneration.

The Committee believes it is important to understand how colleague pay and other key colleague metrics operate throughout the Group. The Committee therefore reviews the findings from the Every Voice Matters colleague survey and receives regular updates throughout the year on colleague metrics and outcomes via the wider workforce dashboard, which sets out a broad range of information, including:

- a summary of colleague demographics, colleague pay positioning split by location, a summary of colleague pay versus comparators;
- gender & ethnicity data and pay gap reporting, real living wage reporting;
- Every Voice Matters survey results, UK Labour Turnover; and
- salary budgets by business, incentive outcomes by business, CEO pay ratio.

The Committee is therefore well-positioned to take into account colleagues' views and pay when setting the pay of Executive Directors and senior executives.

Approach to target setting

In determining the range of targets for each measure for the annual bonus and 2025 PSP grant, the Committee considered the Board-approved budget and Long Term Plan, external consensus where it exists, prior-year achievement and the wider economic environment. As part of its work to ensure targets are appropriately stretching, the Committee also considered the Board's assessment of how achievable the budget is. The performance target range is set on a realistic basis but requires true outperformance to achieve the maximum. The Committee has a history of setting stretching targets.

The annual bonus measures are selected to provide direct alignment with the Group's short-term operational targets. The Committee takes care to ensure that the short-term performance measures are supportive of the strategic priorities and long-term objectives. The PSP performance measures are selected to ensure that executives are encouraged in, and appropriately rewarded for, delivering against the Group's purpose and strategic priorities. This ensures a clear line of sight and alignment of interests between executives and stakeholders and the generation of long-term sustainable returns.

Annual bonus and PSP performance is monitored every six months by the Committee. At the end of the performance period, one year for the annual bonus and three years for the PSP, we assess the formulaic outcome of each performance measure on a standalone basis. The Committee considers whether the formulaic outcomes are fair in the context of the Group's performance and the wider stakeholder experience. The Committee may seek independent advice to assess the outcomes of specific measures as well as the overall outcome. Where appropriate, the Committee also has the ability to use its discretion to adjust the formulaic outcomes.

Discretion in relation to incentive plans

The Committee operates the annual bonus and PSP in accordance with their respective scheme rules and the relevant UK Listing Rules, consistent with market practice. The Committee retains discretion, within the confines and opportunity detailed above, regarding the operation and administration of these plans. The discretion covers:

- the timing, size and type of awards, holding periods and the annual setting of targets;
- when performance against our qualitative performance measures is not in line with the Group's overall financial or strategic performance over the performance period;
- ensuring compliance with the rules, including in relation to whether or not malus or clawback provisions should apply, in connection with recruitment, or terminations of employment, or corporate events affecting the Company;
- adjustments required in certain circumstances, including rights issues, corporate-restructuring events, special dividends and other corporate actions; and
- adjustments to targets and/or measures if events occur that cause the Committee to determine it is appropriate to do so.

2024/25

Early Feb 2024

The Committee considered the wider context and how the annual bonus and PSP targets were tracking against forecast performance.

Late Feb 2024

The Committee considered the proposed structures of the annual bonus and PSP awards and the possible targets and ranges. In doing so, it had regard to:

- wider workforce remuneration;
- the budget and Long Term Plan;
- the strategic priorities;
- analysts' consensus forecasts; and
- the wider economic environment.

April 2024

The Board approved the budget for the year.

The Committee determined the measures, weightings and targets for the annual bonus and PSP for the forthcoming year and the outcomes of the prior year's annual bonus and 2021 PSP.

October 2024

The Committee considered how the annual bonus and PSP targets were tracking against forecast performance.

The Committee also retains the right to change performance measures and the weighting of measures in certain circumstances including:

- following feedback from regulators, shareholders and/or other stakeholders; and
- amending the scheme rules in accordance with their terms and/or amending the basis of operation (including but not limited to the approach in respect of dividend equivalents).

The Committee will disclose any exercise of discretion in accordance with regulatory requirements.

Malus and clawback provisions

The Committee has the discretion to scale back deferred share awards and PSP awards prior to the satisfaction of such awards if:

- results are materially misstated;
- the participant has contributed to serious reputational damage to the Company or one of its business units;
- the participant's conduct has amounted to serious misconduct, fraud, dishonesty, a breach of the Code of Business Conduct or material wrongdoing;
- the determination of the vesting or value of an award has been affected by an underlying incorrect figure in the financial statements; or
- an error or miscalculation in determining the vesting or value of an award is identified.

Under malus, deferred share awards and unvested PSP awards can be reduced (including down to zero) or be made subject to additional conditions. Clawback allows for the repayment of previously paid-up cash bonuses for a period of three years and PSP awards for a period of two years after the vesting date. The clawback periods align with the bonus deferral period and PSP holding period. No such provisions were used during 2024/25.

Committee advisor

To ensure that the Committee continues to operate in line with best practice, it has appointed PwC as an independent external advisor. It is a member of the Remuneration Consultants Group and, as such, voluntarily operates under the code of conduct in relation to executive remuneration consulting in the UK. PwC was initially appointed in 2015 and then reappointed in 2020 following a competitive tendering exercise.

Total fees for advice provided to the Committee were £73,750 (2023/24: £65,000) on a time and materials basis. The wider PwC firm also provided Tesco with several other services during the year relating to corporate and other tax compliance, governance, assurance, risk management and consulting projects. However, the Committee is satisfied that the PwC engagement partner and advisory team which provide remuneration advice to the Committee have no connection with the Company or individual Directors that might compromise their independence or objectivity.

The Group Chief Executive, Chief Financial Officer, Chief People Officer and remuneration experts from the Reward team attend meetings at the invitation of the Committee to provide advice and respond to questions. The Group Company Secretary is Secretary to the Committee. No Directors or executives are present when their own remuneration is discussed and they are not involved in determining their own remuneration.

Voting at AGM

The table below sets out the voting outcome on the remuneration report at the 2024 AGM:

	Votes for (millions)	Votes against (millions)	Votes withheld (millions)
Remuneration report	4,584	319	1
	(93.49%)	(6.51%)	

The current remuneration policy received strong shareholder support at the 2022 AGM:

	Votes for (millions)	Votes against (millions)	Votes withheld (millions)
Remuneration policy	5,148	449	8
	(91.98%)	(8.02%)	

The Committee engages in regular dialogue with shareholders and annually invites major investors to discuss its remuneration practices and governance matters. During the year, the Committee consulted shareholders in relation to the remuneration policy, as outlined on **page 93**, and met with shareholders to hear their views directly.

The Committee finds such meetings with major investors a valuable opportunity to receive feedback on its work and the key issues it is considering. It also finds the feedback received extremely helpful in informing its decisions. In addition, the Committee monitors the views of other stakeholders and broader developments in executive remuneration generally.

2024/25 Effectiveness Review of the Remuneration Committee

The effectiveness of the Committee was assessed as part of the external Board performance review. The review found that the Committee was performing effectively, noting discussions were of high quality and that members were encouraged to contribute and engage in respectful debate. Meetings were well chaired, with high-quality papers provided for consideration. The Committee is well supported by both an exceptional internal team and PwC as external advisers. The Board is assured by the quality of the work performed by the Committee. The evaluation highlighted the need to support Melissa Bethell as the successor to the chair from June 2025 to ensure a positive transition and suggested that the balance of incentives be reviewed, with a focus on greater incentivisation of initiatives linked to the strategy and our commitments to customers, communities, and the planet.

Statutory requirements

The Committee’s composition, responsibilities and operation comply with the principles of good governance, as set out in the UK Corporate Governance Code, the UK Listing Rules of the Financial Conduct Authority and the Companies Act 2006. The Directors’ remuneration report has been prepared on the basis prescribed in the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013.

Approved by the Board on 9 April 2025.

Alison Platt
Committee Chair

Remuneration policy.

Remuneration policy

Our current remuneration policy was approved by shareholders at the 2022 AGM, with a vote of 91.98% in favour. During the year, the policy operated as intended in terms of Company performance and quantum. It is intended that the new policy for Tesco's Executive and Non-executive Directors will operate for a period of three years from the date of approval at the AGM on 12 June 2025.

During the year, the Committee conducted a comprehensive review of the remuneration policy to ensure that it remains fit for purpose and continues to support us to deliver our strategic priorities. The decision-making process that the Committee followed for the determination, review and implementation of the proposed new remuneration policy is set out in the Chair's letter on **pages 90 to 92**. As part of this process, we engaged with a large proportion of our shareholders, as well as listening to the views of our executives and the wider workforce. Having undertaken this review, we have determined that the current policy remains effective and fit for purpose, and as such we are not proposing any changes to the policy set out below.

In order to manage conflicts of interest, no Director or employee participates in discussions or decisions relating to their own remuneration. However, Executive Directors were kept well-informed to ensure alignment between executive and wider colleague remuneration structures. A summary of how the policy differs for Executive Directors and other colleagues in the Group is set out on **pages 101 to 106**.

The Committee's review of the remuneration policy sought to ensure that it continues to:

- apply pay principles which are applicable to all colleagues across the Group and, in particular, the principle that the reward package should support the delivery of the Group's purpose of serving customers, communities and the planet a little better every day;
- be aligned with, and incentivise the delivery of, the Group's strategy;
- foster performance in line with the Group's culture, values and behaviours;
- be aligned with wider workforce pay policies (as set out on **pages 101 and 102**);
- take into consideration external benchmarking, based on other FTSE 100 companies;
- motivate executive talent; and
- drive the success of the Company for the benefit of key stakeholders.

You can find a summary of the new remuneration policy on **pages 98 to 100**. The full remuneration policy for the 2025 AGM is set out here and is available on the Tesco website at **www.tescoplc.com**.

Remuneration policy table

The following table sets out the remuneration policy:

Base salary	
Purpose and link to strategy	The role of base salary is to support the recruitment and retention of Executive Directors of the calibre required to develop and deliver the strategy. Base salary provides fixed remuneration for the role, which reflects the size and scope of the Executive Directors' responsibilities and their experience.
Operation	The Committee sets base salary taking into account: – the individual's skills, experience and their performance; – salary levels at leading FTSE companies and other large consumer business companies in the UK and internationally; and – pay and conditions elsewhere in the Group. Base salary is normally reviewed annually with changes effective on or around 1 June. It may be reviewed more frequently if the Committee determines this is appropriate.
Maximum	Executive Directors' salary increases will normally be in line with the typical level of increase awarded to other colleagues in the Group. Increases may be above this level in certain circumstances such as: – where a new Executive Director has been appointed to the Board at a lower than typical market salary to allow for growth in the role. (In such a case, larger increases may be awarded to move salary positioning closer to the typical market level as the Executive Director gains experience); or – where an Executive Director has been promoted or has had a change in responsibilities, then salary increases in excess of the above limit may be awarded.
Measure	n/a
Change	No change from current policy.

Corporate governance report continued
Directors' remuneration report continued

Benefits

Purpose and link to strategy	To provide a market-competitive level of benefits for Executive Directors and to assist them in the performance of their roles.
Operation	The Committee sets benefit provisions at an appropriate market-competitive level, taking into account the individual's home jurisdiction, the jurisdiction in which the individual is based, typical practice and the level of benefits provided for other employees in the Group. Core benefits – currently include car benefits, security costs, health insurance and life assurance. Other appropriate benefits may be provided from time to time but will not be significant. Executive Directors shall be reimbursed for all reasonable expenses. The Company may settle any tax incurred in relation to these. Directors shall have the benefit of Directors' and Officers' liability insurance and the provision of an indemnity. All-employee share plans – Executive Directors are eligible to participate in the Company's all-employee share schemes on the same terms as other colleagues. Mobility policy – when an Executive Director is required to relocate to perform their role, they may be offered appropriate relocation allowances and any required international transfer related benefits.
Maximum	The overall level of benefits will depend on the cost of providing individual items and the individual's circumstances. There is therefore no maximum level of benefit.
Measure	n/a
Change	No change from current policy.

Pension

Purpose and link to strategy	To provide an appropriate level of retirement benefits as a part of a holistic benefit package.
Operation	Executive Directors receive a cash allowance in lieu of pension or a contribution into a defined contribution scheme.
Maximum	Maximum cash in lieu of pension or contribution will be aligned to the wider workforce (currently 7.5% of base salary).
Measure	n/a
Change	No change from current policy.

Annual bonus

Purpose and link to strategy	To reward Executive Directors for the delivery of Tesco's annual financial, operational and strategic goals. Deferral into Tesco shares provides alignment with shareholders.
Operation	The annual bonus is normally delivered: – 50% in cash; and – 50% in Tesco shares which are deferred for three years. Performance is assessed over a financial year. The Committee determines the level of bonus, taking performance against targets and the underlying performance of the business into account. The Committee may apply judgement in making appropriate adjustments to bonus outcomes to ensure they reflect underlying business performance. Malus and clawback provisions apply as described on **page 115**.
Maximum	Maximum annual bonus opportunity of 250% of base salary. For details of award levels for 2025/26, see **page 99**.
Measures	The annual bonus may be based on a mix of financial, operational, strategic and individual performance measures. At least 70% of the bonus will be based on financial performance. The Committee determines the exact metrics each year depending on the key goals for the forthcoming year. Up to 25% of the bonus is paid for achieving a threshold level of performance and the full bonus is paid for delivering stretching levels of performance. These vesting levels may vary each year depending on the stretch of targets set. Below threshold performance, no payment is made. The Committee sets bonus targets each year to ensure they are appropriately stretching in the context of the business plan.
Change	No change from current policy.

Performance Share Plan

Purpose and link to strategy	To reward Executive Directors for achieving Tesco's long-term strategy and creating sustainable shareholder value that aligns the economic interests of Executive Directors and shareholders.
Operation	Awards normally vest based on performance over a period of not less than three years (unless the Committee determines otherwise). The Committee has the discretion to amend the formulaic vesting level if it does not consider that it reflects the underlying performance of the Company. All vested shares, net of any tax liabilities, will be subject to a further two-year holding period after the vesting date. Malus and clawback provisions apply as described on **page 115**.
Maximum	The maximum annual award that can be granted under the PSP is 350% of base salary. For details of award levels for 2025/26, see **page 99**.

Performance Share Plan	
Measures	Awards vest based on financial, non-financial and/or strategic performance conditions which are aligned to the Company's strategic plan (the satisfaction of which is determined by the Committee). At least 50% of the PSP will be based on financial metrics. The current measures are Adjusted diluted EPS (37.5%), Cumulative free cash flow (37.5%) and ESG performance measures (25%). Any substantial or significant change to measures will be subject to shareholder consultation. Up to 25% of the award vests for threshold levels of performance, increasing to 100% of the award for stretching performance. The Committee sets targets each year so that they are stretching and represent value creation for shareholders, while remaining motivational for management.
Change	No change from current policy.

Shareholding requirements	
Guidelines	Tesco operates shareholding guidelines of 400% of base salary for the Group Chief Executive and 300% for the Chief Financial Officer. Executive Directors are required to retain all shares that vest to them, net of any tax liability, whether from the annual bonus, PSP or buyout, until the relevant shareholding guideline is satisfied. The Committee may waive this requirement under certain exceptional personal circumstances. Executive Directors are required to hold 100% of the lower of their shareholding requirement or their actual shareholding at the date of their departure from the Company for two years. They must hold shares covered by the post-cessation shareholding requirement in a corporate sponsored nominee account.
Change	No change from current policy.

Remuneration policy for new hires

When hiring a new Executive Director, the Committee would generally seek to align their remuneration package with the remuneration policy outlined in this section. The Committee will set base salary taking into account all relevant factors including:

- the experience and calibre of the candidate;
- the candidate's current reward opportunity; and
- the jurisdiction from which the candidate was recruited.

Incentive opportunity will be in line with the policy maximums (i.e. a total maximum incentive opportunity of 600% of base salary).

The Committee may make additional awards when appointing an Executive Director to buy out any remuneration terms forfeited on leaving a previous employer. The Committee will look to do so on a like-for-like basis with the awards forfeited, taking account of relevant factors including any performance conditions attached to these awards, the form in which they were granted (e.g. cash or shares) and the time over which they would have vested.

To facilitate buyout awards in the event of recruitment, the Committee may grant awards to a new Executive Director under Listing Rule 9.4.2. This allows awards to be granted to facilitate the recruitment of an Executive Director in unusual circumstances, or under other relevant company incentive plans.

The Company will pay legal fees incurred by any new Executive Directors in respect of their appointment.

If an internal candidate is promoted to the Board, legacy terms and conditions would normally be honoured, including pension entitlements and any outstanding incentive awards.

In the event of the appointment of a new Chair or Non-executive Director, remuneration arrangements will reflect the policy outlined on **page 121**.

Executive Director service agreements and policy on Executive Directors leaving Tesco

When determining leaving arrangements for an Executive Director, the Committee takes any contractual agreements into account, including the provisions of any incentive arrangements, typical market practice and the performance and conduct of the individual.

The following table summarises Tesco's policy in relation to Executive Director service agreements and payments in the event of loss of office:

Provision	Current service agreements
Notice period	Up to 12 months' notice by the Company and by the Executive Director. For new appointments, the Committee reserves the right to vary this period to 24 months for the initial period of appointment, and for the notice period to then revert to up to 12 months after the initial 12 months of employment.
Expiry date	Ken Murphy and Imran Nawaz entered into service agreements with Tesco PLC on 1 October 2019 and 6 October 2020, respectively. These are rolling service agreements with no fixed expiry date. The notice period on termination by the Company or the Executive Director is 12 months.
Termination payments (do not apply if notice is provided, as per the service agreement, or for termination by reason of resignation or unacceptable performance or conduct)	If the Company terminates an Executive Director's agreement without full notice or it is terminated by an Executive Director in response to a serious contractual breach by the Company, then the Executive Director has the right to a termination payment that reflects the unexpired term of the notice. Any termination payment in lieu of notice will be based on base salary and benefits only, plus any statutory rights. Termination payments will normally be subject to mitigation and paid in instalments. The Company's obligation to continue making phased termination payments will cease when the Executive Director commences alternative employment.

Corporate governance report continued

Directors' remuneration report continued

Provision	Current service agreements
Other information	The Committee may require an Executive Director to work during their notice period, or may choose to place them on garden leave. The Committee may determine that an Executive Director may remain eligible to receive a pro-rata bonus for the financial year in respect of the period they worked, taking into account performance achieved, if they leave as a good leaver (as defined in the leaver provisions for share plans, below). The Committee will take into account time in active employment and performance to determine the level of bonus. The Committee may make payments in connection with an existing or threatened legal obligation or in respect of any claim related to the cessation of employment. This includes fees for outplacement assistance, legal and/or professional advice. The Company may reimburse the Executive Director for reasonable legal expenses if they leave by mutual consent. Directors' and Officers' liability insurance for a specified period following the Executive Director's termination date may be provided. Where an Executive Director has been recruited from overseas, the Company may pay for repatriation.

Shareholders can view service agreements of the Executive Directors at the Company's registered office.

Share plan rules – leaver provisions

The relevant share plan rules govern the treatment of outstanding share awards when an Executive Director leaves. The following table summarises leaver provisions under the executive share plans for good leavers. All awards will normally lapse except for good leavers. In specific circumstances, however, the Committee may exercise its discretion to modify the policy outlined to the extent that the rules of the share plan allow this. The Committee will not exercise discretion to allow awards to vest where the participant is dismissed for gross misconduct. Where an Executive Director leaves as a result of summary dismissal, they will forfeit outstanding share incentive awards.

Good leavers are those who have left the Company due to injury, ill-health or disability, death, redundancy, retirement, the entity which employs them ceasing to be part of the Group, taking into account the circumstances of the departure and performance, or any other reason determined by the Committee.

Deferred bonus plan awards	Unvested awards vest at cessation. The Committee has discretion to defer vesting to the normal vesting date.
Long term incentive plan awards	Unvested awards normally vest on the normal date, pro-rated for time and take into account performance achieved. In the event of retirement, the Committee has the right to lapse awards granted since February 2019 if the former Executive Director is employed in a substantive role prior to the vesting of the award. On vesting, shares will be subject to a two-year holding period. Shares in the holding period will continue to be held until the end of the two-year holding period. In the event of death, however, shares will be released to the estate.
All-employee share plans	Leaver provisions under all-employee share plans are determined in accordance with HMRC-approved provisions.

Other vesting circumstances

Awards may also vest early to the extent determined by the Committee if:

- a participant is transferred to another country, making them suffer a tax disadvantage or become subject to restrictions on their award; or
- in the event of a takeover, winding-up or other corporate event affecting the Company, which may affect the value of share awards (such as a demerger or dividend in specie).

The Committee will determine the number of shares under an award that vest in these circumstances. In the case of PSP awards, the Committee will consider performance and the time elapsed since grant when determining the level of vesting. Awards will vest in full in the case of deferred annual bonus share awards.

Information supporting the policy table

Dividend equivalents

Dividend equivalents are payable on deferred annual bonus and PSP awards that vest, usually in the form of additional shares.

Discretion in relation to incentive plans

The Committee retains discretion regarding the annual bonus and PSP plans. This relates to:

- the timing, size and type of awards and holding periods, subject to policy maximums, and the annual setting of targets;
- circumstances where qualitative performance measures are used, when performance against those measures is not in line with the Group's overall financial or strategic performance over the performance period;
- the adjustment of targets and measures if events occur which cause the Committee to determine it is appropriate to do so. The Committee also retains the right to change performance measures and the weighting of measures, in circumstances including:
  - following feedback from regulators, shareholders and/or other stakeholders; and
  - amending the plan rules in accordance with their terms and/or amending the basis of operation (including but not limited to the approach in respect of dividend equivalents);
- the exercise of discretion in accordance with the rules, including in relation to whether or not malus or clawback provisions would apply, in connection with recruitment, or terminations of employment, or corporate events affecting the Company; and
- adjustments required in certain circumstances (e.g. rights issues, corporate restructuring events, special dividends and other corporate actions).

The Committee will disclose any exercise of discretion in accordance with regulatory requirements.

Malus and clawback provisions

The Committee has the discretion to scale back deferred share awards and PSP awards prior to the satisfaction of such awards if:

- results are materially misstated;
- the participant has contributed to serious reputational damage to the Company or one of its business units;
- the participant's conduct has amounted to serious misconduct, fraud, dishonesty, a breach of the Code of Business Conduct or material wrongdoing;
- the determination of the vesting or value of an award has been affected by an underlying incorrect figure in the financial statements; or
- an error or miscalculation in determining the vesting or value of an award is identified.

Corporate governance report continued

Directors’ remuneration report continued

Under malus, deferred share awards and unvested PSP awards can be reduced (including down to zero) or be made subject to additional conditions. Clawback allows for the repayment of cash bonuses previously paid up for a period of three years and PSP awards for a period of two years after the vesting date. The malus and clawback periods are purposefully designed to align with respective deferral, vesting and holding periods. These are considered appropriate timeframes to review whether any trigger events have occurred under the malus and clawback provisions.

There are robust mechanisms in place to ensure that these malus and clawback provisions are enforceable.

Timing of target disclosure

Targets for the PSP are disclosed on or before the grant date of the award. Targets and performance against these for the annual bonus are disclosed in the year following the start of the performance period.

Terms of share awards

The Committee may amend the terms of awards or the rules of share plans within the scope defined in the rules of the plans.

For share awards, the number of shares subject to an award may be adjusted in the event of a variation of the Company’s share capital or a demerger, delisting, special dividend, rights issue or other event, which may, in the Committee’s opinion affect the current or future value of awards.

The Committee may amend performance targets in accordance with the terms of an award or if a transaction or event occurs which causes the Committee to decide (taking into account the interests of shareholders) that an amended performance condition would be more appropriate, would continue to achieve the original purpose and would be no less challenging to achieve.

Payments outside of the policy

The Committee reserves the right to make any remuneration payments and payments for loss of office (including exercising any discretions available to it in connection with such payments) notwithstanding that they are not in line with the proposed remuneration policy set out in this report, where the terms of the payment were agreed (i) before the policy came into effect, or (ii) at a time when the relevant individual was not a Director of the Company and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a Director of the Company. For these purposes, ‘payments’ includes the Committee satisfying awards of variable remuneration, and an award in shares is ‘agreed’ at the time the award is granted.

External appointments

Executive Directors are permitted to hold one approved non-executive directorship of another company and to retain the fees earned from such an appointment.

Remuneration policy for Non-executive Directors

Approach to setting fees	Basis of fees	Other items

– Fees for the Non-executive Chair and Non-executive Directors are set at an appropriate level to recruit and retain Directors of a sufficient calibre to guide and influence Board-level decision making without paying more than is necessary.
– Fees are set taking into account the following factors:
  – the time commitment required to fulfil the role; and
  – typical practice at other companies of a similar size and complexity to Tesco.
– Non-executive Directors’ fees are set by the Board and the Chair’s fee is set by the Committee (the Chair does not take part in any discussion about their fees).
– Fees are reviewed by the Board and the Committee at appropriate intervals.
– Fees paid to the Non-executive Chair and Non-executive Directors may not exceed the aggregate limit set out in the Company’s Articles of Association.
	– Our Non-executive Director fees policy is to pay:
	  – a basic fee for membership of the Board;
	  – an additional fee for the Chair of a Committee and the Senior Independent Director to take into account the additional responsibilities and time commitment of the role;
	  – an additional fee for membership of a Committee to take into account the additional responsibilities and time commitment of the role; and
	  – additional fees to reflect additional Board or Committee responsibilities as appropriate.
	– The Non-executive Chair receives an all-inclusive fee for the role.
	– Where significant travel is required to attend Board meetings, additional fees may be paid to reflect this additional time commitment.
		– The Non-executive Directors are not entitled to participate in the annual bonus, PSP or Long Term Incentive Plan.
		– The Non-executive Directors have the benefit of Directors’ and Officers’ liability insurance, provision of an indemnity and colleague discount on the same basis as colleagues. The Board may introduce additional benefits for Non-executive Directors if it is considered appropriate to do so.
		– The Non-executive Chair may have the benefit of a company car and driver, home security, colleague discount and family healthcare. The Committee may introduce additional benefits for the Non-executive Chair if it is considered appropriate to do so.
		– The Company may reimburse the Non-executive Chair and Non-executive Directors for reasonable expenses in connection with the performance of their duties and may settle any tax incurred in relation to these.
		– The Company will pay reasonable legal fees for advice in relation to terms of engagement.
		– If a Non-executive Director is based overseas, then the Company would meet travel and accommodation expenditure as required to fulfil non-executive duties and may settle any tax incurred in relation to these.

Corporate governance report continued
Directors' remuneration report continued

Non-executive Director letters of appointment

Non-executive Directors have letters of appointment setting out their duties and the time commitment expected. Appointments are for an initial period of three years after which they are reviewed. Details of Non-executive Directors' dates of appointments and length of service can be found on **page 113**. In line with the UK Corporate Governance Code, all Non-executive Directors submit themselves for re-election by shareholders every year at the annual general meeting. All Non-executive Directors' appointments can be terminated by either party without notice. Non-executive Directors have no entitlement to compensation on termination. Shareholders can view Non-executive Directors' letters of appointment at the Company's registered office.

Scenarios for future total remuneration

The charts to the right provide an illustration of what could be received by each Executive Director under the new remuneration policy in 2025/26. These charts are illustrative as the actual value will depend on business performance and share price performance. The maximum performance also includes an additional bar which shows the impact of a 50% share price growth on the PSP outcome over the relevant performance period, to show how the package value is aligned to shareholders.

Remuneration assumptions

Minimum	Fixed pay only – base salary, benefits and pension.
On target	Includes fixed pay, 50% of the maximum annual bonus (equal to 125% of salary for the CEO and CFO) and 62.5% vesting of the PSP (equal to 172% of salary for the CEO and CFO).
Maximum	Includes fixed pay, maximum annual bonus payout (equal to 250% of salary for the CEO and CFO) and 100% vesting of the PSP (equal to 275% of salary for the CEO and CFO).
Maximum with share price increase	All elements the same as the maximum but assumes a 50% increase in share price.

Illustrative total remuneration scenarios

Statement of Directors' responsibilities.

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors are required to prepare the Group financial statements in accordance with UK-adopted international accounting standards and applicable UK law. The financial statements also comply with International Financial Reporting Standards (IFRSs) as issued by the IASB. The Directors have also chosen to prepare the Parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard (FRS) 101 Reduced Disclosure Framework. Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing the Parent Company financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

In preparing the Group financial statements, International Accounting Standard 1 requires that Directors:

- Properly select and apply accounting policies;
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- Make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company, and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions. Each of the serving Directors, whose names and functions are set out on **pages 56 to 58**, confirms that, to the best of their knowledge:

- The financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- The Strategic report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- The Annual Report and Financial Statements 2025, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

By order of the Board,

Ken Murphy
Group Chief Executive
9 April 2025

Did you know:

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Report on the audit of the financial statements.

1. Opinion

In our opinion:

- the financial statements of Tesco PLC (the Parent Company) and its subsidiaries (the Group) give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 22 February 2025 and of the Group's profit for the 52 week period then ended;
- the Group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 'Reduced Disclosure Framework'; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the Group income statement;
- the Group statement of comprehensive income/(loss);
- the Group and Parent Company balance sheets;
- the Group and Parent Company statements of changes in equity;
- the Group cash flow statement; and
- the related **Notes 1 to 34** of the Group financial statements and **Notes 1 to 16** of the Parent Company financial statements.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and United Kingdom adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services provided to the Group and Parent Company for the year are disclosed in **Note 4** (Operating expenses) to the financial statements. We confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the Group or the Parent Company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters

The key audit matters that we identified in the current year were:
- store impairment review;
- recognition of commercial income;
- pension valuation; and
- retail technology environment.

Within this report, key audit matters are identified as follows:

N Newly identified	↑ Increased level of risk	↔ Similar level of risk	↓ Decreased level of risk

Materiality

The materiality that we used for the Group financial statements was £125m (2023/24: £115m) which was determined on the basis of 4.67% (2023/24: 4.92%) of total adjusted profit before tax, from both continuing and discontinued operations, (including net pension finance income/(cost)) as described further on **page 129**.

Scoping

Our scoping provides audit coverage of 97% (2023/24: 97%) of revenue from continuing operations, 94% (2023/24: 92%) of profit before tax from continuing operations and 94% (2023/24: 92%) of total assets.

In relation to discontinued operations we performed an audit of the entire financial information covering 100% of revenue and operating profit.

Significant changes in our approach

Due to the completion of the disposal of the Group's Banking operations during the year, our 2024/25 report no longer includes the following key audit matters:

- Tesco Bank loan impairment; and
- Disposal of Banking operations.

Following the completion of the disposal of the Banking operations, the inherent risks and significant judgements related to both Tesco Bank loan impairment and the disposal itself are no longer present and there were no additional significant judgements or considerations on the completion of the disposal.

There are no other significant changes in our approach in comparison to the prior year.

4. Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the Directors' assessment of the Group's and Parent Company's ability to continue to adopt the going concern basis of accounting included:

- obtaining confirmation for the financing facilities including nature of facilities, repayment terms and any covenants to assess that these facilities remain available at year end;
- assessing the reasonableness of the assumptions used in the Group's funding plan approved by the Board;
- testing the mechanical accuracy used to prepare the forecasts including obtaining an understanding of relevant controls over the Group's model;
- reviewing the liquidity forecast and undertaking sensitivities to assess whether there is sufficient headroom;
- challenging the assumptions used within the Group's going concern model by obtaining third-party and market data and evaluating any differences between this data and the judgement and assumptions used;
- evaluating the historical accuracy of forecasts prepared by the Group;
- considering the mitigating factors identified by the Group in relation to their going concern analysis;
- assessing the compliance with capital and liquidity requirements for the insurance and money services (IMS) business; and
- assessing the appropriateness of the Group's disclosure concerning the going concern basis.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and Parent Company's ability to continue as a going concern for a period of at least 12 months from when the financial statements are authorised for issue.

In relation to the reporting on how the Group has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. Store impairment review

Key audit matter description

As described in **Note 1** (Accounting policies, judgements and estimates), **Note 12** (Property, plant and equipment) and **Note 13** (Leases) of the financial statements, the Group held £17,262m (2023/24: £17,221m) of property, plant and equipment and £5,569m of right of use assets (2023/24: £5,478m) at 22 February 2025.

Under IAS 36 'Impairment of Assets', the Group is required to complete an impairment review of its store portfolio where there are indicators of impairment or impairment reversal. Judgement is required in identifying indicators of impairment charges or reversals and estimation is required in determining the recoverable amount of the Group's store portfolio.

Where a review for impairment, or reversal of impairment, is conducted, the recoverable amount is determined based on the higher of 'value in use' or 'fair value less costs of disposal'.

Value in use has been calculated using probability-weighted cash flows reflecting the Group's best estimate of the impact of the economic environment and climate change on the future trading performance of the Group. Further details of the probability-weighted cash flows are set out in **Note 15** (Impairment of non-current assets) of the financial statements.

The Group estimates the fair value less costs of disposal of the stores with the assistance of independent professional valuers. External valuations are obtained for a sample of stores, the results of which are then used by the Group's in-house experts to determine the fair value of the other properties. Further details of the basis for the valuation are set out in **Note 15**.

The key audit matter relates specifically to the UK trading store portfolio which represents 90% of the Group's property, plant and equipment and 85% of the Group's right of use asset balances.

In making their assessment of value in use and fair value less costs of disposal, the Group has considered the impact of the macroeconomic trading environment (including the impact of Government policies, changes to prices of goods for resale and fluctuations in interest rates and inflation) on forecast cash flows and property fair values where conditions existed at the balance sheet date.

Independent auditor's report to the members of Tesco PLC continued

5.1. Store impairment review continued

The Group's impairment review is sensitive to changes in the key assumptions as set out in **Note 15**. Significant judgement is required to forecast store cash flows which are derived from the Board-approved Long Term Plan (LTP) and also in relation to capital and restructuring adjustments made to the LTP cash flows so that the impairment model cash flows comply with IAS 36. In particular, the impairment model is sensitive to changes to the Year 3 cash flow as this cash flow is discounted into the long term in the value in use calculation.

Key areas of judgement in the cash flow forecasts include the ability of the Group to achieve their forecasts in light of changing consumer patterns, the ongoing competitive retail environment and the Group's ability to realise forecast cost savings.

Other areas of key estimation in the store impairment review are as follows:

- the probability applied to each cash flow scenario in calculating the probability-weighted cash flows;
- the discount rate and long-term growth rate used to determine value in use from the probability-weighted cash flows; and
- the fair value of properties supporting the carrying value of store assets, in particular in response to the changing retail and broader property landscape.

The LTP is prepared on a top-down basis and not at an individual store level. The Group perform an exercise to allocate forecast performance across individual stores within the portfolio ensuring cash flows derived from the LTP are in accordance with IAS 36. This increases the complexity and level of judgement within the impairment model.

As a result of the Group's store impairment review completed during the year, a net impairment loss of £298m (2023/24: impairment reversal of £28m) was recognised. This includes an impairment charge of £671m (2023/24: £572m) and an impairment reversal of £373m (2023/24: £600m). The sensitivities associated with the Group's impairment review are presented within **Note 15** to the financial statements.

The Audit Committee's discussion of this key audit matter is set out on **page 82**.

How the scope of our audit responded to the key audit matter

Our audit procedures included obtaining an understanding of the relevant controls around the impairment review process, including the budget and forecast setting processes which support the cash flows used in the impairment model.

Our procedures in relation to the Group's value in use assessment included:

- challenging the key assumptions utilised in the cash flow forecasts with reference to historical trading performance, changes to prices of goods for resale, the wider economic environment (including possible macroeconomic impacts of Government policies, fluctuations in interest rates and inflation), anticipated changes in consumer behaviour, competitor actions, our understanding of the Group's strategic initiatives, climate change considerations and our wider industry knowledge;
- reviewing the accuracy of past forecasts of growth rates and future cash flows to assess the level of accuracy of the forecasting process;
- with the involvement of valuation specialists evaluating the Group's inputs to, and the appropriateness of, its discount rate and the validity of its long-term growth rate;
- assessing and challenging the adequacy of the Group's sensitivity analysis in relation to key assumptions that may lead to a significant further impairment charge or reversal. This includes consideration of forecast cash flows (including probability weighted cashflows), discount rates and property fair values, in light of ongoing market volatility due to cost pressures, changing consumer behaviours, fluctuations in inflation and competitor activities;

5.1. Store impairment review continued

- performing testing on all the data inputs and model outputs, along with stand-back assessments to identify unusual trends and understand the factors driving the movement or any indicators of management bias;
- assessing the methodology applied in determining the value in use compared with the requirements of IAS 36, including challenging the appropriateness of excluding certain cash flows contained within the LTP which were determined as not permissible under IAS 36;
- assessing and challenging the reasonableness and weighting of probability scenarios applied to adjust the Group's cash flows; and
- assessing the mechanical accuracy and integrity of the value in use model prepared by the Group, with the assistance of our specialist modelling team.

In relation to the Group's stores where their value is supported by fair value less costs of disposal (rather than value in use), our procedures included challenging the assumptions used by the Group in determining the fair market value, including those completed by external valuers and assessing whether appropriate valuation methodologies have been applied. Where stores are supported by their fair values less costs of disposal but the Group plan to continue to trade in the store, we have challenged the Group as to why the fair value is appropriate in these circumstances. With the involvement of property valuation specialists we have evaluated the fair value less cost of disposal and, as part of our work performed, we have evaluated the competence, capability and objectivity of the Group's valuers.

We also evaluated whether there was appropriate disclosure regarding sensitivities associated with the Group's impairment review.

Key observations

Based on our audit procedures we are satisfied that the assumptions in the impairment models are within an acceptable range, and that the estimate of the Group's net impairment loss is reasonable.

We also consider the disclosures, including the sensitivity disclosure, in **Note 15** to be appropriate.

5.2. Recognition of commercial income

Key audit matter description

As described in **Note 1** (Accounting policies, judgements and estimates) and **Note 21** (Commercial income) of the financial statements, the Group has agreements with suppliers whereby volume-related allowances, promotional and marketing allowances and various other fees and discounts are received in connection with the purchase of goods for resale from those suppliers.

As such, the Group recognises a reduction in cost of sales as a result of amounts received from those suppliers. Commercial income should only be recognised as income within the income statement when the performance conditions associated with it have been met, for example where the underlying product promotions have gone live in stores.

The variety and number of the buying arrangements with suppliers means there is complexity in determining if the performance obligations associated with the income have been satisfied, giving rise to a requirement for management judgement. As such we have identified this as a key audit matter and considered that there was a potential for fraud pinpointed to the possible manipulation of the income for promotional space deal types within the Tesco UK retail business.

The Audit Committee's discussion of this key audit matter is set out on **page 83**.

How the scope of our audit responded to the key audit matter

Our audit procedures included obtaining an understanding of relevant controls that the Group has established in relation to commercial income recognition.

In addition, our procedures included performing the following:

- using data analytics to identify commercial income deals with particular characteristics, such as those related to promotional space, and carried out further procedures on these, including arranging one on one meetings with individual Tesco buyers and third party supplier representatives;
- considering whether amounts recognised were accurate and recorded in the correct period by circularising a sample of suppliers to determine whether the arrangements recorded were in accordance with the terms agreed in advance with the suppliers with regard to the nature, timing and amount of the promotions and deals. We evaluated all supplier confirmation responses and investigated all exceptions reported to us, if any, to determine the effect on reported commercial income or on our confirmation sampling plan. We obtained a 100% response rate from the suppliers in our sample, and therefore we did not need to consider alternative procedures;
- evaluating the year-end accrual for promotional deals to assess whether performance obligations have been fulfilled where they have been invoiced subsequent to year end;
- holding discussions with certain suppliers and members of the Group's buying personnel in order to: further understand relevant arrangements; gain further insights on the impact of economic trends on specific product categories and associated cost prices; discussing the IT applications used to administer and process commercial income deals; and identifying if there are any disputes or other issues that we should be aware of for further investigation;
- testing the completeness of commercial income by evaluating the Group's review and conclusions related to any commercial income deals that were unrecorded and performing analytical procedures to identify deals where performance obligations have been fulfilled but invoicing could not occur due to pending final administrative procedures;

5.2. Recognition of commercial income continued

- testing commercial income balances included within inventories and trade and other receivables, or netted against trade and other payables (as set out in **Note 21**) via balance sheet reconciliation procedures; and
- assessing the appropriateness of the disclosures made in relation to commercial income in the Group's financial statements.

Key observations

Based on our audit procedures we are satisfied that the recognition of commercial income is reasonable. We consider the disclosure given in the financial statements around commercial income provides an appropriate understanding of the types of rebate income received and the impact on the Group's balance sheet.

5.3. Pension valuation

Key audit matter description

As described in **Note 1** (Accounting policies, judgements and estimates) and **Note 29** (Post-employment benefits) of the financial statements, the Group has a defined benefit pension plan in the UK retail business. At 22 February 2025, the Group recorded a net retirement benefit deficit before deferred tax of £251m (2023/24: £635m), comprising plan assets of £11,715m (2023/24: £12,156m) and plan liabilities of £11,963m (2023/24: £12,787m). The net retirement deficit of £251m (2023/24: £635m) before deferred tax comprises schemes in surplus of £56m (2023/24: £22m) and schemes in deficit of £307m (2023/24: £657m).

The valuation of the Group's pension obligations is sensitive to changes in key assumptions and is dependent on market conditions. The key audit matter specifically relates to the key financial and demographic assumptions linked to the valuation of the UK retail pension plan obligations: discount rate, inflation expectations, and mortality assumptions. The setting of these assumptions is complex and requires the exercise of significant management judgement with the support of the Group's actuaries.

The Audit Committee's discussion of this key audit matter is set out on **page 82**.

How the scope of our audit responded to the key audit matter

Our audit procedures included obtaining an understanding of relevant controls in relation to the pension obligation valuation process.

In addition, we involved our actuarial specialists to assess the key actuarial assumptions used, both financial and demographic, and considered the methodology utilised to derive these assumptions. In order to assess and challenge the reasonableness of the Group's discount rate, we independently calculated an appropriate range from available market data and compared this to the Group's rate.

Working with our actuarial specialists, we benchmarked and challenged assumptions used by the Group in determining the value of pension liabilities, particularly focusing on the discount rate, inflation and mortality assumptions. This included comparing the inputs and assumptions used in determining the valuation of the UK retail pension plan to those used in comparable pension plans and our independently assessed benchmarks. As part of our procedures, we considered the incorporation of, and weighting factors applied to, the Continuous Mortality Investigation (CMI) 2023 mortality tables which include the updated 2023 actual mortality experience, with reference to advice the Group has received from its actuaries.

Additionally, we have considered the competence, capability and objectivity of the actuaries engaged by the Group to perform valuations of the relevant plans.

Key observations

Based on our audit procedures we are satisfied that the overall methodology is appropriate, and the key assumptions applied in relation to determining the pension valuation are reasonable.

5.4. Retail technology environment

Key audit matter description

The Group's retail technology environment is complex and a significant element of its financial processes and business operations are dependent on automated processes and controls.

In the current and previous years, we have reported certain IT control deficiencies within the retail IT systems which could have an adverse impact on the Group's controls and financial reporting systems.

The Group has continued to implement its multi-year remediation plan on control deficiencies related to Application User Access Management and Privileged Access Management. IT controls remediation is a complex project which includes the remediation of IT deficiencies across a range of internally and externally hosted systems.

Areas of the Group's remediation programme to which the key audit matter has been pinpointed include:

- appropriateness of remediated access controls across in-scope applications and their supporting infrastructure; and
- whether the remediated controls address previously identified deficiencies.

The Audit Committee's discussion of this key audit matter is set out on **page 84**.

How the scope of our audit responded to the key audit matter

Consistent with previous years, we did not plan to take a control-reliant audit approach in the retail business for the majority of systems due to the previously identified deficiencies in the IT environment and the level of integration and inter-dependencies across the systems.

During the year, we obtained an understanding of relevant controls over the information systems that are important to financial reporting, including the changes made as part of the Group's IT remediation programme. We evaluated the design and implementation of controls which the Group has remediated and tested operating effectiveness on certain systems.

Certain systems are further progressed along the remediation path, with IT controls reliance achieved over a subset of systems this year, allowing us to rely on a number of automated controls within these systems.

Consistent with the prior year, we also extended the scope of our substantive audit procedures in response to the deficiencies which affected the applications and databases within the scope of our audit.

Key observations

The additional substantive audit procedures performed in order to mitigate the risk of material misstatement due to deficiencies in the IT systems within the scope of our audit were completed satisfactorily.

Based on the current work programme, the Group intend to have the majority of IT remediation completed within 2025/26. Our audit plan includes an ongoing programme to test the Group's remediated IT controls relevant to the audit once this has been completed by the Group. As such, we consider the level of risk associated with this key audit matter to have remained consistent with the prior year until these actions are further progressed.

Financial statements continued

Independent auditor's report to the members of Tesco PLC continued

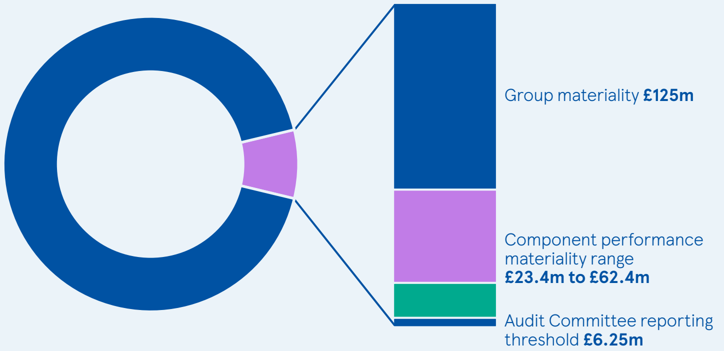
6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent Company financial statements
Materiality	£125m (2023/24: £115m)	£96m (2023/24: £86.25m)
Basis for determining materiality	4.67% (2023/24: 4.92%) of total adjusted profit before tax, from both continuing and discontinued operations, (including net pension finance income/(cost)) of £2,678m (2023/24: £2,337m).	Materiality represents less than 1% of net assets (2023/24: less than 1%).
Rationale for the benchmark applied	We have determined materiality based on 4.67% of total adjusted profit before tax, from both continuing and discontinued operations, (including net pension finance income/(cost)). Adjusting items are defined in **Note 1** and include net pension finance income/(cost). For the purpose of our materiality determination we have excluded net pension finance income/(cost) from adjusting items and therefore increased/(reduced) adjusted profit before tax accordingly. Our determined materiality represents 0.18% (2023/24: 0.17%) of the Group's revenue from continuing operations and 1.1% (2023/24: 1.0%) of net assets. Refer to **Note 5** (Adjusting items) for further details of adjusting items and the Group's reconciliation of this alternative performance measure to the Group's statutory measure.	As this is the Parent Company of the Group, it does not generate significant revenues other than investment returns, but incurs costs. Net assets are of most relevance to users of the financial statements.



6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

	Group financial statements	Parent Company financial statements
Performance materiality	65% (2023/24: 65%) of Group materiality	65% (2023/24: 65%) of Parent Company materiality
Basis and rationale for determining performance materiality	As we continue to be unable to rely on the majority of internal controls in the retail business due to the previously identified deficiencies in the IT environment, consistent with previous years, we have used a lower percentage of materiality to determine our performance materiality for 2024/25. In determining our performance materiality, we have also considered the nature, quantum and volume of corrected and uncorrected misstatements in prior periods, including prior period errors, and our expectation that misstatements from prior periods would not likely recur in the current period.	

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £6.25m (2023/24: £5.75m), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Identification and scoping of components

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level. The Group operates through over 600 legal entities and has subsidiary grocery retail operations in five countries, together with interests in a number of other businesses both in the UK and internationally.

The Group's accounting process is structured around business units managed by local finance functions and further supported by business service centres in Bengaluru, India and Budapest, Hungary which provide accounting and administrative support for the Group's core retail operations. Each local finance function reports through to the central Group finance function based at the Group's head office.

We performed a detailed scoping exercise of each individual account balance, class of transaction and disclosure at a Group level to determine the individual legal entities' contribution to each significant account in the Group financial statements. This has resulted in certain individual legal entities being subject to audit procedures through either an audit of the entire financial information, audit procedures on specified account balances or being subject to specified procedures ("the components subject to audit procedures").

The work performed on the components subject to audit procedures (excluding the Parent Company) was completed to component performance materiality levels between £23.4m and £62.4m (2023/24: £11m and £56m).

Financial statements continued

Independent auditor's report to the members of Tesco PLC continued

Based on our assessment, our audit scope focuses on component entities within five retail locations (UK, Republic of Ireland, Czech Republic, Hungary and Slovakia), Booker and certain material balances within Tesco Personal Finance and Tesco Underwriting. For entities and account balances not subject to audit procedures we performed analytical review procedures to confirm our conclusion that there was no significant risk of material misstatement in the residual population. The components which were subject to audit procedures in the current year represent 97% (2023/24: 97%) of revenue from continuing operations, 94% (2023/24: 92%) of profit before tax from continuing operations and 94% (2023/24: 92%) of total assets. In relation to discontinued operations we performed an audit of the entire financial information covering 100% of revenue and operating profit.

As each of the local finance functions maintains separate financial records, we engaged component auditors from the Deloitte member firms in the UK, Republic of Ireland and Central Europe to perform procedures at all the wholly-owned components under our direction and supervision. This approach also allowed us to engage local auditors who have appropriate knowledge of local regulations to perform the audit work, under a common Deloitte audit approach.

The components subject to audit procedures contribute the proportions of Group totals shown below.

Revenue from continuing operations

Profit before tax from continuing operations

Total assets

At the Group level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit procedures. At the Group level we also performed audit procedures on centrally held balances including treasury, post-employment benefit obligations, head office costs and litigation and claims.

The components that contribute the largest proportion of the significant accounts of the Group are within its retail business in the UK. As such, there is extensive interaction between the Group and the UK audit team to allow appropriate level of direction, supervision and review in this audit work. During the course of our audit, the UK audit team visited 25 (2023/24: 27) retail stores in the UK to attend inventory counts and to complete store control testing procedures, and 9 (2023/24: 7) distribution centre inventory counts.

7.2. Our consideration of the control environment

In the current year our controls approach was principally designed to inform our risk assessment, to allow us to test the operating effectiveness of certain relevant controls, to test controls that address risks of material misstatement for which substantive procedures alone would not provide sufficient appropriate audit evidence and to test the operating effectiveness of controls within processes where a controls reliance approach was taken. The Group's operations utilise a range of information systems which underpin the financial reporting process. These are largely consistent across the retail business. As noted on **page 128**, in most cases, it is not possible to take a controls reliant audit approach in the retail businesses due to the IT deficiencies. For the now disposed Banking operations, and the retained IMS business, there are separate information systems where the same IT deficiencies do not exist and therefore a controls reliant audit approach was taken across certain account balances.

For all of the components that were subject to audit procedures, we obtained an understanding of the relevant IT systems for the purpose of our audit work.

In previous years we reported deficiencies in certain IT controls. As described in the Audit Committee Report on **page 84**, the Group has implemented a remediation plan, progress against which is monitored. Accordingly, consistent with the prior year, we extended the scope of our substantive audit procedures in response to the identified deficiencies.

Further details are set out in the 'Retail technology environment' key audit matter in section 5.4 above.

7.3. Our consideration of climate-related risks

The Group is exposed to the impacts of climate change on its business and operations as highlighted in the Task Force on Climate-Related Financial Disclosures (TCFD) report on **page 36**, the viability statement on **page 50**, the principal risks on **page 40**, and in **Note 15** of the financial statements. The Group has set out their key commitments to reduce Scope 1 and 2 market based emissions by 2025, be carbon neutral across their own operations by 2035 and achieve net zero across their value chain (Scope 3) by 2050.

We engaged with both the central finance and sustainability functions to gain an understanding of the assessment of, and the process undertaken to both identify and quantify, the Group's climate-related risks. We engaged our climate specialists in our assessment to consider broader industry and market-wide practice.

We completed an independent climate-based risk assessment in order to consider the potential impact of climate change on the Group's financial statements, incorporating both business specific knowledge and wider industry awareness, including the extent to which the impact has been included in the Group's forecast financial information. We used this to assess the completeness of the Group's identified risks and to develop audit procedures to respond to these risks, in particular as part of our work in relation to store impairment and long-term viability, as well as considering climate-related risks throughout our risk assessments on each financial statement account balance. Further details of our work in relation to store impairment are set out in the 'Store impairment review' key audit matter in section 5.1 above.

In considering the disclosures presented as part of the Strategic Report, we engaged our climate specialists to assess compliance with the TCFD requirements and the recommendations made by both the Task Force and FRC as set out in their thematic reviews. We also assessed whether these disclosures reflect our understanding of the Group's approach to climate and did not identify any material inconsistencies as a result of these procedures.

7.4. Working with other auditors

The Group audit team issued detailed instructions to the component auditors and visited the component auditors set out above, in addition to the Group's business service centre in Bengaluru where the work performed was overseen by the UK audit team. We had a dedicated audit partner focused on overseeing the role of the component audit teams, so that we applied a consistent audit approach to the operations in the Group's UK and international businesses. We undertook group level account balance risk assessments to determine the identification of significant risks and directed and supervised the components as required.

The audit visits by the Group audit team were timed to enable us to be involved during the planning and risk assessment process in addition to the execution of detailed audit procedures. During our visits we attended key meetings with component management and auditors, directed and supervised the underlying component risk assessments, which we then took ownership of at a group level, and reviewed and challenged detailed component auditor working papers in the underlying audit files and component reporting. In addition, we attended component audit closing calls and held regular remote communication to interact on any related audit and accounting matters which arose.

Additionally, the component audit teams attended two all-day planning meetings in July 2024 led by the Group audit team and held prior to commencement of our detailed audit work. The purpose of these planning meetings was to establish a good level of understanding of the Group's businesses, its core strategy and hold a discussion of the significant risks and workshops on our planned audit approach. Group management also attended part of the meeting to support these planning activities.

8. Other information

The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

9. Responsibilities of directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

10. Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the Group's remuneration policies, key drivers for Directors' remuneration, bonus levels and performance targets;
- the Group's own assessment of the risks that irregularities may occur either as a result of fraud or error;
- the results of our enquiries of management, the internal audit function, the Directors, the Group's Security function and the Group's Compliance Officer, the Group's General Counsel and the Audit Committee about their own identification and assessment of the risks of irregularities, including those that are specific to the sector;
- any matters we identified having obtained and reviewed the Group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations including the Group's controls relating to the Group's ongoing compliance with the Groceries Supply Code of Practice (GSCOP) requirements and the requirements of the United Kingdom's Prudential Regulation Authority (PRA) and Financial Conduct Authority (FCA) in relation to the now disposed Banking operations and the retained IMS business; and
- the matters discussed among the audit engagement team including component audit teams and relevant internal specialists, including IT, tax, valuations, pensions actuarial specialists, and industry specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following area: recognition of commercial income. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the Group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the Group's ongoing compliance with the GSCOP, UK Companies Act, Listing Rules, pensions legislation and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group's ability to operate or to avoid a material penalty. These included the Group's requirements of the United Kingdom's PRA FCA and Solvency II regulations in relation to the now disposed Banking operations and the retained IMS business, employment law, health and safety and food safety laws and regulations.

11.2. Audit response to risks identified

As a result of performing the above, we identified recognition of commercial income as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to the key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the Audit Committee and in-house and external legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence, if any, with HMRC and other relevant regulatory bodies; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and component audit teams, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements.

12. Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and the Parent Company and their environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic report or the Directors' report.

13. Corporate governance statement

The Listing Rules require us to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- the Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on **page 123**;
- the Directors' explanation as to its assessment of the Group's prospects, the period this assessment covers and why the period is appropriate set out on **page 50**;
- the Directors' statement on fair, balanced and understandable set out on **page 53**;
- the Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on **page 40**;
- the section of the Annual Report that describes the review of effectiveness of risk management and internal control systems set out on **page 40**; and
- the section describing the work of the Audit Committee set out on **page 80**.

14. Matters on which we are required to report by exception

14.1. Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

14.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of Directors' remuneration have not been made or the part of the Directors' remuneration report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

15. Other matters which we are required to address

15.1. Auditor tenure

Following the recommendation of the Audit Committee, we were appointed by the Group's shareholders on 25 June 2015 to audit the financial statements for the year ending 27 February 2016 and subsequent financial periods.

The period of total uninterrupted engagement including previous renewals and reappointments of the firm is ten years, covering the years ending 27 February 2016 to 22 February 2025.

15.2. Consistency of the audit report with the additional report to the Audit Committee

Our audit opinion is consistent with the additional report to the Audit Committee we are required to provide in accordance with ISAs (UK).

Independent auditor’s report to the members of Tesco PLC continued

16. Use of our report

This report is made solely to the Company’s members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company’s members those matters we are required to state to them in an auditor’s report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company’s members as a body, for our audit work, for this report, or for the opinions we have formed.

As required by the FCA Disclosure Guidance and Transparency Rule (DTR) 4.1.15R – DTR 4.1.18R, these financial statements will form part of the Electronic Format Annual Financial Report filed on the National Storage Mechanism of the FCA in accordance with DTR 4.1.15R – DTR 4.1.18R. This auditor’s report provides no assurance over whether the Electronic Format Annual Financial Report has been prepared in compliance with DTR 4.1.15R – DTR 4.1.18R. We have been engaged to provide assurance on whether the Electronic Format Annual Financial Report has been prepared in compliance with DTR 4.1.15R – DTR 4.1.18R and will publicly report separately to the members on this.

John Adam (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
9 April 2025

Group income statement

	Notes	52 weeks ended 22 February 2025 Before adjusting items £m	Adjusting items (Note 5) £m	Total £m	52 weeks ended 24 February 2024 Before adjusting items £m	Adjusting items (Note 5) £m	Total £m
Continuing operations							
Revenue from sale of goods and services		69,191	–	69,191	67,673	–	67,673
Insurance revenue	24	725	–	725	514	–	514
Revenue	2, 3	**69,916**	**–**	**69,916**	**68,187**	**–**	**68,187**
Cost of sales		(63,886)	(319)	(64,205)	(62,832)	(4)	(62,836)
Insurance service expenses	24	(598)	–	(598)	(454)	–	(454)
Net expenses from reinsurance contracts held	24	(62)	–	(62)	(48)	–	(48)
Gross profit/(loss)		**5,370**	**(319)**	**5,051**	**4,853**	**(4)**	**4,849**
Administrative expenses		(2,242)	(98)	(2,340)	(2,024)	(4)	(2,028)
Operating profit/(loss)	2	**3,128**	**(417)**	**2,711**	**2,829**	**(8)**	**2,821**
Share of post-tax profit/(loss) of joint ventures and associates	14	(4)	–	(4)	6	–	6
Finance income	6	254	–	254	267	–	267
Finance costs	6	(790)	44	(746)	(825)	20	(805)
Profit/(loss) before tax from continuing operations		**2,588**	**(373)**	**2,215**	**2,277**	**12**	**2,289**
Taxation	7	(690)	79	(611)	(593)	68	(525)
Profit/(loss) for the year from continuing operations		**1,898**	**(294)**	**1,604**	**1,684**	**80**	**1,764**
Discontinued operations							
Profit/(loss) for the year from discontinued operations	8	91	(65)	26	56	(628)	(572)
Profit/(loss) for the year		**1,989**	**(359)**	**1,630**	**1,740**	**(548)**	**1,192**
Attributable to:							
Owners of the parent		1,985	(359)	1,626	1,736	(548)	1,188
Non-controlling interests		4	–	4	4	–	4
		1,989	**(359)**	**1,630**	**1,740**	**(548)**	**1,192**
Earnings per share from continuing and discontinued operations							
Basic	10			23.79p			16.74p
Diluted	10			23.51p			16.56p
Earnings per share from continuing operations							
Basic	10			23.41p			24.80p
Diluted	10			23.13p			24.53p

The notes on **pages 141 to 211** form part of these financial statements.

Group statement of comprehensive income/(loss)

	Notes	52 weeks ended 22 February 2025 £m	52 weeks ended 24 February 2024 £m
Items that will not be reclassified to the Group income statement			
Change in fair value of financial assets at fair value through other comprehensive income		4	–
Remeasurements of defined benefit pension schemes	29	387	(251)
Net fair value gains/(losses) on inventory cash flow hedges		7	(38)
Tax on items that will not be reclassified	7	(95)	62
		303	**(227)**
Items that may subsequently be reclassified to the Group income statement			
Change in fair value of financial assets at fair value through other comprehensive income		14	16
Currency translation differences:			
Retranslation of net assets of overseas subsidiaries, joint ventures and associates		(89)	(157)
Impact of net investment hedges		33	41
Gains/(losses) on cash flow hedges:			
Net fair value gains/(losses)		33	25
Reclassified and reported in the Group income statement		(71)	(56)
Finance income/(expenses) from insurance contracts issued	24	–	(4)
Finance income/(expenses) from reinsurance contracts held	24	1	1
Tax on items that may be reclassified	7	6	(6)
		(73)	**(140)**
Total other comprehensive income/(loss) for the year		**230**	**(367)**
Profit/(loss) for the year		1,630	1,192
Total comprehensive income/(loss) for the year		**1,860**	**825**
Attributable to:			
Owners of the parent		1,858	820
Non-controlling interests		2	5
Total comprehensive income/(loss) for the year		**1,860**	**825**
Total comprehensive income/(loss) attributable to owners of the parent arising from:			
Continuing operations		1,832	1,392
Discontinued operations	8	26	(572)
		1,858	**820**

The notes on **pages 141 to 211** form part of these financial statements.

Group balance sheet

	Notes	22 February 2025 £m	24 February 2024 £m
Non-current assets			
Goodwill and other intangible assets	11	5,087	5,066
Property, plant and equipment	12	17,262	17,221
Right of use assets	13	5,569	5,478
Investment property		24	24
Investments in joint ventures and associates	14	110	102
Other investments	16	934	1,546
Trade and other receivables	18	158	36
Reinsurance contract assets	24	124	125
Derivative financial instruments	26	663	781
Post-employment benefit surplus	29	56	22
Deferred tax assets	7	47	32
		30,034	**30,433**
Current assets			
Other investments	16	151	206
Inventories	17	2,768	2,635
Trade and other receivables	18	1,210	1,349
Derivative financial instruments	26	172	55
Current tax assets		27	110
Short-term investments	19	2,223	2,128
Cash and cash equivalents	19	2,255	2,340
		8,806	**8,823**
Assets of the disposal group and non-current assets classified as held for sale	8	50	7,783
		8,856	**16,606**
Current liabilities			
Trade and other payables	20	(10,364)	(10,264)
Borrowings	22	(1,861)	(1,536)
Lease liabilities	13	(618)	(584)
Provisions	23	(300)	(306)
Insurance contract liabilities	24	(652)	(526)
Deposits from central bank	25	–	(108)
Derivative financial instruments	26	(12)	(25)
Current tax liabilities		(13)	(1)
		(13,820)	**(13,350)**
Liabilities of the disposal group classified as held for sale	8	–	(7,122)
Net current liabilities		**(4,964)**	**(3,866)**

	Notes	22 February 2025 £m	24 February 2024 £m
Non-current liabilities			
Trade and other payables	20	(40)	(39)
Borrowings	22	(5,089)	(5,683)
Lease liabilities	13	(7,098)	(7,038)
Provisions	23	(166)	(175)
Deposits from central bank	25	–	(800)
Derivative financial instruments	26	(205)	(241)
Post-employment benefit deficit	29	(307)	(657)
Deferred tax liabilities	7	(503)	(269)
		(13,408)	**(14,902)**
Net assets		**11,662**	**11,665**
Equity			
Share capital	30	426	445
Share premium		5,165	5,165
Other reserves	30	3,140	3,131
Retained earnings		2,935	2,930
Equity attributable to owners of the parent		**11,666**	**11,671**
Non-controlling interests		(4)	(6)
Total equity		**11,662**	**11,665**

The notes on **pages 141 to 211** form part of these financial statements.

Ken Murphy **Imran Nawaz**
Directors

The financial statements on **pages 135 to 211** were approved and authorised for issue by the Directors on 9 April 2025.

Group statement of changes in equity

	Notes	Share capital £m	Share premium £m	Other reserves (Note 30) £m	Retained earnings £m	Total £m	Non-controlling interests £m	Total equity £m
At 24 February 2024		**445**	**5,165**	**3,131**	**2,930**	**11,671**	**(6)**	**11,665**
Profit/(loss) for the year		**–**	**–**	**–**	**1,626**	**1,626**	**4**	**1,630**
Other comprehensive income/(loss)								
Retranslation of net assets of overseas subsidiaries, joint ventures and associates		–	–	(89)	–	(89)	–	(89)
Impact of net investment hedges		–	–	33	–	33	–	33
Change in fair value of financial assets at fair value through other comprehensive income		–	–	–	18	18	–	18
Remeasurements of defined benefit pension schemes	29	–	–	–	387	387	–	387
Gains/(losses) on cash flow hedges		–	–	40	–	40	–	40
Cash flow hedges reclassified and reported in the Group income statement		–	–	(69)	–	(69)	(2)	(71)
Finance income/(expenses) from reinsurance contracts held		–	–	1	–	1	–	1
Tax relating to components of other comprehensive income	7	–	–	7	(96)	(89)	–	(89)
Total other comprehensive income/(loss)		**–**	**–**	**(77)**	**309**	**232**	**(2)**	**230**
Total comprehensive income/(loss)		**–**	**–**	**(77)**	**1,935**	**1,858**	**2**	**1,860**
Transfer from translation reserve to retained earnings		**–**	**–**	**36**	**(36)**	**–**	**–**	**–**
Inventory cash flow hedge movements								
(Gains)/losses transferred to the cost of inventory		–	–	(4)	–	(4)	–	(4)
Total inventory cash flow hedge movements		**–**	**–**	**(4)**	**–**	**(4)**	**–**	**(4)**
Transactions with owners								
Own shares purchased for cancellation	30	–	–	(1,016)	–	(1,016)	–	(1,016)
Own shares cancelled	30	(19)	–	1,035	(1,016)	–	–	–
Own shares purchased for share schemes	30	–	–	(204)	–	(204)	–	(204)
Share-based payments	28	–	–	239	(49)	190	–	190
Dividends	9	–	–	–	(865)	(865)	–	(865)
Tax on items charged/(credited) to equity	7	–	–	–	36	36	–	36
Total transactions with owners		**(19)**	**–**	**54**	**(1,894)**	**(1,859)**	**–**	**(1,859)**
At 22 February 2025		**426**	**5,165**	**3,140**	**2,935**	**11,666**	**(4)**	**11,662**

Group statement of changes in equity continued

	Notes	Share capital £m	Share premium £m	Other reserves (Note 30) £m	Retained earnings £m	Total £m	Non-controlling interests £m	Total equity £m
At 25 February 2023		**463**	**5,165**	**3,139**	**3,469**	**12,236**	**(11)**	**12,225**
Profit/(loss) for the year		**–**	**–**	**–**	**1,188**	**1,188**	**4**	**1,192**
Other comprehensive income/(loss)								
Retranslation of net assets of overseas subsidiaries, joint ventures and associates		–	–	(157)	–	(157)	–	(157)
Impact of net investment hedges		–	–	41	–	41	–	41
Change in fair value of financial assets at fair value through other comprehensive income		–	–	–	16	16	–	16
Remeasurements of defined benefit pension schemes	29	–	–	–	(251)	(251)	–	(251)
Gains/(losses) on cash flow hedges		–	–	(14)	–	(14)	1	(13)
Cash flow hedges reclassified and reported in the Group income statement		–	–	(56)	–	(56)	–	(56)
Finance income/(expenses) from insurance contracts issued		–	–	(4)	–	(4)	–	(4)
Finance income/(expenses) from reinsurance contracts held		–	–	1	–	1	–	1
Tax relating to components of other comprehensive income	7	–	–	(4)	60	56	–	56
Total other comprehensive income/(loss)		**–**	**–**	**(193)**	**(175)**	**(368)**	**1**	**(367)**
Total comprehensive income/(loss)		**–**	**–**	**(193)**	**1,013**	**820**	**5**	**825**
Transfer from hedging reserve to retained earnings		**–**	**–**	**44**	**(44)**	**–**	**–**	**–**
Inventory cash flow hedge movements								
(Gains)/losses transferred to the cost of inventory		–	–	79	–	79	–	79
Total inventory cash flow hedge movements		**–**	**–**	**79**	**–**	**79**	**–**	**79**
Transactions with owners								
Own shares purchased for cancellation	30	–	–	(752)	–	(752)	–	(752)
Own shares cancelled	30	(18)	–	770	(752)	–	–	–
Own shares purchased for share schemes	30	–	–	(140)	–	(140)	–	(140)
Share-based payments	28	–	–	184	11	195	–	195
Dividends	9	–	–	–	(777)	(777)	–	(777)
Tax on items charged/(credited) to equity	7	–	–	–	10	10	–	10
Total transactions with owners		**(18)**	**–**	**62**	**(1,508)**	**(1,464)**	**–**	**(1,464)**
At 24 February 2024		**445**	**5,165**	**3,131**	**2,930**	**11,671**	**(6)**	**11,665**

The notes on **pages 141 to 211** form part of these financial statements.

Group cash flow statement

	Notes	52 weeks ended 22 February 2025 £m	52 weeks ended 24 February 2024 £m
Cash flows generated from/(used in) operating activities			
Operating profit/(loss) of continuing operations		**2,711**	**2,821**
Operating profit/(loss) of discontinued operations	8	**35**	**(659)**
Depreciation and amortisation		1,775	1,723
(Profit)/loss arising on sale of property, plant and equipment, investment property, intangible assets, assets classified as held for sale and early termination of leases		1	(53)
(Profit)/loss arising on sale of joint ventures and associates		–	(9)
(Profit)/loss arising on sale of subsidiaries and businesses		–	(12)
Net impairment loss/(reversal) on property, plant and equipment, right of use assets, intangible assets and investment property	15	298	(28)
Impairment loss on other investments		10	–
Net remeasurement loss of non-current assets held for sale	8	64	720
Defined benefit pension scheme payments	29	(30)	(29)
Share-based payments	28	37	78
Fair value movements included in operating profit/(loss)		9	71
(Increase)/decrease in inventories		(141)	(150)
(Increase)/decrease in trade and other receivables and reinsurance assets		(5)	(129)
Increase/(decrease) in trade and other payables and insurance liabilities		158	698
Increase/(decrease) in provisions		(10)	(77)
Increase/(decrease) in deposits from central bank	25	(908)	(72)
Increase/(decrease) in working capital of the Banking operations disposal group		53	(7)
(Increase)/decrease in working capital[a]		(853)	263
Cash generated from/(used in) operations		**4,057**	**4,886**
Interest paid		(769)	(824)
Corporation tax paid		(366)	(223)
Net cash generated from/(used in) operating activities		**2,922**	**3,839**
Cash flows generated from/(used in) investing activities			
Proceeds from sale of property, plant and equipment, investment property, intangible assets and assets classified as held for sale		137	55
Purchase of property, plant and equipment and investment property		(1,247)	(1,108)
Purchase of intangible assets		(292)	(278)
Disposal of subsidiaries, net of cash disposed		–	15
Disposal of Banking operations, net of cash disposed	8	157	–
Acquisition of subsidiaries, net of cash acquired		(46)	(17)
Proceeds from sale of joint ventures and associates		–	9
Increase in loans to joint ventures and associates		(1)	(61)
Investments in joint ventures and associates		(15)	(9)
Dividends received from joint ventures and associates		2	9
Cash inflows from maturing short-term investments – deposits[b]		1,910	1,900
Cash outflows on investing in short-term investments – deposits[b]		(1,771)	(2,432)
(Investments in)/proceeds from other short-term investments[b]		(234)	25
Proceeds from sale of other investments		966	352
Purchase of other investments		(290)	(390)
Interest received		255	249
Cash inflows from derivative financial instruments		29	5
Cash outflows from derivative financial instruments		(1)	(24)
Net cash generated from/(used in) investing activities		**(441)**	**(1,700)**
Cash flows generated from/(used in) financing activities			
Own shares purchased for cancellation	30	(1,016)	(752)
Own shares purchased for share schemes, net of cash received from employees	28	(54)	(93)
Repayment of capital element of obligations under leases		(602)	(627)
Cash outflows exceeding the incremental increase in assets in a property buyback		(92)	(62)
Increase in borrowings		462	1,232
Repayment of borrowings		(809)	(775)
Cash inflows from derivative financial instruments		485	98
Cash outflows from derivative financial instruments		(453)	(102)
Dividends paid to equity owners	9	(864)	(778)
Net cash generated from/(used in) financing activities		**(2,943)**	**(1,859)**
Net increase/(decrease) in cash and cash equivalents		**(462)**	**280**
Cash and cash equivalents at the beginning of the year		1,874	1,565
Effect of foreign exchange rate changes		(13)	29
Cash and cash equivalents, including cash held in the Banking operations disposal group, at the end of the year		**1,399**	**1,874**
Less: Cash held in the Banking operations disposal group		–	(346)
Cash and cash equivalents at the end of the year	19	**1,399**	**1,528**

(a) Comparative (increase)/decrease in working capital has been re-presented to present increase/(decrease) in deposits from central bank and increase/(decrease) in working capital of the Banking operations disposal group separately following the sale of Banking operations. These were previously included in the subsection relating to Tesco Bank. There is no impact on net cash generated from operating, investing, or financing activities, and no impact on any APMs.

(b) Comparative net (investments in)/proceeds from sale of short-term investments has been re-presented as cash inflows from maturing short-term investments – deposits, cash outflows on investing in short-term investments – deposits and (investments in)/proceeds from other short-term investments. There is no impact on net cash generated from operating, investing, or financing activities, and no impact on any APMs.

The notes on **pages 141 to 211** form part of these financial statements.

Notes to the Group financial statements

Note 1 Accounting policies, judgements and estimates

General information

Tesco PLC (the Company) is a public limited company incorporated and domiciled in England and Wales under the Companies Act 2006 (registration number 00445790). The address of the registered office is Tesco House, Shire Park, Kestrel Way, Welwyn Garden City, AL7 1GA, UK.

The main activities of the Company and its subsidiaries (together, the Group) are those of retailing and related services.

Basis of preparation

The consolidated Group financial statements have been prepared in accordance with UK-adopted IFRS. The consolidated Group financial statements are presented in Pounds Sterling, generally rounded to the nearest million. They are prepared on the historical cost basis, except for certain financial instruments, share-based payments and pension assets that have been measured at fair value.

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future, which reflects a period of 18 months from the date of approval of the financial statements, and have concluded that there are no material uncertainties relating to going concern. Thus, they continue to adopt the going concern basis of accounting in preparing the consolidated Group financial statements. The scenarios considered as part of the going concern assessment are consistent with those used in the Longer-term viability statement. Further information on the Group's strong liquidity position is given in the Summary of Net Debt section of the Financial review, and information on committed facilities is provided in **Note 27**.

Unless otherwise stated, the accounting policies set out below have been applied consistently to all periods presented in these consolidated Group financial statements.

Standards, interpretations and amendments that became effective in the current financial year have not had a material impact on the consolidated Group financial statements.

The Group has not applied any standards, interpretations or amendments that have been issued but are not yet effective.

The impact of the following is under assessment:

- IFRS 18 'Presentation and disclosure in financial statements', which will become effective in the consolidated Group financial statements for the financial year ending 26 February 2028, subject to UK endorsement.

Other standards, interpretations and amendments issued but not yet effective are not expected to have a material impact on the consolidated Group financial statements.

Discontinued operations

During the prior financial year, the Board approved a plan to dispose of the Group's regulated Banking operations, which formed the major part of the previous Tesco Bank segment. The disposal of the Banking operations completed on 1 November 2024. The net results of the Banking operations are presented as a discontinued operation in the Group income statement. For further details, refer to **Note 8**.

Segmental reporting

Following the disposal of the Group's Banking operations, the Group no longer presents Tesco Bank as a separate reportable segment. The remaining Insurance and Money Services business previously reported within the Tesco Bank segment have been reclassified to the UK and the Republic of Ireland (UK & ROI) segment, with comparative segmental reporting restated (refer to **Note 2**).

Basis of consolidation

The consolidated Group financial statements consist of the financial statements of the ultimate Parent Company (Tesco PLC), all entities controlled by the Company (its subsidiaries) and the Group's share of its interests in joint ventures and associates, accounted for using the equity method.

The financial year represents the 52 weeks ended 22 February 2025 (prior financial year 52 weeks ended 24 February 2024). For the UK & ROI, the results are for the 52 weeks ended 22 February 2025 (prior financial year 52 weeks ended 24 February 2024), with the exception of Insurance and Money Services. For all other operations (including Insurance and Money Services), the results are for the calendar year ended 28 February 2025 (prior calendar year ended 29 February 2024).

Revenue

Revenue is income arising from the sale of goods and services in the ordinary course of the Group's activities, net of value added taxes. Revenue is recognised when performance obligations are satisfied and control has transferred to the customer. For the majority of revenue streams, there is a low level of judgement applied in determining the transaction price or the timing of transfer of control.

Revenue from sale of goods and services

Sale of goods

The sale of goods represents the vast majority of the Group's revenue. For goods sold in store, and fuel, revenue is recognised at the point of sale. For online or wholesale sales of goods, revenue is recognised on collection by, or delivery to, the customer. Revenue is reduced by a provision for expected returns (refund liability). An asset and corresponding adjustment to cost of sales is recognised for the Group's right to recover goods from customers.

Clubcard (customer loyalty programme)

Clubcard points issued by Tesco when a customer purchases goods are a separate performance obligation providing a material right to a future discount. The total transaction price (sales price of goods) is allocated to the Clubcard points and the goods sold based on their relative standalone selling prices, with the Clubcard points' standalone price based on the value of the points to the customer, adjusted for expected redemption rates (breakage). The amount allocated to Clubcard points is deferred as a contract liability within trade and other payables.

Revenue is recognised as the points are redeemed by the customer. Revenue related to breakage is recognised in line with redemptions, subject to the variable consideration constraint (i.e. provided it is highly probable not to result in a significant reversal of the cumulative revenue recognised), with the remainder recognised on expiry of the points.

Note 1 Accounting policies, judgements and estimates continued

Data science services

The Group generates revenue from the provision of consultancy services (customer data science and analytics), software access and media services through its data science business dunnhumby. Revenue is recognised either over time or at a point in time, with a low level of judgement typically required to determine the transaction price or timing of transfer of benefit to the customer. The Group recognises revenue over time if the customer simultaneously receives and consumes the benefits provided as the service is performed, or performance of the service does not create an asset with an alternative use and the Group has an enforceable right to payment for work to date. For services performed over time, revenue is recognised based on progress in fulfilling the service unless it is provided on a 'stand-ready' basis, in which case revenue is recognised over the period the service is expected to be utilised. Revenue recognised at a point in time is recognised when the relevant performance obligation is satisfied.

Money services

The majority of the fees in respect of money services (including ATMs, travel money and gift cards) are recognised at the point in time at which the transaction with the customer takes place and the service is performed. For services performed over time, payment is generally due and revenue is generally recognised monthly in line with the satisfaction of performance obligations.

Insurance brokerage commission

The Group generates commission income from the sale of white label pet and travel insurance products underwritten by third-party providers, which is recognised on a net basis as such policies are sold, in line with the satisfaction of performance obligations to customers. This is based on commission rates which are independent of the profitability of underlying insurance policies.

The Group also recognises commission income from certain policy renewals at the point the original policies are sold. This is when the Group has satisfied all of its performance obligations in relation to the policy sold and it is considered highly probable that a significant reversal in the amount of revenue recognised will not occur in future periods. This calculation takes into account both estimates of future renewal volumes and renewal commission rates. A contract asset is recognised in relation to this revenue. This is unwound over the remainder of the contract with the customer, in this case being the third-party insurance provider.

The end policyholders have the right to cancel an insurance policy at any time. Therefore, a contract liability is recognised for the amount of any expected refunds due and the revenue recognised in relation to these sales is reduced accordingly. This contract refund liability is estimated using prior experience of customer refunds. The appropriateness of the assumptions used in this calculation is reassessed at each reporting date.

Insurance revenue

Insurance revenue relates to motor and home insurance policies underwritten by the Group's subsidiary, Tesco Underwriting Limited. Refer to the Insurance section below.

Commercial income

Consistent with standard industry practice, the Group has agreements with suppliers whereby volume-related allowances, promotional and marketing allowances and various other fees and discounts are received in connection with the purchase of goods for resale from those suppliers. Most of the income received from suppliers relates to adjustments to a core cost price of a product, and as such is considered part of the purchase price for that product. Sometimes receipt of the income is conditional on the Group performing specified actions or satisfying certain performance conditions associated with the purchase of the product. These include achieving agreed purchases or sales volume targets and providing promotional or marketing materials and activities or promotional product positioning. While there is no standard industry definition, these amounts receivable from suppliers in connection with the purchase of goods for resale are generally termed commercial income.

Commercial income is recognised when earned by the Group, which occurs when all obligations conditional for earning income have been discharged, and the income can be measured reliably based on the terms of the contract. The income is recognised as a credit within cost of sales. Where the income earned relates to inventories which are held by the Group at the reporting date, the income is included within the cost of those inventories and recognised in cost of sales upon sale of those inventories.

Finance income

Finance income is recognised in the Group income statement in the period to which it relates using the effective interest rate method.

Finance costs

Borrowing costs are recognised in the Group income statement in the period in which they occur using the effective interest rate method.

Business combinations and goodwill

The Group accounts for all business combinations by applying the acquisition method. All acquisition-related costs are expensed.

On acquisition, the assets (including intangible assets), liabilities and contingent liabilities of an acquired business are measured at their fair values. Non-controlling interests are stated at the non-controlling interests' proportion of the fair values of the assets and liabilities recognised.

Goodwill arising on consolidation represents the excess of the consideration transferred, plus the amount of any non-controlling interest in the acquiree and the fair value of any previously held equity interest in the acquiree, over the fair value of the net identifiable assets acquired and liabilities assumed. If the consideration is less than the fair value of the Group's share of the net assets and liabilities acquired (i.e. a bargain purchase), the difference is credited to the Group income statement in the period of acquisition.

At the acquisition date, goodwill is recognised as an asset and is allocated to each of the cash-generating units or groups of cash-generating units expected to benefit from the business combination's synergies and to the lowest level at which management monitors the goodwill. Goodwill arising on the acquisition of joint ventures and associates is included within the carrying value of the investment. When disposing of or reorganising part of a cash-generating unit or group of cash-generating units to which goodwill has been allocated, the goodwill is reallocated between the affected operations on the basis of their relative values. On disposal of a business, subsidiary, joint venture or associate, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Cloud software licence agreements

Licence agreements to use cloud software are treated as service contracts and expensed in the Group income statement, unless the Group has both a contractual right to take possession of the software at any time without significant penalty, and the ability to run the software independently of the host vendor. In such cases the licence agreement is capitalised as software within intangible assets.

Costs to configure or customise a cloud software licence are expensed alongside the related service contract in the Group income statement, unless they create a separately identifiable resource controlled by the Group, in which case they are capitalised.

Intangible assets
Intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. They are amortised on a straight-line basis over their estimated useful lives of three to 10 years for software and up to 10 years for customer relationships. Intangible assets with indefinite useful lives, such as pharmacy licences, are not amortised.

Research costs are expensed as incurred. Development expenditure incurred on an individual project is capitalised only if specific criteria are met.

Property, plant and equipment
Property, plant and equipment is carried at cost less accumulated depreciation and accumulated impairment losses. Property, plant and equipment is depreciated on a straight-line basis to its residual value over its anticipated useful economic life:

- freehold buildings – 10 to 40 years; and
- fixtures and fittings, office equipment, and motor vehicles – three to 20 years.

Impairment of non-financial assets
Goodwill is reviewed for impairment at least annually by assessing the recoverable amount of each cash-generating unit, or group of cash-generating units, to which the goodwill relates. For all other non-financial assets, the Group performs impairment testing where there are indicators of impairment. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When the recoverable amount is less than the carrying amount, an impairment loss is recognised immediately in the Group income statement.

Goodwill impairments are not subsequently reversed. Where an impairment loss on other non-financial assets subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of the recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately as a credit to the Group income statement.

Inventories
Inventories comprise goods and development properties held for resale. Inventories are valued at the lower of cost and net realisable value using the weighted average cost basis.

Cash and cash equivalents
Cash and cash equivalents in the Group balance sheet consist of cash at bank and on hand, credit and debit card receivables, demand deposits with banks and short-term highly liquid investments with an original maturity of three months or less, for example short-term deposits, loans and advances to banks, commercial paper and certificates of deposit. Overdrafts are presented in borrowings as they are held under notional pooling arrangements and do not meet the offsetting criteria to be presented net of cash on the balance sheet. Cash and cash equivalents in the Group cash flow statement include overdrafts repayable on demand as they form an integral part of the Group's cash management.

Non-current assets held for sale and discontinued operations
Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are measured at the lower of carrying amount and fair value less costs to sell, with the exception of assets which are scoped out of the measurement requirements of IFRS 5 'Non-current assets held for sale and discontinued operations', for example financial assets, which continue to be measured in accordance with IFRS 9 'Financial instruments'.

Where the carrying amount of a non-current asset or disposal group held for sale exceeds its fair value less costs to sell, a loss is recognised. This is allocated firstly against any goodwill attributable to the disposal group, and then to other non-current assets in the disposal group that are in scope of IFRS 5's measurement requirements. Any excess loss remaining is recognised against the remaining assets of the disposal group as a whole.

A component of the Group that is held for sale or disposed of is presented as a discontinued operation either when it is a subsidiary acquired exclusively with a view to resale; or it represents, or is part of a coordinated plan to dispose of, a separate major line of business or geographical area of operations. The net results of discontinued operations are presented separately in the Group income statement (and the comparatives restated).

Leases
The Group assesses whether a contract is, or contains, a lease at inception of the contract.

The Group as a lessee
A right of use asset and corresponding lease liability are recognised at commencement of the lease.

The lease liability is measured at the present value of the lease payments, discounted at the rate implicit in the lease, or if that cannot be readily determined, at the lessee's incremental borrowing rate specific to the term, country, currency and start date of the lease.

The lease liability is subsequently measured at amortised cost using the effective interest rate method. It is remeasured, with a corresponding adjustment to the right of use asset, when there is a change in future lease payments resulting from a rent review, change in an index or rate such as inflation, or change in the Group's assessment of whether it is reasonably certain to exercise a purchase, extension or break option.

The right of use asset is initially measured at cost, comprising: the initial lease liability; any lease payments already made less any lease incentives received; initial direct costs; and any dilapidation or restoration costs. The right of use asset is subsequently depreciated on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset, and tested for impairment.

Leases of low value assets (value when new less than £5,000) and short-term leases of 12 months or less are expensed to the Group income statement, as are variable payments dependent on performance or usage not arising on a sale and leaseback transaction, 'out of contract' payments and non-lease service components.

The Group as a lessor
Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases, for which rental income is recognised on a straight-line basis over the term of the lease.

Sale and leaseback
Where the Group sells an asset and immediately reacquires use of it by entering into a lease with the buyer, a lease liability is recognised, the associated property, plant and equipment asset is derecognised, and a right of use asset is recognised at the proportion of the carrying value relating to the right retained. Any gain or loss arising relates to the rights transferred to the buyer.

In the cash flow statement, sale and leaseback proceeds received are classified as investing cash flows, unless the proceeds exceed the fair value of the asset sold, in which case the excess proceeds are classified as financing cash flows.

Note 1 Accounting policies, judgements and estimates continued

Property buybacks

A property buyback is where a property that is currently leased is bought back from the landlord. Property buybacks that are a direct purchase of the underlying asset, outside of a corporate wrapper, are viewed as the modification of the lease to include a purchase option, followed by the immediate exercise of that purchase option. The lease liability is settled and the right of use asset forms part of the cost of the property, plant and equipment acquired, and no gain or loss is recognised in the income statement from the property buyback.

Property buybacks inside a corporate wrapper (such as a special purpose vehicle or joint venture structure) that do not meet the definition of a business combination are asset acquisitions. The cost of the asset acquisition includes the cash consideration paid and the carrying values of pre-existing lease contracts and any previously held interests. No gain or loss is recognised in the income statement from the property buyback.

In the cash flow statement, property buyback net proceeds paid are classified as investing cash flows, unless the proceeds exceed the incremental asset purchased (difference between property, plant and equipment recognised and right of use asset derecognised), in which case the excess proceeds are classified as financing cash flows.

Post-employment benefit obligations

For defined benefit plans, obligations are measured at discounted present value and plan assets are recorded at fair value.

The operating and financing costs of such plans are recognised separately in the Group income statement. Service costs are spread systematically over the expected service lives of employees and financing costs are recognised in the periods in which they arise. Actuarial gains and losses are recognised immediately in the Group statement of comprehensive income/(loss).

Payments to defined contribution schemes are recognised as an expense as they fall due.

Taxation

The tax expense included in the Group income statement consists of current and deferred tax.

Current tax is the expected tax payable on the taxable income for the financial year, using tax rates enacted or substantively enacted by the balance sheet date.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised, based on the tax rates that have been enacted or substantively enacted by the balance sheet date.

The tax expense is recognised in the Group income statement, except when it relates to items recognised directly in the Group statement of changes in equity or the Group statement of comprehensive income/(loss), in which case the tax follows the same treatment.

Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax assets and liabilities are offset against each other when there is a legally enforceable right to set off current tax assets against current tax liabilities and they relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to settle current tax assets and liabilities on a net basis.

The Group has applied the Pillar Two income taxes exception in IAS 12, so neither recognises nor discloses information about deferred tax assets and liabilities related to Pillar Two income taxes.

Tax provisions are recognised for uncertain tax positions where a risk of an additional tax liability has been identified and it is probable that the Group will be required to settle that tax. Measurement is dependent on management's expectation of the outcome of decisions by tax authorities in the various tax jurisdictions in which the Group operates. This is assessed on a case-by-case basis using in-house tax experts, professional firms, and previous experience. Refer to **Note 7**.

Foreign currencies

At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated to the functional currency at the rates prevailing at the balance sheet date. Exchange differences are recognised in the Group income statement in the period in which they arise, apart from exchange differences on transactions entered into to hedge certain foreign currency risks, and exchange differences on monetary items forming part of the net investment in a foreign operation.

The assets and liabilities of the Group's foreign operations are translated into Pounds Sterling at exchange rates prevailing at the balance sheet date. Profits and losses are translated at average exchange rates for the relevant accounting periods. Exchange differences arising are recognised in the Group statement of comprehensive income/(loss) and are included in the Group's translation reserve. Such translation differences are recognised as income or expenses in the period in which the operation is disposed of.

Financial instruments

Financial assets and financial liabilities are recognised in the Group balance sheet when the Group becomes party to the contractual provisions of the instrument. Classification and subsequent remeasurement depends on the Group's business model for managing the financial asset and its cash flow characteristics. Financial assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortised cost, and all other financial assets are measured either at fair value through profit or loss or fair value through other comprehensive income.

Trade receivables

Trade receivables are non interest-bearing and are recognised initially at fair value, or at transaction price if there is not a significant financing component. They are subsequently held at amortised cost using the effective interest rate method, less allowance for expected credit losses (ECLs).

Investments

Investments in debt instruments at amortised cost are measured at amortised cost, using the effective interest rate method less allowance for ECLs.

Gains and losses on investments in debt instruments held at fair value through other comprehensive income are recognised directly in other comprehensive income, except for impairment gains and losses, interest income, and foreign exchange gains and losses, which are recognised in the Group income statement. When the debt instrument is derecognised, cumulative amounts in other comprehensive income are reclassified to the Group income statement.

Investments in equity instruments have been irrevocably designated at fair value through other comprehensive income.

Property fund and other investments held at fair value through profit or loss are measured at fair value, with changes in fair value recognised in the Group income statement.

Short-term investments
Short-term investments are liquid financial assets which have an original maturity of 12 months or less. Short-term investments are typically readily available for conversion to cash, but do not meet the criteria for classification as cash equivalents because either their maturity is greater than three months, for example short-term deposits, reverse repurchase agreements, commercial paper, and certificates of deposit, or the risk of changes in value is more than insignificant, for example money market funds.

Impairment of financial assets
The Group assesses on a forward-looking basis the ECLs associated with its financial assets carried at amortised cost and debt instruments carried at fair value through other comprehensive income. The ECLs are updated at each reporting date to reflect changes in credit risk.

The three-stage model for impairment has been applied to investments in debt instruments at amortised cost, investments in debt instruments at fair value through other comprehensive income, short-term investments, and loan receivables from joint ventures and associates. The credit risk is determined through modelling a range of possible outcomes for different loss scenarios, using reasonable and supportable information about past events, current conditions and forecasts of future events and economic conditions and taking into account the time value of money. A 12-month ECL is recognised, unless the credit risk on the financial asset increases significantly after initial recognition, when the lifetime ECL is recognised. The expected lifetime of a financial asset is generally the contractual term.

For trade receivables, contract assets, and lease receivables, the Group applies the simplified approach permitted by IFRS 9, with lifetime ECLs recognised from initial recognition of the receivable. These assets are grouped, based on shared credit risk characteristics and days past due, with ECLs for each grouping determined based on the Group's historical credit loss experience, adjusted for factors specific to each receivable, general economic conditions and expected changes in forecast conditions.

Borrowings
Borrowings and overdrafts are initially recorded at fair value, net of attributable transaction costs. Subsequent to initial recognition, borrowings are held at amortised cost with any difference between proceeds and redemption value being recognised in the Group income statement over the period of the borrowings on an effective interest basis.

Trade payables
Trade payables are non interest-bearing and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Equity instruments
Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Derivative financial instruments and hedge accounting
The Group uses derivative financial instruments to hedge its exposure to foreign exchange, inflation, interest rate, and commodity risks arising from operating, financing and investing activities.

Derivative financial instruments are recognised and stated at fair value. Where derivatives do not qualify for hedge accounting, any gains or losses on remeasurement are immediately recognised in the Group income statement. Where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the hedge relationship and the item being hedged.

Fair value hedging
Derivative financial instruments are classified as fair value hedges when they hedge the Group's exposure to changes in the fair value of a recognised asset or liability. Changes in the fair value of derivatives that are designated as fair value hedges are recognised in the Group income statement within finance income or costs, together with any changes in the fair value of the hedged item that is attributable to the hedged risk.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item is amortised to the Group income statement over the remaining period to maturity.

Cash flow hedging
Derivative financial instruments are classified as cash flow hedges when they hedge the Group's exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability, or a highly probable forecast transaction. The effective element of any gain or loss from remeasuring the derivative designated as the hedging instrument is recognised directly in other comprehensive income and accumulated in the hedging reserve. The ineffective element is recognised immediately in the Group income statement.

Where the hedged item subsequently results in the recognition of a non-financial asset such as inventory, the amounts accumulated in the hedging reserve are included in the initial cost of the asset. For all other cash flow hedges, the amounts accumulated are recognised in the Group income statement when the hedged item or transaction affects the Group income statement.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised or no longer meets the Group's risk management objective. The cumulative gain or loss in the hedging reserve remains until the forecast transaction occurs or the original hedged item affects the Group income statement.

If a forecast hedged transaction is no longer expected to occur, the cumulative gain or loss in the hedging reserve is reclassified to the Group income statement.

Net investment hedging
Financial instruments are classified as net investment hedges when they hedge the Group's net investment in an overseas operation. The effective element of any foreign exchange gain or loss from remeasuring the instrument is recognised directly in other comprehensive income and accumulated in the translation reserve in equity. Any ineffective element is recognised immediately in the Group income statement. Gains and losses accumulated in the translation reserve are reclassified to the Group income statement when the foreign operation is disposed of.

Offsetting financial instruments
Financial assets and liabilities are offset and the net amount reported in the Group balance sheet when there is a current legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Provisions
Provisions are measured at the present value of the risk-adjusted expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money.

Note 1 Accounting policies, judgements and estimates continued

Supplier financing arrangements

Management reviews supplier financing arrangements to determine the appropriate presentation of balances outstanding as trade payables or borrowings, dependent on the nature of each arrangement. Factors considered in determining the appropriate presentation include the commercial rationale for the arrangement, impact on the Group's working capital positions, credit enhancements or other benefits provided to the bank and recourse exposures.

Balances outstanding under the Group's supplier financing arrangements are classified as trade payables, and cash flows are included in operating cash flows, since the financing arrangements are agreed between the supplier and the banks, and the Group does not provide additional credit enhancement nor obtain any working capital benefit from the arrangements. Refer to **Note 20**.

Insurance

Classification of insurance contracts

Contracts under which the Group accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event (the insured event) adversely affects the policyholder or other beneficiary are classified as insurance contracts. These contracts remain insurance contracts until all rights and obligations are extinguished or expire. Insurance contracts may also transfer some financial risk.

Level of aggregation

The level of aggregation for the Group is determined firstly by dividing the business written into motor and home portfolios. Portfolios comprise groups of contracts with similar risks which are managed together. At initial recognition the Group assesses whether the motor and home portfolios are divided further into groups of contracts that are onerous, have no significant possibility of becoming onerous, or are neither.

In determining the level of aggregation, the Group identifies a contract as the smallest 'unit', i.e. the lowest common denominator. No group for level of aggregation purposes shall contain contracts issued more than one year apart.

The Group divides portfolios of reinsurance contracts held applying the same principles.

Insurance contracts issued

Insurance contract liabilities include both a liability for incurred claims (LIC), which represents outstanding claims and incurred but not reported claims and other incurred insurance expenses; and a liability for remaining coverage (LRC), which represents the Group's obligation for insured events related to the unexpired portion of the coverage period. The LRC is measured either using the general measurement model (GMM) or a simplified premium allocation approach (PAA).

The Group applies the PAA to all insurance contracts issued since the acquisition of Tesco Underwriting (TU) in May 2021. The Group qualifies to use this approach as the coverage period of each contract in the group is one year or less. There is no allowance for the time value of money as the premiums are due within one year of the coverage period.

The Group applies the GMM to all issued insurance contracts acquired on the acquisition of TU, as the settlement of these claims and their associated insurance risk will spread over multiple years. The Group has recognised an acquired claims liability as part of the LRC, which is measured at the probability-weighted average of discounted cash flows plus a risk adjustment for non-financial risk, plus any contractual service margin (CSM) if the fulfilment cash flows result in a net inflow. If the fulfilment cash flows result in a net outflow, an onerous loss is recognised in the Group income statement. The risk adjustment reflects the compensation that the Group requires for bearing uncertainty in respect of the amount and timing of the cash flows from non-financial risk, whilst the CSM represents the unearned profit in the contracts relating to services that will be provided under the contracts in the future.

Commission payable to agents and other acquisition costs, which are incurred for acquiring new and renewal insurance business that is primarily related to the production of that business, are deferred and presented as part of the LRC. Such deferred acquisition costs are amortised over the period of insurance contract services on the basis of the passage of time.

The carrying amount of the LRC measured under the GMM is updated at the end of each reporting period to reflect current estimates of the amounts, timing and uncertainty of future cash flows, as well as discount rates and other financial variables.

The Group estimates the LIC as the discounted value of expected fulfilment cash flows related to incurred claims and other incurred insurance expenses, plus an explicit adjustment for non-financial risk. The fulfilment cash flows incorporate, in an unbiased way, all reasonable and supportable information available about the amount, timing and uncertainty of those future cash flows. Estimates of the present value of future cash flows reflect current expectations as at the end of the reporting period and are adjusted for events which have occurred since actuarial valuation.

Future cash flows are assessed by reviewing individual claims data and making an allowance for claims incurred but not yet reported, adjusted for the effect on the claims incurred of both internal and external foreseeable events, such as changes in claims handling procedures, inflation, judicial trends, substantively enacted legislative changes and past experience and trends.

Reinsurance

The Group cedes reinsurance in the normal course of business for the purpose of limiting its net loss potential through the diversification of its risks. Reinsurance ceded includes quota share, excess of loss and adverse development cover contracts. Reinsurance arrangements do not relieve the Group from its direct obligations to its policyholders. Only contracts that give rise to a significant transfer of insurance risk are accounted for as reinsurance contracts.

Reinsurance assets include balances due from reinsurance companies for reinsurance claims. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsured policy.

The Group applies the PAA to all reinsurance contracts that it holds, except for contracts held prior to the acquisition of TU. The PAA is applicable for all reinsurance contracts purchased since the acquisition of TU as the contracts either qualify automatically in having a coverage period of one year or less, or because there is no material difference in their measurement between the PAA and the GMM.

Modification and derecognition of insurance and reinsurance contracts

The Group derecognises insurance and reinsurance contracts when the rights and obligations relating to the contract are extinguished (i.e. discharged, cancelled or expired). When a modification is not treated as a derecognition, the Group recognises amounts paid or received for the modification with the contract as an adjustment to the relevant LRC or asset for remaining coverage.

Presentation of insurance contracts issued and reinsurance contracts held

The Group classifies all insurance contract liabilities as current as it does not have the right to defer settlement beyond 12 months after the reporting date. The Group classifies its reinsurance portfolio as non-current as it does not reasonably expect to realise its reinsurance assets within 12 months of the reporting date.

Notes to the Group financial statements continued

Insurance revenue
The insurance revenue recognised is the amount of expected premium receipts allocated to the period. For insurance contracts issued after the acquisition of TU in May 2021, the Group allocates the expected premium receipts to each period of insurance contract services based on the passage of time.

The insurance revenue recognised for insurance contracts acquired as part of the acquisition of TU comprises:

- claims costs incurred in the period measured at the amounts expected at the beginning of the period;
- changes in the risk adjustment for non-financial risk; and
- the amount of the CSM recognised for services provided in the period.

Insurance service expenses
Insurance service expenses include total claims cost for the period, as well as all directly attributable insurance expenses. There are no acquisition costs for acquired claims. Insurance acquisition cash flows arising from the costs of selling, underwriting and starting a group of insurance contracts are allocated to insurance service expenses based on the passage of time.

Net income or expenses from reinsurance contracts held
The Group separately presents income or expenses from reinsurance contracts held from the expenses or income from insurance contracts issued. The Group presents the income or expenses from a group of reinsurance contracts held as a single amount.

Insurance finance income and expenses
Insurance finance income and expenses comprise the change in the carrying amount of the group of insurance contracts arising from the effect of the time value of money, financial risk and changes in financial risk.

The impact of changes in market interest rates on the carrying value of insurance assets and liabilities is reflected in the Group statement of other comprehensive income in order to minimise accounting mismatches between the accounting for financial assets and insurance assets and liabilities. The Group's financial assets backing both the motor and home insurance portfolios are predominantly measured at fair value through other comprehensive income.

The amount of insurance finance income and expenses recognised in the Group income statement is calculated using the discount rate curve determined at the date of the incurred claim.

Alternative performance measures (APMs)
In the reporting of financial information, the Directors have adopted various APMs. Refer to the Glossary for a full list of the Group's APMs, including comprehensive definitions, their purpose, reconciliations to IFRS measures and details of any changes to APMs.

Judgements and sources of estimation uncertainty
The preparation of the consolidated Group financial statements requires management to make judgements, estimates and assumptions in applying the Group's accounting policies to determine the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis, with revisions to accounting estimates applied prospectively.

Critical accounting judgements
Critical judgements, apart from those involving estimations, which are applied in the preparation of the consolidated Group financial statements are discussed below:

Leases
Management exercises judgement in determining the likelihood of exercising break or extension options in determining the lease term. Break and extension options are included to provide operational flexibility should the economic outlook for an asset be different to expectations, and hence at commencement of the lease, break or extension options are not typically considered reasonably certain to be exercised, unless there is a valid business reason otherwise.

The discount rate used to calculate the lease liability is the rate implicit in the lease, if it can be readily determined, or the lessee's incremental borrowing rate if not. Management uses the rate implicit in the lease where the lessor is a related party (such as leases from joint ventures) and the lessee's incremental borrowing rate for all other leases. Incremental borrowing rates are determined monthly and depend on the term, country, currency and start date of the lease. The incremental borrowing rate is determined based on a series of inputs including: the risk-free rate based on government bond rates; a country-specific risk adjustment; a credit risk adjustment based on Tesco bond yields; and an entity-specific adjustment where the entity risk profile is different to that of the Group.

Refer to **Note 13** for additional disclosures relating to leases.

Joint ventures and associates
The Group has assessed the nature of its joint arrangements under IFRS 11 'Joint arrangements' and determined them to be joint ventures. These assessments required the exercise of judgement as set out in **Note 14**.

APMs – Adjusting items
Adjusting items relate to certain costs or incomes that derive from events or transactions that fall within the normal activities of the Group but which, individually or, if of a similar type, in aggregate, are excluded from the Group's APMs by virtue of their size and nature in order to provide a helpful alternative perspective of the year-on-year trends, performance and position of the Group's trading business that is more comparable over time. This alternative view is consistent with how management views the business, and how it is reported internally to the Board and Executive Committee for performance analysis, planning, reporting, decision-making and incentive-setting purposes.

Management exercises judgement in determining the adjustments to apply to IFRS measurements, and this assessment covers the nature of the item, cause of occurrence and the scale of impact of that item on reported performance and individual financial statement line items, as well as consistency with prior periods. Reversals of previous adjusting items are assessed based on the same criteria to ensure an even-handed treatment of gains and losses. The amount and timing of adjusting items can be unpredictable and subject to a higher level of scrutiny by users of the accounts. Adjusting items can include, but are not limited to: litigation costs; certain impairment charges and reversals; property transactions such as disposals; amortisation of acquired intangibles; changes in uncertain tax positions; restructuring and redundancy costs; profits or losses on disposal of businesses; net pension finance costs; and fair value remeasurements of financial instruments. The tax effect of such items is also classified as adjusting.

The Group income statement is presented in a columnar format to enable users of the accounts to see the Group's performance before adjusting items, the adjusting items, and the statutory total on a line-by-line basis. An analysis of the adjusting items included in the Group income statement, together with the impact of these items on the Group cash flow statement, is disclosed in **Note 5**.

Refer to **pages 228 to 234** for further details on the Group's APMs.

Note 1 Accounting policies, judgements and estimates continued

Key sources of estimation uncertainty

The key assumptions about the future, and other key sources of estimation uncertainty at the reporting period end, that may have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below:

Post-employment benefit obligations

The present value of post-employment benefit obligations is determined on an actuarial basis using various assumptions, including the discount rate, inflation rate and mortality assumptions. Any changes in these assumptions will impact the carrying amount as well as the net pension cost/(income). Key assumptions and sensitivities for post-employment benefit obligations are disclosed in **Note 29**.

Impairment of non-financial assets

The Group evaluates non-current assets for impairment as set out in **Note 15**. The key assumptions and estimates to which the recoverable amounts are most sensitive, the methodology for calculating them and sensitivities are also disclosed in **Note 15**.

Other significant estimates

Other estimates for which management believes there is a limited risk of a material change in the amounts recognised or disclosed in the next financial year are discussed below:

Commercial income

Management is required to make estimates in determining the amount and timing of recognition of commercial income for some transactions with suppliers. In determining the amount of volume-related allowances recognised in any period, management estimates the probability that the Group will meet contractual target volumes, based on historical and forecast performance. There is limited estimation involved in recognising income for promotional and other allowances.

Management assesses its performance against the obligations conditional on earning the income, with the income recognised either over time as the obligations are met, or recognised at the point when all obligations are met, dependent on the contractual requirements. Management views that the cost of inventories sold (which is inclusive of commercial income) provides a consistent and complete measure of the Group income statement impact of the overall supplier relationships.

Management considers the best indicator of the estimation undertaken is by reference to commercial income balances not settled at the balance sheet date, and has therefore provided additional disclosures of commercial income amounts reflected in the Group balance sheet. Refer to **Note 21** for commercial income disclosures.

Note 2 Segmental reporting

The Group's operating segments are determined based on the Group's organisational structure and internal reporting to the Chief Operating Decision Maker (CODM). The CODM has been determined to be the Group Chief Executive, with support from the Executive Committee, as the function primarily responsible for the allocation of resources to segments and assessment of performance of the segments.

As a result of the disposal of the Group's Banking operations, the Group's organisational structure and internal reporting to the CODM have changed and Tesco Bank is no longer presented as a separate reportable segment. The remaining Insurance and Money Services business, previously part of the Tesco Bank segment, is now reported as part of the UK business within the UK & ROI segment. The comparative segmental disclosures have been restated.

The activities of the Group are presented in the following reportable segments:

- UK & ROI – the United Kingdom and Republic of Ireland; and
- Central Europe – Czech Republic, Hungary and Slovakia.

The CODM uses adjusted operating profit, as reviewed at periodic Executive Committee meetings, as the key measure of the segments' results as it reflects the segments' trading performance and aids comparability over time. Adjusted operating profit is a consistent measure within the Group as defined within the Glossary. Refer to **Note 5** for adjusting items. Inter-segment revenue is not material.

Income statement

The segment results and the reconciliation of the segment measures to the respective statutory items included in the Group income statement are as follows:

52 weeks ended 22 February 2025 At constant exchange rates	Notes	UK & ROI £m	Central Europe £m	Continuing operations at constant exchange £m	Foreign exchange £m	Continuing operations at actual exchange £m
Revenue	3	65,667	4,580	70,247	(331)	69,916
Less: Fuel sales		(6,133)	(155)	(6,288)	8	(6,280)
Sales		59,534	4,425	63,959	(323)	63,636
Adjusted operating profit		**3,022**	**116**	**3,138**	**(10)**	**3,128**
Adjusting items	5	(287)	(137)	(424)	7	(417)
Operating profit		**2,735**	**(21)**	**2,714**	**(3)**	**2,711**
Adjusted operating margin		**4.6%**	**2.5%**	**4.5%**		**4.5%**

Included within the UK & ROI segment is £155m (2024: £69m) of adjusted operating profit related to the Insurance and Money Services business. After adjusting items of £(14)m (2024: £(3)m), operating profit is £141m (2024: £66m).

52 weeks ended 22 February 2025 At actual exchange rates	Notes	UK & ROI £m	Central Europe £m	Continuing operations at actual exchange £m
Revenue	3	65,583	4,333	69,916
Less: Fuel sales		(6,133)	(147)	(6,280)
Sales		59,450	4,186	63,636
Adjusted operating profit		**3,016**	**112**	**3,128**
Adjusting items	5	(287)	(130)	(417)
Operating profit		**2,729**	**(18)**	**2,711**
Adjusted operating margin		**4.6%**	**2.6%**	**4.5%**
Share of post-tax profit/(loss) of joint ventures and associates	14			(4)
Finance income	6			254
Finance costs	6			(746)
Profit/(loss) before tax				**2,215**

Notes to the Group financial statements continued

52 weeks ended 24 February 2024 At actual exchange rates	Notes	UK & ROI (restated*) £m	Central Europe £m	Continuing operations at actual exchange £m
Revenue	3	63,691	4,496	68,187
Less: Fuel sales		(6,536)	(174)	(6,710)
Sales		57,155	4,322	61,477
Adjusted operating profit		**2,739**	**90**	**2,829**
Adjusting items	5	16	(24)	(8)
Operating profit		**2,755**	**66**	**2,821**
Adjusted operating margin		**4.3%**	**2.0%**	**4.1%**
Share of post-tax profit/(loss) of joint ventures and associates	14			6
Finance income	6			267
Finance costs	6			(805)
Profit/(loss) before tax				**2,289**

* Comparatives have been restated to reflect the reclassification of Insurance and Money Services from the former Tesco Bank segment to the UK & ROI segment.

Other segment information

The tables below show the Group's total capital expenditure, depreciation and amortisation for continuing operations:

52 weeks ended 22 February 2025	**UK & ROI £m**	**Central Europe £m**	**Total segments £m**
Capital expenditure (including acquisitions through business combinations):			
Property, plant and equipment[(a)]	1,264	98	1,362
Goodwill and other intangible assets[(b)]	332	10	342
Depreciation and amortisation:			
Property, plant and equipment	(850)	(87)	(937)
Right of use assets	(501)	(49)	(550)
Other intangible assets	(276)	(11)	(287)

(a) Includes £1m (2024: £nil) of property, plant and equipment acquired through business combinations. The prior year includes £65m of land and buildings related to obtaining control of The Tesco Coral Limited Partnership.
(b) Includes £56m (2024: £17m) of goodwill and other intangible assets acquired through business combinations.

52 weeks ended 24 February 2024	UK & ROI (restated[(c)]) £m	Central Europe £m	Total segments £m
Capital expenditure (including acquisitions through business combinations):			
Property, plant and equipment[(a)]	1,099	99	1,198
Goodwill and other intangible assets[(b)]	258	12	270
Depreciation and amortisation:			
Property, plant and equipment	(810)	(86)	(896)
Right of use assets	(497)	(46)	(543)
Other intangible assets	(243)	(12)	(255)

(a)-(b) Refer to previous table for footnotes.
(c) Comparatives have been restated to reflect the reclassification of Insurance and Money Services from the former Tesco Bank segment to the UK & ROI segment.

Note 3 Revenue

Continuing operations	Notes	**52 weeks 2025 £m**	52 weeks 2024 £m
UK		53,619	51,718
ROI		2,974	2,891
Booker		8,990	9,082
UK & ROI	2	**65,583**	**63,691**
Hungary		1,445	1,512
Czech Republic		1,471	1,554
Slovakia		1,417	1,430
Central Europe	2	**4,333**	**4,496**
Total Group	2	**69,916**	**68,187**

Note 4 Operating expenses

Auditor’s remuneration

	52 weeks 2025 £m	52 weeks 2024 £m
Fees payable to the Company’s auditor and its associates for the audit of the Company and Group financial statements	4.1	4.3
The audit of the accounts of the Company’s subsidiaries	10.8	10.4
Total audit services	**14.9**	**14.7**
Audit-related assurance services	0.9	0.9
Non-audit services	0.8	0.3
Total non-audit services	**1.7**	**1.2**
Total auditor’s remuneration	**16.6**	**15.9**

Audit-related assurance services of £0.9m (2024: £0.9m) comprise: review of the Group’s interim report £0.6m (2024: £0.6m) and other services £0.3m (2024: £0.3m). In addition to the amounts shown above, the auditor received fees of £0.2m (2024: £0.3m) for the audit of the main Group pension schemes, and fees of £0.5m (2024: £0.4m) for the audit of joint ventures. Non-audit services are subject to approval by the Chief Audit and Risk Officer and the Audit Committee. Additional information on the non-audit services provided by the auditor is provided in the Audit Committee report on **page 88**, including how objectivity and independence are safeguarded.

Employment costs, including Directors’ remuneration

	Notes	52 weeks 2025 £m	52 weeks 2024 £m
Wages and salaries		7,473	6,999
Social security costs		609	548
Post-employment defined benefit charges	29	17	15
Post-employment defined contribution charges	29	454	415
Share-based payments expense	28	136	128
Termination benefits		37	56
Total		**8,726**	**8,161**
Less: Discontinued operations		(110)	(157)
Total continuing operations		**8,616**	**8,004**

Post-employment defined contribution charges include £181m (2024: £166m) of salaries paid as pension contributions.

The table below shows the average number of employees by segment during the financial year.

	Average number of employees		Average number of full-time equivalents	
	2025	2024 (restated[a])	**2025**	2024 (restated[a])
UK & ROI	318,756	313,033	208,650	203,107
Central Europe	22,352	22,359	20,490	20,529
Total continuing operations	**341,108**	**335,392**	**229,140**	**223,636**
Discontinued operations[b]	**2,363**	**2,126**	**2,253**	**2,023**

(a) Comparatives for UK & ROI have been restated to include employees of the continuing Insurance and Money Services business, previously part of the Tesco Bank segment. Refer to **Note 2**.
(b) Discontinued operations for the current year represents the average for eight months to the date of disposal of Banking operations.

Note 5 Adjusting items

Group income statement

Refer to **Note 1** for further details regarding the assessment of items as adjusting.

52 weeks ended 22 February 2025

Profit/(loss) for the year included the following adjusting items:

	Cost of sales £m	Administrative expenses £m	Total adjusting items included within operating profit £m	Finance income/ (costs) £m	Taxation £m	Adjusting items included within discontinued operations £m	Total adjusting items £m
Property transactions[a]	1	1	2	–	–	–	2
Net impairment (loss)/reversal of non-current assets[b]	(274)	(12)	(286)	–	57	–	(229)
Restructuring[c]	(38)	(5)	(43)	–	11	–	(32)
Amortisation of acquired intangible assets[d]	–	(76)	(76)	–	19	–	(57)
Banking operations disposal costs[e]	(8)	(6)	(14)	–	4	–	(10)
Net pension finance income/(costs)[f]	–	–	–	(32)	8	–	(24)
Fair value remeasurements of financial instruments[f]	–	–	–	76	(20)	–	56
Total adjusting items from continuing operations	**(319)**	**(98)**	**(417)**	**44**	**79**	**–**	**(294)**
Adjusting items relating to discontinued operations[g]	–	–	–	–	–	(65)	(65)
Total adjusting items	**(319)**	**(98)**	**(417)**	**44**	**79**	**(65)**	**(359)**

(a) Includes profit of £3m relating to the sale of four malls and the leaseback of the four associated stores in Central Europe. Refer to **Note 8**. In the prior year, predominantly related to the disposal of surplus properties generating a profit before tax of £63m.
(b) Refer to **Note 15** for further details on net impairment (loss)/reversal of non-current assets.
(c) Provisions relating to operational restructuring changes announced as part of 'Save to invest', a multi-year programme which commenced in June 2022. The total cost of the programme recognised as adjusting since its start date is £(275)m (2024: £(232)m). Future cost savings will not be reported within adjusting items.
(d) Amortisation of acquired intangibles relates to inorganic business combinations and does not reflect the Group's ongoing trading performance.
(e) Costs incurred within the continuing Group in relation to the sale of Banking operations.
(f) Net pension finance costs and fair value remeasurements of financial instruments are included within adjusting items, as they can fluctuate significantly due to external market factors that are outside management's control. Refer to **Note 6** for details of finance income and costs. Refer to **Note 29** for details of pension schemes.
(g) Comprises fair value remeasurement of the disposal group of £(64)m (2024: £(732)m) (refer to **Note 8**), separation costs incurred within the disposal Group in relation to the sale of Banking operations of £(23)m (2024: £(11)m) and the associated tax of £22m (2024: £115m).

52 weeks ended 24 February 2024

Profit/(loss) for the year included the following adjusting items:

	Cost of sales £m	Administrative expenses £m	Total adjusting items included within operating profit £m	Finance income/ (costs) £m	Taxation £m	Adjusting items included within discontinued operations £m	Total adjusting items £m
Property transactions	6	69	75	–	(18)	–	57
Disposal of China associate in a prior year	–	9	9	–	23	–	32
Net impairment (loss)/reversal of non-current assets	35	(7)	28	–	38	–	66
Restructuring	(45)	(5)	(50)	–	12	–	(38)
Amortisation of acquired intangible assets	–	(74)	(74)	–	18	–	(56)
Disposal of subsidiary	–	12	12	–	–	–	12
Banking operations disposal costs	–	(8)	(8)	–	–	–	(8)
Net pension finance income/(costs)	–	–	–	(18)	5	–	(13)
Fair value remeasurements of financial instruments	–	–	–	38	(10)	–	28
Total adjusting items from continuing operations	**(4)**	**(4)**	**(8)**	**20**	**68**	**–**	**80**
Adjusting items relating to discontinued operations	–	–	–	–	–	(628)	(628)
Total adjusting items	**(4)**	**(4)**	**(8)**	**20**	**68**	**(628)**	**(548)**

Note 5 Adjusting items continued

Group cash flow statement

The table below shows the impact of adjusting items on the Group cash flow statement:

	Cash flows from operating activities		Cash flows from investing activities		Cash flows from financing activities	
	52 weeks 2025 £m	52 weeks 2024 £m	**52 weeks 2025 £m**	52 weeks 2024 £m	**52 weeks 2025 £m**	52 weeks 2024 £m
Property transactions [(a)]	–	–	130	53	–	–
Disposal of subsidiaries[(b)]	–	–	–	15	–	–
Restructuring[(c)]	(55)	(100)	–	–	–	–
Disposal of China associate	–	–	–	9	–	–
Acquisition of property joint venture	–	–	–	7	–	–
Special dividend	–	–	–	–	–	(1)
Disposal of Banking operations[(d)]	(26)	–	586	–	–	–
Total adjusting items from continuing operations	**(81)**	**(100)**	**716**	**84**	**–**	**(1)**
Adjusting items relating to discontinued operations[(e)]	–	(1)	(429)	–	–	–
Total	**(81)**	**(101)**	**287**	**84**	**–**	**(1)**

(a) Property transactions include £66m proceeds from the sale of four malls and the leaseback of the four associated stores in Central Europe, previously classified as assets held for sale. Refer to **Note 8**. In the prior year, £14m related to the sale of stores in Poland not included in the sale of the corporate business.
(b) In the prior year, the Group disposed of its Booker subsidiary Ritter-Courivaud Limited, part of the UK & ROI segment.
(c) Cash outflows relating to operational restructuring changes as part of the multi-year 'Save to invest' programme, which commenced in June 2022.
(d) Net proceeds from the sale and costs incurred within the continuing Group in relation to the disposal of the Group's Banking operations. Refer to **Note 8**.
(e) The Banking operations disposal group held £429m in cash and cash equivalents at the date of disposal. Refer to **Note 8** for the net book value of assets disposed.

Note 6 Finance income and costs

Continuing operations	Notes	**52 weeks 2025 £m**	52 weeks 2024 £m
Finance income			
Interest income on bank balances		113	133
Interest income on short-term investments		119	117
Interest income on loans to joint ventures and associates		7	2
Interest income on other investments		12	12
Interest income on net investment in leases		1	2
Finance income on reinsurance contracts held		2	1
Total finance income		**254**	**267**
Finance costs			
GBP MTNs and loans		(204)	(190)
EUR MTNs		(82)	(113)
USD bonds		(16)	(15)
Interest expense on lease liabilities*		(370)	(373)
Finance expense on insurance contracts issued		(11)	(7)
Interest expense on bank overdrafts		(97)	(116)
Undrawn committed facility fee		(5)	(5)
Unwind of discount on provision		(5)	(6)
Total finance costs before adjusting items		**(790)**	**(825)**
Fair value remeasurements of financial instruments		76	38
Net pension finance income/(costs)	29	(32)	(18)
Total finance costs		**(746)**	**(805)**
Net finance costs		**(492)**	**(538)**

* Interest expense on lease liabilities is presented net of £7m hedging impact (2024: £nil).

Notes to the Group financial statements continued

Note 7 Taxation

Recognised in the Group income statement

Continuing operations	52 weeks 2025 £m	52 weeks 2024 £m
Current tax (credit)/charge		
UK corporation tax	394	351
Overseas tax	88	71
Adjustments in respect of prior years	(18)	(29)
	464	**393**
Deferred tax (credit)/charge		
Origination and reversal of temporary differences	137	133
Adjustments in respect of prior years	6	(4)
Change in tax rate	4	3
	147	**132**
Total income tax (credit)/charge	**611**	**525**

Reconciliation of effective tax charge

Continuing operations	52 weeks 2025 £m	52 weeks 2024 £m
Profit/(loss) before tax	**2,215**	**2,289**
Tax credit/(charge) at the UK corporation tax rate of 25% (2024: 24.45%)	(554)	(560)
Effect of:		
Non-qualifying depreciation	(41)	(39)
Expenses not deductible	(20)	(24)
Property items taxed on a different basis to accounting entries	–	6
Net impairment (loss)/reversal of non-current assets	(8)	46
Unrecognised tax losses	(3)	–
Differences in overseas taxation rates	11	15
Adjustments in respect of prior years	12	33
Share of profits/(losses) of joint ventures and associates	(1)	2
Change in tax rate	(4)	(3)
Irrecoverable withholding tax	(3)	(1)
Total income tax credit/(charge)	**(611)**	**(525)**
Effective tax rate (statutory)	**27.6%**	**22.9%**

Reconciliation of effective tax charge on adjusted profit before tax

Continuing operations	52 weeks 2025 £m	52 weeks 2024 £m
Profit/(loss) before tax	**2,215**	**2,289**
Exclude: Adjusting items	373	(12)
Adjusted profit before tax	**2,588**	**2,277**
Tax credit/(charge) at the UK corporation tax rate of 25% (2024: 24.45%)	(647)	(557)
Effect of:		
Non-qualifying depreciation	(41)	(39)
Expenses not deductible	(21)	(23)
Unrecognised tax losses	(3)	–
Differences in overseas taxation rates	20	19
Adjustments in respect of prior years	12	10
Share of profits/(losses) of joint ventures and associates	(1)	2
Change in tax rate	(6)	(4)
Irrecoverable withholding tax	(3)	(1)
Total income tax credit/(charge) before adjusting items	**(690)**	**(593)**
Adjusted effective tax rate	**26.7%**	**26.0%**

Tax on items credited directly to the Group statement of changes in equity

Continuing operations	52 weeks 2025 £m	52 weeks 2024 £m
Current tax credit/(charge) on:		
Share-based payments	14	–
Deferred tax credit/(charge) on:		
Share-based payments	22	10
Total tax on items credited/(charged) to the Group statement of changes in equity	**36**	**10**

Notes to the Group financial statements continued

Note 7 Taxation continued

Tax relating to components of the Group statement of comprehensive income/(loss)

Continuing operations	52 weeks 2025 £m	52 weeks 2024 £m
Current tax credit/(charge) on:		
Pensions	–	159
Deferred tax credit/(charge) on:		
Pensions	(93)	(95)
Fair value of movement on financial assets at fair value through other comprehensive income	(3)	(4)
Finance income/expenses on insurance contracts issued and reinsurance contracts held	–	1
Fair value movements on cash flow hedges	7	(5)
Total tax on items credited/(charged) to Group statement of comprehensive income/(loss)	**(89)**	**56**

Deferred tax

The following are the major deferred tax (liabilities)/assets recognised by the Group and movements thereon during the current and prior financial years, measured using the tax rates that are expected to apply when the liability is settled, or the asset realised based on the tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognised when it is probable sufficient taxable profits will be available to utilise deductible temporary differences or unused tax losses. This assessment is based on the Group's three-year long-term plan which is updated and approved annually by the Board and is consistent with the Group's longer-term viability statement and impairment assessments.

Continuing operations	Property-related items[a] £m	Acquired intangibles £m	Post-employment benefits[b] £m	Share-based payments £m	Short-term timing differences £m	Tax losses £m	Financial instruments £m	Total £m
At 25 February 2023	**(434)**	**(95)**	**255**	**39**	**63**	**146**	**(9)**	**(35)**
(Charge)/credit to the Group income statement	(85)	18	2	–	11	(73)	(5)	(132)
(Charge)/credit to the Group statement of changes in equity	–	–	–	10	–	–	–	10
(Charge)/credit to the Group statement of comprehensive income/(loss)	–	–	(95)	–	–	–	(8)	(103)
Discontinued operations	27	–	–	–	–	–	(3)	24
Foreign exchange and other movements	(1)	–	–	–	–	–	–	(1)
At 24 February 2024	**(493)**	**(77)**	**162**	**49**	**74**	**73**	**(25)**	**(237)**
(Charge)/credit to the Group income statement	(100)	19	2	(5)	8	(68)	(3)	(147)
(Charge)/credit to the Group statement of changes in equity	–	–	–	22	–	–	–	22
(Charge)/credit to the Group statement of comprehensive income/(loss)	–	–	(93)	–	–	–	4	(89)
Acquisition	–	(5)	–	–	–	–	–	(5)
At 22 February 2025	**(593)**	**(63)**	**71**	**66**	**82**	**5**	**(24)**	**(456)**

(a) Property-related items are a deferred tax liability on accelerated tax depreciation of £610m (2024: £510m), deferred tax liability on rolled-over gains of £422m (2024: £424m), deferred tax asset on capital losses of £239m (2024: £242m) and deferred tax asset on IFRS 16 balances of £200m (2024: £199m).

(b) Post-employment benefits include a tax (charge)/credit to the Group statement of comprehensive income/(loss) relating to remeasurement gain/(loss). The closing deferred tax relates to a deferred tax asset on pension schemes in deficit or a deferred tax liability on schemes in surplus if no withholding tax applies. Refer to **Note 29** for further details.

Notes to the Group financial statements continued

The following is the analysis of the deferred tax balances after offset:

	2025 £m	2024 £m
Deferred tax assets	47	32
Deferred tax liabilities	(503)	(269)
	(456)	**(237)**

Unrecognised deferred tax assets and liabilities

Deferred tax assets in relation to continuing operations have not been recognised in respect of the following items because it is not probable that future taxable profits will be available against which the Group can utilise the benefits:

	2025 £m	2024 £m
Deductible temporary differences	40	38
Tax losses	180	180
	220	**218**

As at 22 February 2025, the Group has unused trading tax losses from continuing operations of £630m (2024: £881m) available for offset against future profits. A deferred tax asset has been recognised in respect of £19m (2024: £310m) of such losses, with £nil (2024: £258m) arising in the UK, £nil (2024: £29m) in Hungary, £11m (2024: £11m) in USA and £8m (2024: £12m) in other jurisdictions. No deferred tax asset has been recognised in respect of the remaining overseas trading tax losses of £611m (2024: £571m) due to the uncertainty of future taxable profits with £514m (2024: £532m) in the Netherlands, £32m (2024: £33m) in Germany, £59m (2024: £nil) in Hungary and £6m (2024: £6m) in Slovakia. Capital losses of £89m (2024: £92m) in ROI have not been recognised as it is not expected they will be utilised. A deferred tax asset has not been recognised in respect of deductible temporary differences of £40m (2024: £38m) as it is not expected they will be utilised. Of these unrecognised tax losses and temporary differences, £70m (2024: £11m) will expire within five years and the remainder are available indefinitely.

No deferred tax liability is recognised on temporary differences relating to the unremitted earnings of overseas subsidiaries and joint ventures of £4.1bn (2024: £4.1bn) as the Group is able to control the timing of the reversal of these temporary differences and it is probable that they will not reverse in the foreseeable future. The deferred tax on unremitted earnings at 22 February 2025 is estimated to be £8m (2024: £7m) which relates to taxes payable on repatriation and dividend withholding taxes levied by overseas tax jurisdictions. UK tax legislation relating to company distributions provides for exemption from tax for most repatriated profits, subject to certain exceptions.

Note 8 Discontinued operations and assets classified as held for sale

The following table presents a breakdown of the assets and liabilities of disposal groups and non-current assets classified as held for sale:

	2025	2024		
	Other* £m	Banking operations £m	Other* £m	Total £m
Assets of the disposal group	–	7,698	–	7,698
Non-current assets classified as held for sale	50	–	85	85
Total assets of the disposal group and non-current assets classified as held for sale	**50**	**7,698**	**85**	**7,783**
Liabilities of the disposal group	–	(7,122)	–	(7,122)
Total net assets of the disposal group and non-current assets classified as held for sale	**50**	**576**	**85**	**661**

* Other non-current assets classified as held for sale consist of properties in the UK (2024: UK and Central Europe) due to be sold within one year. Due to the individual nature of each property, fair values are classified as Level 3 within the fair value hierarchy.

Assets classified as held for sale

During the year the Group sold four mall properties in Central Europe, leasing back four stores within those sites. Net proceeds from the sale and leaseback transactions were £66m. As the sale and leaseback proceeds did not exceed the fair value of the stores sold, the proceeds are presented in the investing category in the Group cash flow statement. The profit on disposal was £3m, refer to **Note 5**. Refer to **Note 13** for details on the leaseback of the stores.

Disposal of Banking operations

In February 2024, the Group agreed to sell its banking operations, comprising personal loans, credit cards, customer deposits, and associated operational capabilities (Banking operations). The related assets and liabilities were classified as held for sale in the prior year.

Upon classification as held for sale in the prior year, the Group recognised a loss of £(732)m on remeasuring the disposal group to fair value less costs to sell. Of this loss, £(314)m was allocated to goodwill and other assets of the disposal group within the scope of the measurement requirements of IFRS 5 which were fully written off. The excess loss of £(418)m remaining was recognised as a reduction in the total assets of the disposal group, which primarily comprise loans and advances to customers measured under IFRS 9. In the current year and up until the date of disposal, an additional £(7)m impairment of non-current assets and excess loss of £(57)m were recognised, giving rise to a total loss on remeasuring the disposal group to fair value less costs to sell of £(64)m.

In October 2024, the Group received approval from the High Court of Justice of England and Wales for the disposal which subsequently completed on 1 November 2024. The net results of Banking operations and the profit/(loss) on disposal are presented in profit/(loss) for the year from discontinued operations in the Group income statement.

Notes to the Group financial statements continued

Note 8 Discontinued operations and assets classified as held for sale continued

Income statement of discontinued operations

	2025 Banking operations £m	2024 Banking operations £m
Revenue	547	710
Operating costs	(448)	(637)
Operating profit[a]	**99**	**73**
Net finance costs	(1)	(6)
Profit before tax	**98**	**67**
Taxation	(24)	(19)
Profit after tax	**74**	**48**
Remeasurement of the disposal group to fair value less costs to sell[a][b]	(64)	(732)
Tax on remeasurement of the disposal group to fair value less costs to sell[c]	16	112
Profit after tax of discontinued operations	**26**	**(572)**

(a) Operating profit/(loss) of discontinued operations in the Group cash flow statement of £35m (2024: £(659)m) comprises operating profit above of £99m (2024: £73m) and fair value remeasurement of assets of the disposal group of £(64)m (2024: £(732)m).
(b) Remeasurement of the disposal group to fair value less costs to sell includes £nil goodwill impairment (2024: £(211)m), £(7)m remeasurements on non-current assets (2024: £(96)m), £(57)m loss in excess of the carrying amount of the non-current assets (2024: £(418)m), and in the prior year, £(7)m of costs already incurred in relation to the sale. This is treated as an adjusting item. Refer to **Note 5**.
(c) Tax on remeasurement of the disposal group to fair value less costs to sell is included within adjusting items. Refer to **Note 5**.

The profit/(loss) on disposal of the Group's Banking operations comprises the following:

	2025 £m
Gross proceeds	**614**
Costs to sell*	(28)
Proceeds less costs to sell	**586**
Net book value of assets disposed	
Loans and advances to customers	(8,071)
Derivative financial instruments	(34)
Trade and other receivables	(87)
Cash and cash equivalents	(429)
Trade and other payables	38
Borrowings	550
Provisions	17
Lease liabilities	15
Deposits from customers	6,926
Derivative financial instruments	14
Excess loss on remeasurement of the disposal group	475
Net book value of assets disposed	**(586)**
Profit/(loss) on disposal of Banking operations	**–**

* Total costs associated with the sale of the Banking operations amounted to £(35)m, of which £(7)m was expensed in the prior financial year.

Expected credit losses (ECLs) of the Banking operations disposal group

The opening ECL balance was £433m. During the period prior to disposal of the Group's Banking operations, there was a £(53)m net decrease in ECLs on loans and advances to customers, principally in relation to write-offs and asset disposals. During that period, there were no material transfers between the classification of loans based on the risk levels stages 1, 2 or 3. The total ECL balance of £380m was derecognised on completion of the sale.

Cash flow statement of discontinued operations

	2025 Banking operations £m	2024 Banking operations £m
Net cash flows from operating activities	171	162
Net cash flows from investing activities	(436)	(22)
Net cash flows from financing activities	(2)	548
Net cash flows from discontinued operations	**(267)**	**688**

The total cash inflows of £157m presented in the investing category of the Group cash flow statement in the 'Disposal of Banking operations, net of cash disposed' line comprise gross proceeds of £614m, less cost incurred of £(28)m and cash and cash equivalents disposed of £(429)m.

Notes to the Group financial statements continued

Note 9 Dividends

	2025		2024	
	Pence/share	£m	Pence/share	£m
Paid prior financial year final dividend[a]	8.25	576	7.05	506
Paid interim dividend[b]	4.25	289	3.85	271
Amounts recognised through equity as distributions to owners	**12.50**	**865**	**10.90**	**777**
(Increase)/decrease in unclaimed dividends	–	(1)	–	–
Paid 2021 special dividend	–	–	50.93	1
Dividends paid in the financial year		**864**		**778**
Proposed final dividend at financial year end	**9.45**	**637**	**8.25**	**581**

(a) Excludes £5m prior financial year final dividend waived (2024: £6m) and includes the write-back of unclaimed dividends and forfeited shares of £nil (2024: £4m).
(b) Excludes £2m interim dividend waived (2024: £2m).

The proposed final dividend was approved by the Board of Directors on 9 April 2025 and is subject to the approval of shareholders at the AGM. The proposed dividend has not been included as a liability as at 22 February 2025. If approved by shareholders, it will be paid on 27 June 2025 to shareholders who are on the register of members at close of business on 16 May 2025.

A dividend reinvestment plan (DRIP) is available to shareholders who would prefer to invest their dividends in the shares of the Company. For those shareholders electing to receive the DRIP, the last date for receipt of a new election is 6 June 2025.

For all dividends, including the 2021 special dividend paid following the disposal of the Thai and Malaysia businesses, the Group has a share forfeiture programme following the completion of a tracing and notification exercise to any shareholders who have not had contact with Tesco PLC over the past 12 years, in accordance with the provisions set out in the Company's Articles of Association. £nil (2024: £2m) of unclaimed dividends in relation to these shares have been adjusted for in retained earnings. Refer to **Note 30** for further details.

Note 10 Earnings/(losses) per share and diluted earnings/(losses) per share

For the 52 weeks ended 22 February 2025 there were 83 million (2024: 79 million) potentially dilutive share options and awards. As the Group has recognised a profit for the year from its continuing operations, dilutive effects have been considered in calculating diluted earnings per share.

	52 weeks ended 22 February 2025			52 weeks ended 24 February 2024		
	Basic	Dilutive share options and awards	Diluted	Basic	Dilutive share options and awards	Diluted
Profit/(loss) (£m)						
Continuing operations*	1,600	–	1,600	1,760	–	1,760
Discontinued operations	26	–	26	(572)	–	(572)
Total	**1,626**	**–**	**1,626**	**1,188**	**–**	**1,188**
Weighted average number of shares (millions)	**6,835**	**83**	**6,918**	**7,097**	**79**	**7,176**
Earnings/(losses) per share (pence)						
Continuing operations	23.41	(0.28)	23.13	24.80	(0.27)	24.53
Discontinued operations	0.38	–	0.38	(8.06)	0.09	(7.97)
Total	**23.79**	**(0.28)**	**23.51**	**16.74**	**(0.18)**	**16.56**

* Excludes profits/(losses) attributable to non-controlling interests of £4m (2024: £4m).

APM: Adjusted diluted earnings/(losses) per share

Continuing operations	Notes	52 weeks 2025	52 weeks 2024
Profit before tax (£m)		2,215	2,289
Exclude: Adjusting items (£m)	5	373	(12)
Adjusted profit before tax (£m)		**2,588**	**2,277**
Adjusted profit before tax attributable to the owners of the parent (£m)*		2,584	2,273
Taxation on adjusted profit before tax attributable to the owners of the parent (£m)	7	(690)	(593)
Adjusted profit after tax attributable to the owners of the parent (£m)		**1,894**	**1,680**
Basic weighted average number of shares (millions)		6,835	7,097
Adjusted basic earnings per share (pence)		**27.71**	**23.67**
Diluted weighted average number of shares (millions)		6,918	7,176
Adjusted diluted earnings per share APM (pence)		**27.38**	**23.41**

Refer to previous table for footnote.

Notes to the Group financial statements continued

Note 11 Goodwill and other intangible assets

	2025					2024				
	Goodwill £m	Software[a] £m	Customer relationships £m	Other intangible assets[b] £m	Total £m	Goodwill £m	Software[a] £m	Customer relationships £m	Other intangible assets[b] £m	Total £m
Cost										
Opening balance	**4,515**	**1,837**	**718**	**383**	**7,453**	**4,785**	**2,034**	**718**	**384**	**7,921**
Foreign currency translation	(4)	(5)	–	–	(9)	(8)	(19)	–	(1)	(28)
Additions	–	285	–	1	286	–	275	–	–	275
Acquired through business combinations	38	–	18	–	56	17	–	–	–	17
Reclassification	–	–	–	–	–	–	(10)	–	–	(10)
Transfer to disposal group classified as held for sale	–	–	–	–	–	(211)	(266)	–	–	(477)
Disposals	–	(398)	–	(11)	(409)	(68)	(177)	–	–	(245)
Closing balance	**4,549**	**1,719**	**736**	**373**	**7,377**	**4,515**	**1,837**	**718**	**383**	**7,453**
Accumulated amortisation and impairment losses										
Opening balance	**387**	**1,238**	**450**	**312**	**2,387**	**458**	**1,410**	**376**	**302**	**2,546**
Foreign currency translation	(2)	(3)	–	–	(5)	(3)	(17)	–	–	(20)
Amortisation charge for the year[c]	–	210	76	1	287	–	205	74	1	280
Impairment losses[d]	–	35	–	–	35	–	24	–	2	26
Reversal of impairment losses[d]	–	(8)	–	–	(8)	–	(13)	–	–	(13)
Reclassification	–	–	–	–	–	–	(16)	–	7	(9)
Transfer to disposal group classified as held for sale	–	–	–	–	–	–	(183)	–	–	(183)
Disposals	–	(395)	–	(11)	(406)	(68)	(172)	–	–	(240)
Closing balance	**385**	**1,077**	**526**	**302**	**2,290**	**387**	**1,238**	**450**	**312**	**2,387**
Net carrying value	**4,164**	**642**	**210**	**71**	**5,087**	**4,128**	**599**	**268**	**71**	**5,066**

(a) Software includes £576m (2024: £522m) net carrying value of internally generated development costs.
(b) Other intangible assets include pharmacy licences with a net carrying value of £28m (2024: £27m) and various other individually immaterial balances.
(c) Amortisation of customer relationships of £76m (2024: £74m) has been included within adjusting items and primarily relates to customer relationships recognised on the Booker acquisition in March 2018.
(d) Refer to **Note 15**.

Notes to the Group financial statements continued

Note 12 Property, plant and equipment

	2025			2024		
	Land and buildings[a] £m	**Other[b] £m**	**Total £m**	Land and buildings[a] £m	Other[b] £m	Total £m
Cost						
Opening balance	**22,966**	**6,130**	**29,096**	**22,650**	**5,844**	**28,494**
Foreign currency translation	(129)	(40)	(169)	(200)	(69)	(269)
Additions[c][d]	504	857	1,361	445	753	1,198
Acquired through business combinations	–	1	1	–	–	–
Reclassification	(2)	2	–	10	32	42
Transfers (to)/from assets classified as held for sale	(55)	–	(55)	161	8	169
Transfer to disposal group classified as held for sale	–	–	–	(10)	(10)	(20)
Disposals	(190)	(627)	(817)	(90)	(428)	(518)
Closing balance	**23,094**	**6,323**	**29,417**	**22,966**	**6,130**	**29,096**
Accumulated depreciation and impairment losses						
Opening balance	**7,969**	**3,906**	**11,875**	**7,780**	**3,852**	**11,632**
Foreign currency translation	(52)	(26)	(78)	(76)	(48)	(124)
Depreciation charge for the year	464	473	937	449	450	899
Impairment losses[e]	292	119	411	236	95	331
Reversal of impairment losses[e]	(197)	(37)	(234)	(395)	(61)	(456)
Reclassification	–	–	–	(1)	39	38
Transfers (to)/from assets classified as held for sale	(21)	–	(21)	58	3	61
Transfer to disposal group classified as held for sale	–	–	–	(9)	(7)	(16)
Disposals	(120)	(615)	(735)	(73)	(417)	(490)
Closing balance	**8,335**	**3,820**	**12,155**	**7,969**	**3,906**	**11,875**
Net carrying value[f]	**14,759**	**2,503**	**17,262**	**14,997**	**2,224**	**17,221**
Construction in progress included above[g]	**155**	**361**	**516**	**109**	**280**	**389**

(a) The estimated fair value of land and buildings is £15.0bn (2024: £15.0bn). Refer to **Note 15** for details of the methodology applied to determine fair value.
(b) Other assets consist of fixtures and fittings with a net carrying value of £1,874m (2024: £1,679m), office equipment with a net carrying value of £269m (2024: £234m) and motor vehicles with a net carrying value of £360m (2024: £311m). Depreciation charge for the year is £(306)m (2024: £(291)m), £(75)m (2024: £(69)m) and £(92)m (2024: £(90)m), respectively.
(c) Prior year includes £65m of land and buildings related to obtaining control of The Tesco Coral Limited Partnership, which was not impaired on acquisition.
(d) Includes £199m (2024: £107m) relating to store buybacks, direct store purchases and refits associated with both direct store purchases and business combinations.
(e) Refer to **Note 15**.
(f) Includes £3,128m (2024: £3,129m) of assets pledged as security for secured bonds (refer to **Note 22**) and £820m (2024: £829m) of property held as security in favour of the Tesco PLC Pension Scheme (refer to **Note 29**).
(g) Construction in progress does not include land.

Note 13 Leases

Group as lessee

Lease liabilities represent rentals payable by the Group for certain retail, distribution and office properties and other assets such as motor vehicles. The leases have varying terms, purchase options, escalation clauses and renewal rights. Purchase options and renewal rights, where they occur, are at market value. Escalation clauses are in line with market practices and include inflation-linked, fixed rates, resets to market rents and hybrids of these.

Right of use assets

	2025			2024		
	Land and buildings £m	**Other £m**	**Total £m**	Land and buildings £m	Other £m	Total £m
Net carrying value						
Opening balance	**5,365**	**113**	**5,478**	**5,387**	**113**	**5,500**
Additions (including sale and leaseback transactions)	476	66	542	305	39	344
Acquired through business combinations	5	–	5	–	–	–
Depreciation charge for the year	(512)	(38)	(550)	(508)	(36)	(544)
Impairment losses[a]	(223)	(2)	(225)	(213)	(1)	(214)
Reversal of impairment losses[a]	130	–	130	131	–	131
Derecognition on acquisition of property joint venture	–	–	–	(17)	–	(17)
Transfer to disposal group classified as held for sale	–	–	–	(9)	–	(9)
Other movements[b]	190	(1)	189	289	(2)	287
Closing balance	**5,431**	**138**	**5,569**	**5,365**	**113**	**5,478**

(a) Refer to **Note 15**.
(b) Other movements include lease terminations, modifications and reassessments, foreign exchange, reclassifications between asset classes and entering into finance subleases.

Lease liabilities

The following tables show the discounted lease liabilities included in the Group balance sheet and a maturity analysis of the contractual undiscounted lease payments. A reconciliation of the Group's opening to closing lease liabilities balance is presented in **Note 32**.

	2025 £m	2024 £m
Current	618	584
Non-current	7,098	7,038
Total lease liabilities	**7,716**	**7,622**

Maturity analysis – contractual undiscounted lease payments	**2025 £m**	2024 £m
Within one year	995	944
Greater than one year but less than two years	973	928
Greater than two years but less than three years	940	903
Greater than three years but less than four years	896	872
Greater than four years but less than five years	855	831
Greater than five years but less than 10 years	3,489	3,444
Greater than 10 years but less than 15 years	1,951	1,954
After 15 years	777	881
Total undiscounted lease payments	**10,876**	**10,757**

Amounts recognised in the Group income statement

Continuing operations	**52 weeks 2025 £m**	52 weeks 2024 £m
Interest expense on lease liabilities*	377	373
Variable payment expenses not included in lease liabilities	–	1
Expenses relating to short-term leases	24	26
Expenses relating to leases of low value assets (excluding amounts already included in short-term leases above)	1	1

* Interest expense on lease liabilities is presented gross of £7m hedging impact (2024: £nil).

Sale and leaseback related to assets previously classified as held for sale

During the year, the Group sold four mall properties previously classified as held for sale in Central Europe, leasing back four stores within those sites. Refer to **Note 8** for details of the net proceeds and profit from the transaction. The stores are being leased back over 30-year lease terms at market rentals with options to extend. These store leases have resulted in lease liability additions of £23m. The sale and leaseback transaction allows the Group to relinquish control over the malls while continuing to operate the stores within those sites.

Amounts recognised in the Group cash flow statement

	52 weeks 2025 £m	52 weeks 2024 £m
Total cash outflow for leases	980	1,000

Future possible cash outflows not included in the lease liability

Some leases contain break clauses or extension options to provide operational flexibility. Potential future undiscounted lease payments not included in the reasonably certain lease term, and hence not included in lease liabilities, total £13.4bn.

Future increases or decreases in rentals linked to an index or rate (not arising on a sale and leaseback transaction) are not included in the lease liability until the change in cash flows takes effect. Approximately 76% (2024: 76%) of the Group's lease liabilities are subject to inflation-linked rentals, of which 89% (2024: 85%) have inflation caps, with a weighted average cap of 4.3% (2024: 4.3%). A further 17% (2024: 17%) are subject to rent reviews. Rental changes linked to inflation or rent reviews typically occur on an annual or five-yearly basis. Of the inflation-linked leases with caps, 33% (2024: 31%) of the lease liability value was hedged through index-linked swaps. Refer to **Note 27**.

The Group is committed to payments totalling £125m (2024: £181m) in relation to leases that have been signed but have not yet commenced.

Group as lessor

The Group leases out owned properties and sublets leased properties under operating and finance leases. Such properties include malls, mall units, stores, units within stores, distribution centres and residential properties.

Amounts recognised in the Group income statement

Continuing operations	52 weeks 2025 £m	52 weeks 2024 £m
Finance lease – interest income[a]	1	2
Operating lease – rental income[b]	100	96

(a) Comprises £1m (2024: £2m) of sublease interest income.
(b) Includes £28m (2024: £26m) of sublease rental income.

Finance lease payments receivable

The finance lease receivable (net investment in the lease) included in the Group balance sheet is £23m (2024: £27m).

Operating lease payments receivable maturity analysis

	2025 £m	2024 £m
Within one year	61	63
Greater than one year but less than two years	35	33
Greater than two years but less than three years	28	30
Greater than three years but less than four years	27	23
Greater than four years but less than five years	18	23
Greater than five years but less than 10 years	30	33
Greater than 10 years but less than 15 years	9	11
After 15 years	29	28
Total undiscounted operating lease payments receivable	**237**	**244**

Note 14 Group entities

The Group consists of the ultimate Parent Company, Tesco PLC, and a number of subsidiaries, joint ventures and associates held directly or indirectly by Tesco PLC. See **pages 220 to 225** for a complete list of Group entities.

Subsidiaries

The accounting year ends of the subsidiaries consolidated in these financial statements are on or around 22 February 2025.

Unconsolidated structured entities

In prior years, the Group sponsored a number of structured entities. The Group led the formation of the entities and its name appears in the name of the entities and/or on the debt issued by the entities. The structured entities were set up to finance property purchases by some of the UK property joint ventures in which the Group typically holds a 50% equity interest. The structured entities obtain debt financing from third-party investors and lend the funds to these joint ventures, who use the funds to purchase the properties.

The liabilities of the UK property joint ventures include the loans due to these structured entities. The Group's exposure to the structured entities is limited to the extent of the Group's interests in the joint ventures. The liabilities of the structured entities are non-recourse to the Group.

The Group concluded that it does not control, and therefore should not consolidate, these structured entities since it does not have power over the relevant activities of the structured entities, or exposure to variable returns from these entities.

Consolidated structured entities

The Group has a number of financing structured entities controlled as a result of the acquisition of former UK property joint ventures. Although none of the equity of these entities is owned by the Group, the Group has rights to variable returns from its involvement with these entities and has the ability to affect those returns through its power over them under contractual agreements. These entities are controlled by the Group, and are therefore accounted for as subsidiaries. The financial year ends of the financing structured entities align to the Group financial year end.

The Group previously had a number of securitisation structured entities established in connection with Tesco Bank's credit card securitisation transactions, which have been disposed of as part of the Banking operations disposal group.

Note 14 Group entities continued

Interests in joint ventures and associates

Principal joint ventures and associates

The Group's principal joint ventures and associates are:

	Nature of relationship	Business activity	Share of issued share capital, loan capital and debt securities	Country of incorporation	Principal area of operation
Included in 'UK property joint ventures':					
The Tesco Blue Limited Partnership	Joint venture	Property investment	50%	England	United Kingdom
The Tesco Passaic Limited Partnership	Joint venture	Property investment	50%	England	United Kingdom
The Tesco Navona Limited Partnership	Joint venture	Property investment	50%	England	United Kingdom
The Arena Unit Trust	Joint venture	Property investment	50%	Jersey	United Kingdom
Included in 'Other joint ventures and associates':					
Tesco Mobile Limited	Joint venture	Telecommunications	50%	England	United Kingdom
Booker India Limited	Joint venture	Retail	49%	India	India
Trent Hypermarket Private Limited	Joint venture	Retail	50%	India	India
W23 Global GP LLP	Associate	Investment management	20%	England	International

The accounting period end dates of the joint ventures and associates consolidated in these financial statements range from 31 December 2024 to 22 February 2025. The accounting period end dates of joint ventures and associates differ from those of the Group for commercial reasons and depend upon the requirements of the joint venture or associate partner(s) as well as those of the Group.

There are no significant restrictions on the ability of joint ventures and associates to transfer funds to the parents, other than those imposed by the Companies Act 2006 or equivalent local regulations.

The UK property joint ventures involve the Group partnering with third parties in carrying out some property investments in order to enhance returns from property and access funding, while reducing risks associated with sole ownership. These property investments generally cover shopping centres and standalone stores. The Group enters into leases for some or all of the properties held in the joint ventures. These leases provide the Group with some rights over alterations and adjacent land developments. In some cases, the Group has the ability to substitute properties in the joint ventures with alternative properties of similar value, subject to strict eligibility criteria. In other cases the Group carries out property management activities for third-party rentals of shopping centre units.

The property investment activities are carried out in separate entities, usually partnerships or limited liability companies. The Group has assessed its ability to direct the relevant activities of these entities and any impact on Group returns and concluded that the entities qualify as joint ventures since decisions regarding them require the unanimous consent of both equity holders. This assessment included not only rights within the joint venture agreements, but also any rights within other contractual arrangements between the Group and the entities.

The Group made a number of judgements in arriving at this determination, the key ones being:

- since the provisions of the joint venture agreements require the relevant decisions impacting investor returns to be either unanimously agreed by both joint venturers at the same time, or in some cases to be agreed sequentially by each venturer at different stages, there is joint decision making within the joint venture;
- since the Group's leases are priced at fair value, and any rights embedded in the leases are consistent with market practice, they do not provide the Group with additional control over the joint ventures nor do they infer an obligation by the Group to fund the settlement of liabilities of the joint ventures;
- any options to purchase the other joint venturers' equity stakes are priced at market value, and only exercisable at future dates, hence they do not provide control to the Group at the current time;
- where the Group has a right to substitute properties in the joint ventures, the rights are strictly limited and are at fair value, hence do not provide control to the Group; and
- where the Group carries out property management activities for third-party rentals in shopping centres, these additional activities are controlled through joint venture agreements or lease agreements, and do not provide the Group with additional powers over the joint venture.

Notes to the Group financial statements continued

Summarised financial information for joint ventures and associates

The summarised financial information below reflects the amounts presented in the financial statements of the relevant joint ventures and associates, and not the Group's share of those amounts. These amounts have been adjusted to conform to the Group's accounting policies where required. The summarised financial information for UK property joint ventures has been aggregated in order to provide useful information to users without excessive detail, since these entities have similar characteristics and risk profiles largely based on their nature of activities and geographic market.

	UK property joint ventures	
	2025 £m	2024 £m
Summarised balance sheet		
Non-current assets[(a)]	1,794	1,829
Current assets (excluding cash and cash equivalents)	8	8
Cash and cash equivalents	12	12
Current liabilities[(b)]	(68)	(65)
Non-current liabilities[(b)]	(2,247)	(2,265)
Net liabilities	**(501)**	**(481)**
Group's share in ownership	50%	50%
Group's share of net liabilities	(251)	(241)
Deferred property profits offset against carrying amounts	(57)	(56)
Cumulative unrecognised losses[(c)]	134	138
Cumulative unrecognised hedge reserves[(c)]	174	159
Carrying amount	**–**	**–**
Summarised income statement		
Revenue	184	188
Profit and total comprehensive income[(d)]	–	–
Dividend received by the Group[(e)]	1	7

(a) The non-current asset balances of UK property joint ventures are reflected at historical depreciated cost to conform to the Group's accounting policies. The aggregate of the fair values in the financial statements of the UK property joint ventures is £2,670m (2024: £2,717m).
(b) The current and non-current liabilities of UK property joint ventures largely comprise loan balances of £(1,939)m (2024: £(1,985)m) and derivative swap balances of £(347)m (2024: £(317)m) entered into to hedge the cash flow variability exposures of the joint ventures.
(c) £6m of profit (2024: £11m) and £15m of increase (2024: £15m of increase) in the fair values of derivatives arising from these entities have been included in cumulative unrecognised losses and cumulative unrecognised hedge reserves respectively.
(d) Profit and total comprehensive income includes £62m (2024: £59m) of interest cost.
(e) As the carrying value of the joint ventures is £nil, the dividends received are recognised directly in the income statement and presented in the Share of post-tax profits of joint ventures and associates.

As at 22 February 2025, the Group had £97m (2024: £96m) loans to UK property joint ventures.

Other joint ventures and associates

The Group also has interests in a number of individually immaterial joint ventures and associates excluding UK property joint ventures.

	Joint ventures		Associates	
	2025 £m	2024 £m	**2025 £m**	2024 £m
Aggregate carrying amount of individually immaterial joint ventures and associates	105	102	5	–
Group's share of losses for the year	(5)	(1)	–	–

Notes to the Group financial statements continued

Note 15 Impairment of non-current assets

Impairment losses and reversals

Goodwill

There was no impairment of goodwill balances in the current year (2024: £211m related to the sale of the Group's Banking operations).

Other non-current assets

The tables below summarise the Group's pre-tax impairment losses and reversals on other non-current assets, aggregated by segment due to the large number of individually immaterial cash-generating units. This includes any (losses)/reversals recognised immediately prior to classifying an asset or disposal group as held for sale but excludes any changes in fair value less costs to sell post classification as held for sale. There were no impairment losses or reversals in the year (2024: £nil) with respect to investments in joint ventures and associates. Impairments are typically treated as adjusting where there is significant volatility arising from inputs outside the control of management.

	UK & ROI		Central Europe		Total		Net
52 weeks ended 22 February 2025	Impairment loss £m	Impairment reversal £m	Impairment loss £m	Impairment reversal £m	Impairment loss £m	Impairment reversal £m	Impairment (loss)/reversal £m
Group balance sheet							
Other intangible assets	(35)	8	–	–	(35)	8	(27)
Property, plant and equipment	(336)	233	(75)	1	(411)	234	(177)
Right of use assets	(165)	125	(60)	5	(225)	130	(95)
Investment property	–	1	–	–	–	1	1
Total impairment (loss)/reversal of other non-current assets	**(536)**	**367**	**(135)**	**6**	**(671)**	**373**	**(298)**
Group income statement							
Cost of sales[(a)]	(517)	360	(134)	5	(651)	365	(286)
Administrative expenses[(b)]	(19)	7	(1)	1	(20)	8	(12)
Total impairment (loss)/reversal from continuing operations	**(536)**	**367**	**(135)**	**6**	**(671)**	**373**	**(298)**

(a) Of which £(274)m is adjusting (2024: £35m).
(b) Of which £(12)m is adjusting (2024: £(7)m).

	UK & ROI		Central Europe		Total		Net
52 weeks ended 24 February 2024	Impairment loss £m	Impairment reversal £m	Impairment loss £m	Impairment reversal £m	Impairment loss £m	Impairment reversal £m	Impairment (loss)/reversal £m
Group balance sheet							
Other intangible assets	(26)	13	–	–	(26)	13	(13)
Property, plant and equipment	(306)	449	(25)	7	(331)	456	125
Right of use assets	(187)	122	(27)	9	(214)	131	(83)
Investment property	–	–	(1)	–	(1)	–	(1)
Total impairment (loss)/reversal of other non-current assets	**(519)**	**584**	**(53)**	**16**	**(572)**	**600**	**28**
Group income statement							
Cost of sales[(a)]	(518)	584	(46)	15	(564)	599	35
Administrative expenses[(b)]	(1)	–	(7)	1	(8)	1	(7)
Total impairment (loss)/reversal from continuing operations	**(519)**	**584**	**(53)**	**16**	**(572)**	**600**	**28**

Refer to previous table for footnotes.

The net impairment loss is primarily due to increases in discount rates, as a result of the continued upward trend in government bond rates, as well as future cost pressures. The gross non-current asset impairment losses and reversals largely reflect normal fluctuations expected from store-level performance, as well as any specific store closures.

Notes to the Group financial statements continued

Net carrying value of non-current assets

The net carrying values of other non-current assets and the recoverable amounts of impaired other non-current assets, for which an impairment loss has been recognised or reversed, have been aggregated by segment due to the large number of individually immaterial cash-generating units.

At 22 February 2025	UK & ROI £m	Central Europe £m	Total £m
Net carrying value			
Other intangible assets	892	31	923
Property, plant and equipment	15,951	1,311	17,262
Right of use assets	5,094	475	5,569
Investment property	15	9	24
Other non-current assets	**21,952**	**1,826**	**23,778**
Goodwill[a]	4,164	–	4,164
Investments in joint ventures and associates[b]	110	–	110
Net carrying value of non-current assets	**26,226**	**1,826**	**28,052**
Recoverable amount of impaired other non-current assets for which an impairment loss has been recognised or reversed, supported by:			
Value in use	2,703	145	2,848
Fair value less costs of disposal[c]	1,570	357	1,927
	4,273	**502**	**4,775**

(a) Goodwill of £4,164m (2024: £4,128m) consists of UK £3,702m (2024: £3,664m), dunnhumby £141m (2024: £142m), money services £171m (2024: £171m), insurance £118m (2024: £118m) and ROI £32m (2024: £33m).
(b) The carrying value of the Group's investments includes Trent Hypermarket Private Limited £60m (2024: £63m).
(c) Due to the individual nature of each property, fair values are classified as Level 3 within the fair value hierarchy. Certain store cash-generating units are supported by fair value less costs of disposal where their current use is for trading. This use is consistent with the Group's property strategy and expected future investment in these store cash-generating units.

At 24 February 2024	UK & ROI (restated[d]) £m	Central Europe £m	Total continuing operations £m
Net carrying value			
Other intangible assets	905	33	938
Property, plant and equipment	15,755	1,466	17,221
Right of use assets	5,039	439	5,478
Investment property	15	9	24
Other non-current assets	**21,714**	**1,947**	**23,661**
Goodwill[a]	4,128	–	4,128
Investments in joint ventures and associates[b]	102	–	102
Net carrying value of non-current assets	**25,944**	**1,947**	**27,891**
Recoverable amount of impaired other non-current assets for which an impairment loss has been recognised or reversed, supported by:			
Value in use	3,284	143	3,427
Fair value less costs of disposal[c]	1,531	216	1,747
	4,815	**359**	**5,174**

(a)-(c) Refer to previous table for footnotes.
(d) Comparatives have been restated to reflect the reclassification of Insurance and Money Services from the former Tesco Bank segment to the UK & ROI segment. Refer to **Note 2**.

Impairment methodology

Cash-generating units

For impairment testing of other intangible assets, property, plant and equipment, right of use assets and investment property, the Group treats each store as a separate cash-generating unit. dunnhumby, insurance and money services each represent separate cash-generating units.

The Group allocates goodwill to groups of cash-generating units based on the lowest level at which goodwill is monitored by management. Each country represents a group of cash-generating units for the Group's retail operations. dunnhumby, insurance and money services each represent separate groups.

The recoverable amount of each store cash-generating unit is the higher of its value in use and its fair value less costs of disposal. The recoverable amount of a group of cash-generating units to which goodwill has been allocated is determined based on value in use calculations.

Central assets such as distribution centres and associated costs are allocated to store cash-generating units based on level of use, estimated with reference to sales. Urban fulfilment centres and associated costs that are part of a store are included in the store cash-generating unit. Standalone customer fulfilment centres and associated costs are each treated as a separate cash-generating unit.

Note 15 Impairment of non-current assets continued

Value in use

Retail

Estimates for value in use calculations include discount rates, long-term growth rates, expected changes to future cash flows, including volumes and prices, and the probabilities assigned to cash flow scenarios. Estimates are based on past experience and expectations of future changes in the market, including the prevailing economic climate and global economy, competitor activity, market dynamics, changing customer behaviours, structural challenges facing retail and the resilience afforded by the Group's operational scale.

Cash flow projections are based on the Group's three-year internal forecasts, the results of which are reviewed by the Board. The forecasts include best estimate assumptions on inflation, which differ by both country and revenue and cost categories. These cash flows are then extrapolated to five years based on management's expectations, and beyond five years based on estimated long-term average growth rates. Long-term growth rates are based on inflation forecasts by recognised bodies. Group-level cash flow forecasts are allocated to store-level cash-generating units based on their relative current year actual sales performance, after adjusting for one-off cash flows affecting particular stores.

The Group applies an expected cash flow approach by probability-weighting different cash flow scenarios. The greatest probability weighting is applied to the cash flows derived from the three-year internal forecasts. One downside scenario takes account of the risks presented by ongoing geopolitical events triggering global supply chain challenges and resurgent inflation, leading to weak consumer confidence and further intensifying competition in the sector. A second downside scenario takes account of climate change impacts. These are consistent with the viability statement scenarios (see the Longer term viability statement in the Strategic report). The viability statement scenarios reflect 'severe but plausible' risks, to which management applies probability weightings in order to reflect management's best estimate of future economic conditions. There is also an upside scenario which assumes a moderate outperformance of the three-year internal forecasts.

In addition to the climate change scenario included within the probability-weighted cash flows, the Group incorporates other climate change related assumptions into the impairment modelling, including, but not limited to, investments in technology to aid the Group's net zero commitments, the costs associated with replacing end-of-life assets with more environmentally-friendly alternatives, and assumptions over the cash flow profile of the Group's fuel business.

Pre-tax nominal discount rates that reflect the current market assessment of the time value of money are derived from the Group's post-tax weighted average cost of capital, adjusted for specific risks relating to each geographical region or cash-generating unit for which the cash flows have not been adjusted. The Group engages independent valuation specialists to determine appropriate discount rates. Risk-free rates are based on government bond rates, adjusted for each geographical region, and equity risk premia and equity betas are based on data from recognised bodies. The capital asset pricing model is used to calculate the cost of equity.

Insurance and Money Services

Value in use is calculated by discounting post-tax free cash flows. Cash flow projections are based on the three-year internal forecasts approved by the Board. The forecasts are extrapolated to five years based on management's expectations and beyond five years based on estimated long-term average growth rates. The long-term growth rates are based on inflation and GDP growth forecasts by recognised bodies. The post-tax discount rate is the cost of equity, which is calculated using the capital asset pricing model. The Group engages independent valuation specialists to determine appropriate discount rates. Risk-free rates are based on government bond rates and equity risk premia and equity betas are based on data from recognised bodies.

Fair value less costs of disposal

Fair values of owned properties are determined with regard to the market rent for the stores or for alternative uses with investment yields appropriate to reflect the physical characteristics of the property, location, performance, infrastructure, energy efficiency rating, redevelopment potential and other factors. Fair values of leased properties are determined with regard to the discounted market rent for the property over the remaining period of the lease, reflecting the condition and location of the property and the local rental market, adjusted for a suitable void period. Fair values of the Group's properties were determined with the assistance of independent professional valuers where appropriate. Costs of disposal are estimated based on past experience in each geographical region.

Investments in joint ventures and associates

The recoverable values of investments in joint ventures and associates are estimated taking into account forecast cash flows, equity valuations of comparable entities and/or recent transactions for comparable businesses.

Notes to the Group financial statements continued

Key assumptions and sensitivity

Key assumptions

For value in use calculations, the key assumptions to which the recoverable amounts are most sensitive are discount rates, long-term growth rates and future cash flows (incorporating sales volumes, prices and costs). For fair value less costs of disposal calculations, the key assumption is property fair values.

The discount rates and long-term growth rates relating to the goodwill carrying values that are significant to the Group's total goodwill are:

	UK	
	2025 %	2024 %
Pre-tax discount rates	9.1	8.6
Post-tax discount rates	6.8	6.4
Long-term growth rates	2.0	2.0

The discount rates and long-term growth rates for the Group's portfolio of store cash-generating units, aggregated by segment due to the large number of individually immaterial store cash-generating units, are:

	UK & ROI		Central Europe	
	2025 %	2024 %	**2025 %**	2024 %
Pre-tax discount rates	8.2–9.1	7.8–8.5	8.9–12.9	8.2–12.6
Post-tax discount rates	6.8–7.2	6.4–6.8	7.0–8.5	6.5–8.3
Long-term growth rates	2.0	2.0	2.0–3.0	1.8–3.1

Sensitivity

The Group has carried out sensitivity analyses on the reasonably possible changes in key assumptions in the impairment tests for (a) the goodwill carrying values that are significant compared to the Group's total goodwill and (b) for its portfolio of store cash-generating units.

(a) Neither a reasonably possible increase of 1.0%pt in discount rates, a 5.0% decrease in future cash flows nor a 0.5%pt decrease in long-term growth rates would indicate impairment in the goodwill carrying values that are significant compared to the Group's total goodwill.

(b) While there is not a significant risk of an adjustment to the carrying amount of any one store cash-generating unit that would be material to the Group as a whole in the next financial year, the table below summarises the reasonably possible changes in key assumptions which most impact the impairment of the Group's entire portfolio of store cash-generating units, presented in aggregate due to the large number of individually immaterial store cash-generating units. For the probability-weighted cash flow scenarios, the impairment is most sensitive to the downside scenario relating to geopolitical and global supply issues (weighting 6.5%). Impairment is not highly sensitive to the climate or upside scenarios. The reasonably possible change below applies the corresponding change to the base scenario.

Key assumption	Reasonably possible change	Impact on impairment	**2025 £m**
Post-tax discount rates*	Increase of 1.0%pt for each geographic region	Increase	(342)
	Decrease of 1.0%pt for each geographic region	Decrease	316
Future cash flows	Increase of 5.0% for each geographic region	Decrease	138
	Decrease of 5.0% for each geographic region	Increase	(142)
Long-term growth rates	Increase of 0.5%pt for each geographic region	Decrease	94
	Decrease of 0.5%pt for each geographic region	Increase	(92)
Property fair values	Increase of 10.0% for each geographic region	Decrease	190
	Decrease of 10.0% for each geographic region	Increase	(200)
Geopolitical and global supply downside scenario weighting	Increase of 5.0%pt for each geographic region	Increase	(127)
	Decrease of 2.5%pt for each geographic region	Decrease	63

* Sensitivities are applied to post-tax discount rates used to derive the pre-tax discount rates.

Notes to the Group financial statements continued

Note 16 Other investments

	2025				2024			
	At amortised cost[a] £m	**Fair value through profit/loss £m**	**Fair value through other comprehensive income £m**	**Total £m**	At amortised cost[a] £m	Fair value through profit/loss £m	Fair value through other comprehensive income £m	Total £m
Investments in debt instruments[b][c]	196	–	855	1,051	1,033	–	682	1,715
Investments in equity instruments	–	–	19	19	–	–	19	19
Property fund and other investments[d]	–	15	–	15	–	18	–	18
Other investments	**196**	**15**	**874**	**1,085**	**1,033**	**18**	**701**	**1,752**
Of which:								
Current	7	15	129	151	81	17	108	206
Non-current	189	–	745	934	952	1	593	1,546
	196	**15**	**874**	**1,085**	**1,033**	**18**	**701**	**1,752**

(a) The ECLs in the year are immaterial (2024: immaterial).
(b) Investments in debt instruments at amortised cost includes secured bond assets of £192m (2024: £196m) related to the purchase of debt held in UK property joint ventures. Included within Investments in debt instruments at amortised cost at 24 February 2024 was £832m which the Group sold prior to the sale of Banking operations.
(c) Investments in debt instruments held at fair value through other comprehensive income primarily relate to £679m (2024: £555m) of fixed-interest corporate bonds and £168m (2024: £118m) of government-backed investment securities held in the Insurance business.
(d) Includes £15m (2024: £17m) of property fund investments in the Insurance business.

Note 17 Inventories

	2025 £m	2024 £m
Goods held for resale	2,765	2,632
Development properties	3	3
	2,768	**2,635**

Goods held for resale are net of commercial income. Refer to **Note 21**.

Cost of inventories from continuing operations recognised as an expense for the 52 weeks ended 22 February 2025 was £50,920m (52 weeks ended 24 February 2024: £50,191m). In addition, inventory losses and provisions from continuing operations recognised as an expense for the 52 weeks ended 22 February 2025 were £1,440m (52 weeks ended 24 February 2024: £1,355m).

Notes to the Group financial statements continued

Note 18 Trade and other receivables

	2025 £m	2024 £m
Trade receivables	652	576
Prepayments	136	129
Accrued income[a]	243	230
Other receivables[b]	183	274
Amounts owed by joint ventures and associates[c]	154	176
Total trade and other receivables	**1,368**	**1,385**
Of which:		
Current	1,210	1,349
Non-current	158	36
	1,368	**1,385**

(a) Accrued income includes contract assets of £67m (2024: £25m) including items relating to commission income on certain insurance policies renewals managed and underwritten by a third party. The ECLs were immaterial as at 22 February 2025 (2024: immaterial).
(b) Consists of individually immaterial balances.
(c) ECLs on amounts owed by joint ventures and associates are immaterial (2024: immaterial). Refer to **Note 31**.

Trade receivables include commercial income. Refer to **Note 21**. Trade receivables are generally non interest-bearing. Credit terms vary by country and the nature of the debt, ranging from seven to 120 days (2024: seven to 60 days).

The tables below present the ageing of receivables and related allowances for expected credit losses:

At 22 February 2025	Not past due £m	Up to six months past due £m	Six to 12 months past due £m	Greater than 12 months past due £m	Total £m
Trade receivables	623	49	6	8	686
Other receivables	150	17	10	27	204
Trade and other receivables	**773**	**66**	**16**	**35**	**890**
Allowance for expected credit losses:					
At the beginning of the year	**(22)**	**(5)**	**(5)**	**(27)**	**(59)**
(Increase)/decrease in allowance, including recoveries, (charged)/released to the Group income statement	3	(3)	1	2	3
Amounts written off	1	–	–	–	1
At the end of the year	**(18)**	**(8)**	**(4)**	**(25)**	**(55)**

At 24 February 2024	Not past due £m	Up to six months past due £m	Six to 12 months past due £m	Greater than 12 months past due £m	Total £m
Trade receivables	540	62	6	9	617
Other receivables	242	17	6	27	292
Trade and other receivables	**782**	**79**	**12**	**36**	**909**
Allowance for expected credit losses:					
At the beginning of the year	**(24)**	**(6)**	**(6)**	**(26)**	**(62)**
(Increase)/decrease in allowance, including recoveries, (charged)/released to the Group income statement	1	1	1	(1)	2
Amounts written off	1	–	–	–	1
At the end of the year	**(22)**	**(5)**	**(5)**	**(27)**	**(59)**

Notes to the Group financial statements continued

Note 19 Cash and cash equivalents and short-term investments

Cash and cash equivalents

	2025 £m	2024 £m
Cash at bank and on hand	2,190	2,300
Short-term deposits	65	40
Cash and cash equivalents in the Group balance sheet	**2,255**	**2,340**
Bank overdrafts	(856)	(812)
Cash and cash equivalents in the Group cash flow statement	**1,399**	**1,528**

Short-term investments

	2025 £m	2024 £m
Money market funds, deposits and similar instruments	2,223	2,128

Cash and cash equivalents include £26m (2024: £30m) of restricted amounts mainly relating to unclaimed dividends, the Group's pension schemes and employee benefit trust.

Note 20 Trade and other payables

	2025 £m	2024 £m
Trade payables	6,692	6,644
Not subject to supplier financing arrangements	5,608	5,598
Subject to supplier financing arrangements[a]	1,084	1,046
Other taxation and social security	504	434
Other payables[b][c]	1,849	1,864
Amounts payable to joint ventures and associates[d]	7	7
Accruals	943	931
Contract liabilities	409	423
Total trade and other payables	**10,404**	**10,303**
Of which:		
Current	10,364	10,264
Non-current	40	39
	10,404	**10,303**

(a) Trade payables include £740m (2024: £780m) that suppliers have chosen to early-fund.
(b) Other payables include £943m (2024: £877m) of goods and services not for resale payables, of which £782m (2024: £752m) is not subject to supplier financing arrangements and £161m (2024: £125m) is subject to supplier financing arrangements. Other payables include £88m (2024: £73m) that suppliers have chosen to early-fund.
(c) Other payables include £757m (2024: £779m) of staff payables. The remaining balances within other payables are individually immaterial.
(d) Refer to **Note 31**.

Trade and other payables are net of commercial income. Refer to **Note 21**.

Contract liabilities represent the consideration received for performance obligations not yet satisfied, predominantly in relation to Clubcard points. The majority of the revenue deferred at the current financial year end will be recognised in the following financial year.

Supplier financing

Suppliers can choose whether to access supplier financing arrangements, which are provided by different third-party banks in different countries. Commercial requirements, including payment terms or the price paid for goods, do not depend on whether a supplier chooses to access such arrangements. The arrangements support the Group's suppliers by giving them the option to receive early payment from the banks in advance of the Group's normal payment terms, often at a lower cost than they could obtain themselves.

The funding cost is set by the provider banks but based on Tesco's credit risk and the appropriate country risk premium. If suppliers choose not to access early payment, the provider banks pay the suppliers on the Group's normal payment terms. The Group pays the provider banks on the Group's normal payment terms, regardless of whether the supplier has chosen to access funding early.

The Group currently offers supplier financing arrangements in the UK, Republic of Ireland and Asia.

The Group's normal payment terms range from five–90 days (2024: five–90 days) and are dependent on the country, product category and volume of the Group's annual purchases from the supplier. Shorter payment terms are provided for certain perishable goods and where the Group's annual purchases from the supplier are lower than a set threshold in each country. Payment terms are the same regardless of whether a supplier participates in a supplier financing arrangement.

There were no material business combinations or foreign exchange differences in the year relating to amounts owed under supplier financing arrangements (2024: none).

Note 21 Commercial income

Below are the commercial income balances included within inventories and trade and other receivables, or netted against trade and other payables.

	2025 £m	2024 £m
Current assets		
Inventories	(14)	(12)
Trade and other receivables		
Trade/other receivables	110	86
Accrued income	142	136
Current liabilities		
Trade and other payables		
Trade payables	173	138

Notes to the Group financial statements continued

Note 22 Borrowings

Borrowings are classified as current and non-current based on their scheduled repayment date, and not their maturity date. Repayments of principal amounts are classified as current if the repayment is scheduled to be made within one year of the balance sheet date.

	Par value	Maturity	2025 £m	2024 £m
Bank loans and overdrafts[a]	–	–	882	838
Tesco Bank Senior MREL Notes[b]	£145m	Jul 2025	–	143
Secured bonds[c]				
5.5457% Secured Bond	£169m	Feb 2029	162	195
6.067% Secured Bond	£200m	Feb 2029	197	196
SONIA + 1.3193% Secured Bond	£50m	Feb 2029	49	49
6.0517% Secured Bond	£247m	Oct 2039	304	321
5.6611% Secured Bond	£277m	Oct 2041	353	366
5.4111% Secured Bond	£178m	Jul 2044	152	155
Unsecured bonds				
Fixed rate bonds				
2.5% MTN	€473m	Jul 2024	–	410
2.5% MTN	£400m	May 2025	405	390
0.875% MTN	€750m	May 2026	624	643
6% MTN	£38m	Dec 2029	42	42
2.75% MTN	£450m	Apr 2030	380	369
4.25% MTN	€500m	Feb 2031	447	454
5.5% MTN	£67m	Jan 2033	75	76
5.13% MTN	£350m	May 2034	356	–
5.5% MTN	£250m	Feb 2035	253	258
6.15% USD Bond	$355m	Nov 2037	341	346
4.875% MTN	£14m	Mar 2042	14	14
5.125% MTN	€147m	Apr 2047	125	206
5.2% MTN	£14m	Mar 2057	14	14
LPI and RPI-linked bonds[d]				
3.322% LPI MTN	£210m	Nov 2025	429	415
1.982% RPI MTN	£196m	Mar 2036	397	382
Sustainability-linked bonds[e]				
1.875% MTN	£400m	Nov 2028	400	399
0.375% MTN	€750m	Jul 2029	549	538
			6,950	**7,219**
Of which:				
Current			1,861	1,536
Non-current			5,089	5,683
			6,950	**7,219**

(a) Bank loans and overdrafts includes £856m (2024: £812m) of bank overdrafts. £851m (2024: £806m) is held under a notional pooling arrangement which does not meet the criteria to be presented net of cash on the balance sheet. Refer to **Note 19**.
(b) These notes were redeemed on their scheduled call date in July 2024.
(c) The bonds are secured by a charge over the property, plant and equipment held within The Tesco Property Limited Partnership, The Tesco Atrato Limited Partnership, The Tesco Sarum Limited Partnership and The Tesco Dorney Limited Partnership respectively, all of which are 100% owned subsidiaries of Tesco PLC. The carrying amounts of assets pledged as security for secured bonds is £807m, £1,198m, £857m and £266m (2024: £810m, £1,197m, £854m and £268m) respectively. £60m (2024: £55m) is the total principal repayment due within the next 12 months and the remainder is payable in quarterly instalments until the maturity date.
(d) These bonds are redeemable at par, indexed for increases in the RPI over the life of the MTN. However, for the LPI-linked bond, the maximum indexation of the principal in any one year is 5%, with a minimum of 0%.
(e) The sustainability-linked bonds are linked to the Group's KPI for Group Greenhouse Gas (GHG) Emissions reduction (Scope 1 and 2, in tCO_2e) to reduce these emissions by 60% by 2025/26 with respect to a 2015/16 baseline. Not achieving the target would result in a coupon step up for the period starting after the interest payment following the reporting of the target not being reached.

Note 23 Provisions

	Property provisions £m	Restructuring provisions £m	Legal and regulatory provisions £m	Operational insurance provisions £m	Other provisions £m	Total £m
At 24 February 2024	**204**	**53**	**67**	**152**	**5**	**481**
Foreign currency translation	(1)	–	–	(1)	–	(2)
Acquired through business combinations	1	–	–	–	–	1
Amount released in the year	(10)	(2)	(8)	(23)	(1)	(44)
Amount provided in the year	11	51	25	73	1	161
Amount utilised in the year	(10)	(60)	(5)	(61)	–	(136)
Unwinding of discount	5	–	–	–	–	5
At 22 February 2025	**200**	**42**	**79**	**140**	**5**	**466**

	2025 £m	2024 £m
Current	300	306
Non-current	166	175
	466	**481**

Provisions are discounted where material based on the relevant risk-free rate and are risk-adjusted through adjusting the cash flow estimates. Refer to **Note 15** for details of how risk-free rates are derived. Where material, provisions are discounted based on country-specific nominal risk-free rates, with a weighted average risk-free rate of 5.1% (2024: 4.3%).

Property provisions

Property provisions comprise onerous contracts related to vacant properties, and decommissioning, dilapidations and remediation works provisions.

Dilapidations are recognised where there is a present obligation to repair and restore leased properties to their pre-occupancy state at the end of the lease term. The provision is based on best estimates for individual properties, with reference to previous experience and size of leased property, or specific agreements with the landlord where relevant. The term is measured in accordance with the outstanding length of leases or the expected timing of specific obligations.

Onerous contract provisions are recognised where the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The timing of provisions is determined by reference to the contract giving rise to the obligations.

Decommissioning provisions reflect the Group's long-term obligation for site-level environmental remediation works, arising from government regulations and changing consumer habits. The extent and cost of future environmental remediation represents a best estimate applied across the property portfolio based on past experience, the extent of remediation work required and the expected timing of activity, for which there is a high level of uncertainty.

Amounts provided in the year primarily relate to charges for dilapidation and similar remediation provisions. Amounts released in the year primarily relate to releases of dilapidations provisions.

The expected undiscounted ageing of property provisions as at 22 February 2025:

	Current £m	1 to 5 years £m	6 to 10 years £m	11 to 15 years £m	Over 15 years £m	Total £m
Property provisions	42	38	35	21	222	**358**

Restructuring provisions

Restructuring provisions primarily relate to expected employee costs and are expected to be fully utilised in the following financial year ending 28 February 2026. The provision is calculated in line with the expected settlement costs of impacted employees and excludes future operating costs.

Legal and regulatory provisions

Legal and regulatory provisions contain balances in relation to either ongoing or expected legal proceedings against the Group, or for costs associated with regulatory matters and/or breaches. Due to the nature of legal and regulatory matters, including unpredictable timings of legal cases or regulatory investigations, there is often uncertainty as to if or when provisions will be fully utilised.

Operational insurance provisions

Insurance provisions relate to outstanding liabilities from public and employer's liability and third-party motor claims across the Group's trading operations, separate to the Tesco Underwriting insurance balances in **Note 24**. Provisions relate to claims arising from incidents reported prior to the reporting date, including an allowance for those currently incurred but not reported. Amounts are measured considering claims history, including claims volume and average cost of claims, with assessment and projection by third-party actuaries. Releases in the year primarily relate to improved estimates of future outflows from revised actuarial valuations. The balance as at the financial year end is expected to be materially utilised within three years from the reporting date.

Other provisions

Other provisions balances relate to individually immaterial provisions that do not fall into any of the other categories.

Notes to the Group financial statements continued

Note 24 Insurance

Balances disclosed in this note relate to the Group's subsidiary, Tesco Underwriting Limited (TU), part of the UK & ROI segment.

Insurance revenue

	52 weeks 2025 £m	52 weeks 2024 £m
Contracts measured under premium allocation approach (PAA)	**692**	**449**
Expected incurred claims and other insurance service expenses	19	44
Change in non-financial risk adjustment for risk expired	1	2
Contractual service margin (CSM) recognised for services provided	13	19
Contracts not measured under PAA*	**33**	**65**
Insurance revenue	**725**	**514**

* For contracts not measured under PAA, the liability for remaining coverage is measured using the general measurement model (GMM).

Insurance service expenses

	52 weeks 2025 £m	52 weeks 2024 £m
Incurred claims and other directly attributable expenses	595	506
Amortisation of insurance acquisition cash flows	(4)	(4)
Losses on onerous acquired claims	2	1
Changes to fulfilment cash flows relating to incurred claims	5	(49)
Insurance service expenses	**598**	**454**

Insurance contract liabilities and reinsurance contract assets

The breakdown of portfolios and groups of insurance contracts issued and reinsurance contracts held is set out in the table below:

	2025			2024		
	Insurance contract liabilities £m	**Reinsurance contracts held £m**	**Net (liabilities)/ assets £m**	Insurance contract liabilities £m	Reinsurance contracts held[a] £m	Net (liabilities)/ assets[a] £m
(Liabilities)/assets for remaining coverage	(270)	181	(89)	(260)	168	(92)
(Liabilities)/assets for incurred claims	(382)	(57)	(439)	(266)	(43)	(309)
	(652)	**124**	**(528)**	**(526)**	**125**	**(401)**
Contracts measured under PAA	(510)	71	(439)	(364)	62	(302)
Contracts not measured under PAA[b]	(142)	53	(89)	(162)	63	(99)
	(652)	**124**	**(528)**	**(526)**	**125**	**(401)**

(a) Comparatives have been re-presented due to the reclassification of quota share funds withheld of £346m from Asset for remaining coverage (ARC) to Asset for incurred claims (AIC).
(b) Contracts not measured under PAA are measured using the GMM.

Note 24 Insurance continued

Insurance contract liabilities

The following table provides a reconciliation of the movements in the total insurance contract liabilities in the current and prior year. This is split between liabilities for remaining coverage (LRC), representing the Group's obligation for insured events related to the unexpired portion of the coverage period, and liabilities for incurred claims (LIC), representing outstanding claims and incurred but not reported claims and other incurred insurance expenses.

	2025					2024				
	Liability for remaining coverage		Liability for incurred claims			Liability for remaining coverage		Liability for incurred claims		
	Excluding loss component £m	Loss component £m	Estimates of present value of future cash flows £m	Risk adjustment for non-financial risk £m	Total £m	Excluding loss component £m	Loss component £m	Estimates of present value of future cash flows £m	Risk adjustment for non-financial risk £m	Total £m
Opening balance	**258**	**2**	**250**	**16**	**526**	**272**	**2**	**209**	**18**	**501**
Insurance revenue	**(725)**	**–**	**–**	**–**	**(725)**	**(514)**	**–**	**–**	**–**	**(514)**
Insurance service expenses										
Incurred claims and other directly attributable expenses[(a)]	16	(1)	572	8	595	36	(1)	473	(2)	506
Amortisation on insurance acquisition cash flows	(4)	–	–	–	(4)	(4)	–	–	–	(4)
Losses on onerous acquired claims and reversals of those losses	–	2	–	–	2	–	1	–	–	1
Changes to fulfilment cash flows relating to incurred claims	–	–	5	–	5	–	–	(49)	–	(49)
Total insurance service expenses	**12**	**1**	**577**	**8**	**598**	**32**	**–**	**424**	**(2)**	**454**
Total insurance service result	**(713)**	**1**	**577**	**8**	**(127)**	**(482)**	**–**	**424**	**(2)**	**(60)**
Insurance finance (income)/expenses										
Insurance finance expenses recognised in the income statement	1	–	10	–	11	1	–	6	–	7
Insurance finance (income)/expenses recognised in other comprehensive income	7	–	(7)	–	–	8	–	(4)	–	4
Total insurance finance (income)/expenses	**8**	**–**	**3**	**–**	**11**	**9**	**–**	**2**	**–**	**11**
Insurance cash flows										
Premiums received for insurance contracts issued[(b)]	721	–	–	–	721	515	–	–	–	515
Incurred claims and other expenses paid[(a)]	(1)	–	(472)	–	(473)	(21)	–	(385)	–	(406)
Insurance acquisition cash flows[(b)]	(6)	–	–	–	(6)	(35)	–	–	–	(35)
Total insurance cash flows	**714**	**–**	**(472)**	**–**	**242**	**459**	**–**	**(385)**	**–**	**74**
Closing balance	**267**	**3**	**358**	**24**	**652**	**258**	**2**	**250**	**16**	**526**

(a) Incurred claims and related cash flows presented within LRC relate to the settlement of the acquired claims. The time difference between settlement of the development of the claim and payment is not significant to present within LIC.
(b) Comparatives have been re-presented to move certain commission balances between Premiums received for Insurance contracts issued and Insurance acquisition cash flows.

Notes to the Group financial statements continued

Insurance contract liabilities not measured under the PAA

The following table provides a reconciliation of the movements in the insurance contract liabilities for contracts not measured under the PAA:

	2025				2024			
	Estimates of present value of future cash flows £m	**Risk adjustment for non-financial risk £m**	**CSM £m**	**Total £m**	Estimates of present value of future cash flows £m	Risk adjustment for non-financial risk £m	CSM £m	Total £m
Opening balance*	**84**	**5**	**73**	**162**	**138**	**7**	**66**	**211**
Changes that relate to current service								
CSM recognised for the year	–	–	(13)	(13)	–	–	(19)	(19)
Change in risk adjustment for non-financial risk for risk expired	–	(1)	–	(1)	–	(2)	–	(2)
Experience adjustments	(2)	–	–	(2)	(13)	–	–	(13)
Changes that relate to future service								
Changes in estimates that adjust the CSM	(8)	–	8	–	(24)	–	24	–
Changes in estimates that result in losses and reversals of losses on onerous acquired claims	–	–	3	3	–	–	2	2
Total insurance service result	**(10)**	**(1)**	**(2)**	**(13)**	**(37)**	**(2)**	**7**	**(32)**
Insurance finance (income)/expenses								
Insurance finance expenses recognised in the income statement	1	–	–	1	1	–	–	1
Insurance finance expenses recognised in other comprehensive income	7	–	–	7	8	–	–	8
Total insurance finance (income)/expenses	**8**	**–**	**–**	**8**	**9**	**–**	**–**	**9**
Insurance cash flows								
Incurred claims and other expenses paid	(15)	–	–	(15)	(26)	–	–	(26)
Total insurance cash flows	**(15)**	**–**	**–**	**(15)**	**(26)**	**–**	**–**	**(26)**
Closing balance*	**67**	**4**	**71**	**142**	**84**	**5**	**73**	**162**

* Contracts not measured under the PAA relate to claims liabilities acquired on the acquisition of TU. The acquired claims liabilities are included in the LRC from the acquisition date and measured under the GMM as their coverage relates to the discovery of the ultimate cost of acquired claims, which will spread over multiple years. Refer to **Note 1** for further details.

Notes to the Group financial statements continued

Note 24 Insurance continued

Reinsurance contract assets

The following table provides a reconciliation of the movements in the total reinsurance contract assets in the current and prior year. This is split between movements in assets for remaining coverage (ARC) and assets for incurred claims (AIC) recoverable from reinsurance:

	2025					2024[a]				
	Assets for remaining coverage		Assets for incurred claims			Assets for remaining coverage		Assets for incurred claims		
	Excluding loss-recovery component £m	Loss-recovery component £m	Estimates of present value of future cash flows £m	Risk adjustment for non-financial risk £m	Total £m	Excluding loss-recovery component £m	Loss-recovery component £m	Estimates of present value of future cash flows £m	Risk adjustment for non-financial risk £m	Total £m
Opening balance	**167**	**1**	**(48)**	**5**	**125**	**160**	**1**	**(32)**	**6**	**135**
Allocation of reinsurance premiums	(282)	–	–	–	(282)	(194)	–	–	–	(194)
Amounts recoverable from reinsurers										
Amounts recoverable for incurred claims and other incurred insurance service expenses	(4)	–	236	2	234	(6)	–	158	(1)	151
Recoveries of losses on onerous acquired claims and reversal of those losses	–	1	–	–	1	–	–	–	–	–
Changes to amounts recoverable for incurred claims	–	–	(15)	–	(15)	–	–	(5)	–	(5)
Net expenses from reinsurance contracts held	**(286)**	**1**	**221**	**2**	**(62)**	**(200)**	**–**	**153**	**(1)**	**(48)**
Reinsurance finance income/(expenses)										
Reinsurance finance income recognised in the income statement	–	–	2	–	2	–	–	1	–	1
Reinsurance finance income/(expenses) recognised in other comprehensive income	(2)	–	3	–	1	1	–	–	–	1
Total reinsurance finance income/(expenses)	**(2)**	**–**	**5**	**–**	**3**	**1**	**–**	**1**	**–**	**2**
Reinsurance cash flows										
Premiums paid for reinsurance contracts held	68	–	–	–	68	42	–	–	–	42
Amounts received from reinsurers relating to incurred claims	(1)	–	(9)	–	(10)	(1)	–	(5)	–	(6)
Total reinsurance cash flows	**67**	**–**	**(9)**	**–**	**58**	**41**	**–**	**(5)**	**–**	**36**
Other movements[b]	**233**	**–**	**(233)**	**–**	**–**	**165**	**–**	**(165)**	**–**	**–**
Closing balance	**179**	**2**	**(64)**	**7**	**124**	**167**	**1**	**(48)**	**5**	**125**

(a) Comparatives have been re-presented due to the reclassification of quota share funds withheld. The opening balance for ARC has increased by £268m, for AIC reduced by £268m. For other movements, ARC has increased by £105m and AIC decreased by £105m. The closing balance for ARC has increased by £346m and decreased for AIC by £346m. Other line item changes are immaterial.
(b) Other movements include the quota share premiums that are held against future reinsurance recoveries in a Funds Withheld account.

Reinsurance contract assets not measured under the PAA

The following table provides a reconciliation of the movements in the reinsurance contract assets not measured under the PAA:

	2025				2024			
	Estimates of present value of future cash flow £m	**Risk adjustment for non-financial risk £m**	**CSM £m**	**Total £m**	Estimates of present value of future cash flow £m	Risk adjustment for non-financial risk £m	CSM £m	Total £m
Opening balance*	**36**	**3**	**24**	**63**	**38**	**2**	**32**	**72**
Changes that relate to current service								
CSM recognised for the year	–	–	(1)	(1)	–	–	(1)	**(1)**
Change in risk adjustment for non-financial risk for risk expired	–	–	–	–	–	–	–	**–**
Experience adjustments	–	(1)	–	(1)	(7)	–	–	**(7)**
Changes that relate to future service								
Changes in estimates that adjust the CSM	(9)	(1)	10	–	6	1	(7)	**–**
Changes in estimates that result in losses and reversals of losses on onerous acquired claims	–	–	1	1	–	–	–	**–**
Changes that relate to past service								
Changes to incurred claims component	(6)	–	–	(6)	–	–	–	–
Total net expenses from reinsurance contracts held	**(15)**	**(2)**	**10**	**(7)**	**(1)**	**1**	**(8)**	**(8)**
Reinsurance finance income/(expenses)								
Reinsurance finance income/(expenses) recognised in other comprehensive income	(2)	–	–	(2)	1	–	–	1
Total reinsurance finance income/(expenses)	**(2)**	**–**	**–**	**(2)**	**1**	**–**	**–**	**1**
Reinsurance cash flows								
Amounts received from reinsurers relating to incurred claims	(1)	–	–	(1)	(2)	–	–	(2)
Total reinsurance cash flows	**(1)**	**–**	**–**	**(1)**	**(2)**	**–**	**–**	**(2)**
Closing balance*	**18**	**1**	**34**	**53**	**36**	**3**	**24**	**63**

* Contract assets not measured under the PAA relate to reinsurance claims acquired on the acquisition of TU.

Note 24 Insurance continued

Analysis of CSM

The following table shows an analysis of the expected recognition of the CSM remaining at the end of the reporting period in relation to acquired claims in the income statement:

	22 February 2025		24 February 2024	
	Insurance contract liabilities	Reinsurance contract assets	Insurance contract liabilities	Reinsurance contract assets
Less than one year	(17)	4	(20)	4
One to five years	(21)	11	(33)	13
More than five years	(33)	19	(20)	7
Total	**(71)**	**34**	**(73)**	**24**

Process used to determine assumptions

The nature of insurance makes it very difficult to predict with certainty the likely outcome of any particular claim and the ultimate cost of notified claims. Each notified claim is assessed on a separate, case-by-case basis with due regard to the claim circumstances and historical evidence of the size of similar claims and provisions are based on information currently available. However, the ultimate liabilities may vary as a result of subsequent developments.

Sources of data

The sources of data used as inputs for the assumptions are internal, using detailed studies that are carried out at least annually to ensure that the assumptions are consistent with observable market prices or other published information. When there is insufficient information to make a reliable best estimate of claims development, suitable benchmark assumptions are used.

Methods

The cost of outstanding claims and the incurred but not reported (IBNR) claims provisions are estimated using various statistical methods, which extrapolate the development of paid and incurred claims, average cost per claim and ultimate claim numbers for each accident period based upon observed development of earlier periods, with reference to suitable benchmarks. The key methods are:

- development factor methods, which use historical data to estimate the paid and incurred to date as proportions of the ultimate claim cost;
- individual claim assessment methods, which use claim-specific details for large individual claims to estimate the ultimate claim cost; and
- benchmarking methods, which use the experience of comparable, more mature classes, or market data to estimate the cost of claims.

To the extent that these methods use historical claims development information, they also assume that the historical claims development pattern will occur again in the future, after allowing (where possible) for instances where this might not be the case, such as changing economic or legal trends.

Recoveries

The provisions are initially estimated at a gross level and a separate calculation is carried out to estimate the size of reinsurance recoveries. The Group is covered by a variety of reinsurance programmes. The methods used by the Group take into account historical data, specific details for individual large claims and details of the reinsurance programme to assess the expected size of reinsurance recoveries. Recoveries through salvage and subrogation are estimated and recorded as part of the liability for incurred claims based on a combination of suitable benchmark assumptions and the observed development to date.

Risk adjustment for non-financial risk

The risk adjustment for non-financial risk is the compensation that the Group requires for bearing uncertainty around the amount and timing of the cash flows of groups of insurance contracts. The Group has used a confidence level (probability of sufficiency) approach at the 80th percentile.

Discount rate

Insurance contract liabilities are calculated by discounting expected future cash flows using a yield curve based on a replicating portfolio and utilising a top-down approach. The replicating portfolio is a reference portfolio of government and corporate bonds matching the expected maturity profile of claims liabilities with resulting yield curve adjusted to eliminate credit risk spread.

The yield curves applied for discounting future cash flows of liabilities for incurred claims are listed below:

	One year %	Three years %	Five years %	10 years %	Mean 11 – 100 years %
As at 22 February 2025	4.1%	4.4%	4.5%	4.6%	4.7%
As at 24 February 2024	4.9%	4.7%	4.6%	4.4%	4.3%

Notes to the Group financial statements continued

Actual claims payments are compared with previous estimates of the undiscounted amounts of the claims in the tables below on a gross and net of reinsurance basis.

Claims development (gross)

Estimate of gross undiscounted ultimate claims costs	2022 £m	2023 £m	2024 £m	**2025 £m**	**Total £m**
At end of the financial year	233	280	365	442	
One year later	233	289	356	–	
Two years later	211	300	–	–	
Three years later	215	–	–	–	
Current estimate of cumulative claims	**215**	**300**	**356**	**442**	**1,313**
Cumulative payments to date	(182)	(228)	(270)	(258)	(938)
Gross undiscounted liabilities for incurred claims	**33**	**72**	**86**	**184**	**375**
Value of risk adjustment					21
Effect of discounting					(32)
Gross claims liabilities					**364**
Ancillary claims and expense liabilities					18
Total gross liabilities for incurred claims					**382**

Claims development (net)

Estimate of net undiscounted ultimate claims costs	2022 £m	2023 £m	2024 £m	**2025 £m**	**Total £m**
At end of the financial year	150	169	220	258	
One year later	151	176	209	–	
Two years later	130	180	–	–	
Three years later	138	–	–	–	
Current estimate of cumulative claims	**138**	**180**	**209**	**258**	**785**
Cumulative payments net of reinsurance recoveries to date	(109)	(136)	(164)	(149)	(558)
Net undiscounted liabilities for incurred claims	**29**	**44**	**45**	**109**	**227**
Value of risk adjustment					15
Effect of discounting					(22)
Net claims liabilities					**220**
Quota share funds withheld*					201
Ancillary claims and expense liabilities					18
Total net liabilities for incurred claims					**439**

* Quota share funds represent reinsurance premiums withheld, which will be utilised to offset recoveries receivable from reinsurers.

The Group provides information on the gross and net claims development from the date of acquisition of TU in May 2021 to the current reporting period, as it was not party to claims made prior to the acquisition date.

Note 25 Deposits from central bank

	2025 £m	2024 £m
Deposits from central bank	–	908
Of which:		
Current	–	108
Non-current	–	800
	–	**908**

The prior year includes deposits from central bank of £908m drawn under the Bank of England's Term Funding Scheme with incentives for small and medium-sized enterprises (TFSME). The amounts were repaid in full in the current year.

Note 26 Financial instruments

The Group recognises the following financial instruments on its balance sheet. The Group's exposure to the risks associated with its financial assets and liabilities is discussed in **Note 27**.

		2025				2024			
At 22 February 2025	Notes	At amortised cost £m	At fair value through profit or loss £m	At fair value through other comprehensive income £m	Total £m	At amortised cost £m	At fair value through profit or loss £m	At fair value through other comprehensive income £m	Total £m
Financial assets									
Cash and cash equivalents	19	2,194	61	–	2,255	2,305	35	–	2,340
Short-term investments	19	837	1,386	–	2,223	1,239	889	–	2,128
Trade receivables	18	652	–	–	652	576	–	–	576
Other receivables	18	183	–	–	183	274	–	–	274
Joint ventures and associates loan receivables	31	97	–	–	97	96	–	–	96
Other investments	16	196	15	874	1,085	1,033	18	701	1,752
Derivative financial instruments:									
Interest rate swaps		–	24	–	24	–	44	–	44
Cross-currency swaps		–	138	–	138	–	182	–	182
Index-linked swaps		–	646	–	646	–	583	–	583
Forward foreign currency contracts		–	27	–	27	–	25	–	25
Diesel forward contracts		–	–	–	–	–	2	–	2
		4,159	**2,297**	**874**	**7,330**	**5,523**	**1,778**	**701**	**8,002**
Financial liabilities									
Trade payables	20	(6,692)	–	–	(6,692)	(6,644)	–	–	(6,644)
Accruals	20	(943)	–	–	(943)	(931)	–	–	(931)
Other payables	20	(1,849)	–	–	(1,849)	(1,864)	–	–	(1,864)
Borrowings	22	(6,950)	–	–	(6,950)	(7,219)	–	–	(7,219)
Deposits from central bank	25	–	–	–	–	(908)	–	–	(908)
Lease liabilities	13	(7,716)	–	–	(7,716)	(7,622)	–	–	(7,622)
Derivative financial instruments:									
Interest rate swaps		–	(74)	–	(74)	–	(105)	–	(105)
Cross-currency swaps		–	(130)	–	(130)	–	(139)	–	(139)
Forward foreign currency contracts		–	(11)	–	(11)	–	(20)	–	(20)
Diesel forward contracts		–	(2)	–	(2)	–	(2)	–	(2)
		(24,150)	**(217)**	**–**	**(24,367)**	**(25,188)**	**(266)**	**–**	**(25,454)**

Notes to the Group financial statements continued

The expected maturity of financial assets and liabilities is not considered to be materially different to their current and non-current classification.

The fair value of assets and liabilities measured at amortised cost are shown below.

Fair value of financial assets and liabilities measured at amortised cost

The table excludes cash and cash equivalents, short-term investments, trade receivables/payables, other receivables/payables and accruals where the carrying values approximate fair value. The levels in the table refer to the fair value measurement hierarchy.

	Level	22 February 2025 Carrying value £m	22 February 2025 Fair value[a] £m	24 February 2024 Carrying value £m	24 February 2024 Fair value[a] £m
Financial assets measured at amortised cost					
Investment in debt instruments at amortised cost[b][c]	1 and 2	196	201	1,033	838
Joint ventures and associates loan receivables	2	97	105	96	97
Financial liabilities measured at amortised cost					
Borrowings					
Amortised cost	1	(4,916)	(4,651)	(5,067)	(4,794)
Bonds in fair value hedge relationships	1	(2,034)	(2,088)	(2,152)	(2,211)

(a) Refer to the fair value measurement by level of fair value hierarchy section for details on Level 2 methodology.
(b) Investment securities previously held by Tesco Bank were wound down in advance of the sale of the Group's Banking operations. Refer to **Note 16**.
(c) These are principally Level 1 instruments.

Fair value measurement by level of fair value hierarchy

The following tables present the Group's financial assets and liabilities that are measured at fair value, by level of fair value hierarchy:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2); and
- inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

Level 2 assets and liabilities are valued by discounting future cash flows using externally sourced market yield curves, including interest rate curves and foreign exchange rates from highly liquid markets. Refer to the Level 3 Instruments section below for details on Level 3 valuation methodology.

At 22 February 2025	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Assets				
Investments at fair value through other comprehensive income	855	–	19	874
Short-term investments at fair value through profit or loss	1,386	–	–	1,386
Cash and cash equivalents at fair value through profit or loss	–	61	–	61
Other investments at fair value through profit and loss	–	–	15	15
Derivative financial instruments:				
Interest rate swaps	–	–	24	24
Cross-currency swaps	–	–	138	138
Index-linked swaps	–	–	646	646
Foreign currency forward contracts	–	27	–	27
Total assets	**2,241**	**88**	**842**	**3,171**
Liabilities				
Derivative financial instruments:				
Interest rate swaps	–	–	(74)	(74)
Cross-currency swaps	–	–	(130)	(130)
Foreign currency forward contracts	–	(11)	–	(11)
Diesel forward contracts	–	(2)	–	(2)
Total liabilities	**–**	**(13)**	**(204)**	**(217)**
Net assets	**2,241**	**75**	**638**	**2,954**

Notes to the Group financial statements continued

Note 26 Financial instruments continued

At 24 February 2024	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Assets				
Investments at fair value through other comprehensive income	682	–	19	701
Short-term investments at fair value through profit or loss	889	–	–	889
Cash and cash equivalents at fair value through profit or loss	–	35	–	35
Other investments at fair value through profit and loss	–	–	18	18
Derivative financial instruments:				
Interest rate swaps	–	29	15	44
Cross-currency swaps	–	–	182	182
Index-linked swaps	–	–	583	583
Foreign currency forward contracts	–	25	–	25
Diesel forward contracts	–	2	–	2
Total assets	**1,571**	**91**	**817**	**2,479**
Liabilities				
Derivative financial instruments:				
Interest rate swaps	–	(9)	(96)	(105)
Cross-currency swaps	–	–	(139)	(139)
Foreign currency forward contracts	–	(20)	–	(20)
Diesel forward contracts	–	(2)	–	(2)
Total liabilities	**–**	**(31)**	**(235)**	**(266)**
Net assets	**1,571**	**60**	**582**	**2,213**

During the financial year, there were no transfers (2024: no transfers) between Level 1 and Level 2 fair value measurements.

Level 3 instruments

Uncollateralised derivative financial instruments are held by the Group as part of financial risk management, and include interest rate and inflation-linked swaps, cross-currency swaps and foreign exchange and diesel forward contracts. Uncollateralised derivatives are valued as per Level 2 but include certain data sources which are significantly less liquid. Level 2 inputs include forward rates and foreign exchange rates from available market data, with credit risk adjustments being incorporated in the derivative valuations, taking into account the default risk of either party using market data such as credit default swaps. Unobservable inputs (Level 3) relate to the funding valuation adjustment (FVA), which is the estimate of the adjustment to the fair value that a market participant would make to account for funding costs. These are calculated on the future valuation of the derivative, based on the best estimate available to management of suitable relevant cost of funds. A 10 basis points increase in the cost of funds would increase the FVA by £7m (2024: £12m). Unlisted investments are valued based on less observable inputs such as recent funding rounds.

The following table presents the changes in Level 3 instruments:

	2025		2024	
	Uncollateralised derivatives £m	**Unlisted investments £m**	Uncollateralised derivatives £m	Unlisted investments £m
At the beginning of the year	**545**	**37**	**379**	**34**
Gains/(losses) recognised in finance costs[a]	(14)	(1)	9	(2)
Gains/(losses) recognised in other comprehensive income not reclassified to the income statement	–	4	–	–
Gains/(losses) recognised in other comprehensive income that may subsequently be reclassified to the income statement	35	-	15	–
Impairment recognised in cost of sales	–	(10)	–	–
Additions	–	5	–	5
Settlements	38	–	–	–
Transfers of assets to Level 3[b]	–	–	142	–
Transfers of assets from Level 3[c]	–	(1)	–	–
At the end of the year	**604**	**34**	**545**	**37**

(a) Net unrealised gains/(losses) of £105m (2024: £7m) are attributable to those assets and liabilities held at the end of the year and have been recognised in finance costs in the Group income statement.
(b) There were £nil transfers of unlisted investments (2024: £nil) and £nil of derivative assets (2024: £142m derivative assets) to Level 3 from Level 2 and £nil (2024: £nil) to Level 3 from Level 1.
(c) There were £1m transfers from Level 3 to Level 2 (2024: £nil) and £nil transfers from Level 3 to Level 1 (2024: £nil).

Notes to the Group financial statements continued

Offsetting of financial assets and liabilities

The following tables show those financial assets and liabilities subject to offsetting, enforceable master netting arrangements and similar agreements.

At 22 February 2025	Gross amounts of recognised financial assets/ (liabilities) £m	Gross amounts of financial assets/ (liabilities) offset in the Group balance sheet £m	Net amounts included in the Group balance sheet £m	Related amounts not offset in the Group balance sheet: Financial instruments £m	Related amounts not offset in the Group balance sheet: Collateral (received)/ pledged £m	Net amount £m
Financial assets						
Derivative financial instruments	835	–	835	(115)	–	720
Trade receivables	758	(106)	652	–	–	652
Total assets	**1,593**	**(106)**	**1,487**	**(115)**	**–**	**1,372**
Financial liabilities						
Derivative financial instruments	(217)	–	(217)	115	–	(102)
Trade payables	(6,798)	106	(6,692)	–	–	(6,692)
Total liabilities	**(7,015)**	**106**	**(6,909)**	**115**	**–**	**(6,794)**

At 24 February 2024	Gross amounts of recognised financial assets/ (liabilities) £m	Gross amounts of financial assets/ (liabilities) offset in the Group balance sheet £m	Net amounts included in the Group balance sheet £m	Related amounts not offset in the Group balance sheet: Financial instruments £m	Related amounts not offset in the Group balance sheet: Collateral (received)/ pledged £m	Net amount £m
Financial assets						
Derivative financial instruments	836	–	836	(118)	(20)	698
Trade receivables	667	(91)	576	–	–	576
Total assets	**1,503**	**(91)**	**1,412**	**(118)**	**(20)**	**1,274**
Financial liabilities						
Derivative financial instruments	(266)	–	(266)	118	–	(148)
Trade payables	(6,735)	91	(6,644)	–	–	(6,644)
Total liabilities	**(7,001)**	**91**	**(6,910)**	**118**	**–**	**(6,792)**

For the financial assets and liabilities subject to enforceable master netting arrangements above, each agreement between the Group and the counterparty allows for net settlement of the relevant financial assets and liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and liabilities will be settled on a gross basis. However, each party to the master netting agreement or similar agreement will have the option to settle all such amounts on a net basis in the event of default of the other party.

Note 27 Financial risk management

The main financial risks faced by the Group and the management of these risks are set out below, and include market risk (foreign exchange, interest rate, inflation and commodity prices), credit risk, liquidity risk, capital risk and insurance risk.

a) Market risk

Foreign exchange risk management

Description of risks	Management policy	Hedging strategy
Transactional exposure that arises from the cost of future purchases of goods, where those purchases are denominated in a currency other than the functional currency of the purchasing company.	The Group's policy is to hedge currency exposure that could significantly impact the Group income statement. Minimum and maximum hedge limits are in place depending on whether forecast spend is committed or uncommitted but highly probable.	Foreign currency forward contracts which are designated as cash flow hedges. These are denominated in the same currency as the highly probable future sales and purchases, which are expected to occur within a maximum 24-month period, and the hedge ratio is determined to be 1:1.
Translation exposure that arises from exchange rate movements in connection with translating the Group's foreign subsidiaries' revenue, expenses, assets and liabilities into Pounds Sterling.	Translation risk related to foreign subsidiaries is not actively hedged. However, to reduce this exposure in relation to the net assets of foreign subsidiaries, net investment hedging is undertaken.	Euro-denominated borrowings are used to hedge the exposure of a portion of the Group's net investments in overseas operations which have a Euro functional currency, against changes in value due to changes in foreign exchange rates. The Group has established a hedge ratio of 1:1, as the underlying risk of the hedging instrument is identical to the hedged risk component.
Loans to and from subsidiaries in currencies other than in the entity's functional currency.	The Group's policy is to swap 100% of the foreign currency debt back to Pounds Sterling or designate as a net investment hedge.	Foreign currency derivatives and borrowings in matching currencies, which are not formally designated as accounting hedges as gains and losses will naturally offset in the income statement.
Debt issued in a currency other than Pounds Sterling.	The Group's policy is to swap 100% of the foreign currency debt back to Pounds Sterling, unless there are appropriate matching foreign currency assets.	Cross-currency swaps, which are designated as fair value hedges or economic hedges.

Residual exposure is present, arising largely from cash and cash equivalents balances that are not in the functional currency of the entity holding these balances. The Group income statement impact of foreign currency exchange rate movements on these residual balances is disclosed in the sensitivity table on **page 186**.

Interest rate risk management

Description of risks	Management policy	Hedging strategy
Debt issued at variable interest rates as well as cash deposits and short-term investments, giving rise to cash flow risk, and debt issued at fixed interest rates giving rise to fair value risk.	The Group's policy is to manage its cash flow and fair value risk on a net debt basis (senior unsecured debt, lease liabilities, cash and cash equivalents and short-term investments).	Interest rate swap contracts are used to fix interest rates on senior unsecured debt or investments issued at floating rates, creating a cash flow hedge; and for senior unsecured debt or investments issued at fixed rates to generate variable interest exposure, creating a fair value hedge. The terms of the swap contracts match the terms of the borrowings or investments including notional amounts and maturity, interest settlement and interest rate reset dates, and the Group has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the derivative contract is identical to that of the hedged item.

Notes to the Group financial statements continued

The table below shows the interest rate risk profile for the Group's financial instruments:

	2025			2024		
	Fixed £m	**Floating £m**	**Total £m**	Fixed £m	Floating £m	Total £m
Cash and cash equivalents	–	2,255	2,255	28	2,312	2,340
Short-term investments	–	2,223	2,223	–	2,128	2,128
Investments in debt instruments at amortised cost	196	–	196	577	456	1,033
Investments at fair value through other comprehensive income	866	8	874	687	14	701
Investments at fair value through profit or loss	15	–	15	18	–	18
Joint ventures and associates loan receivables	97	–	97	96	–	96
Lease liabilities	(7,716)	–	(7,716)	(7,622)	–	(7,622)
Borrowings[a]	(6,043)	(907)	(6,950)	(6,353)	(866)	(7,219)
Assets of the Banking operations disposal group[b]	–	–	–	4,090	3,925	8,015
Liabilities of the Banking operations disposal group[c]	–	–	–	(4,806)	(2,183)	(6,989)
Deposits from central bank	–	–	–	–	(908)	(908)
Derivative effect:						
Interest rate swaps	1,464	(1,464)	–	(720)	720	–
Cross-currency swaps	902	(902)	–	920	(920)	–
Total	**(10,219)**	**1,213**	**(9,006)**	**(13,085)**	**4,678**	**(8,407)**
Percentage of interest-bearing debt at fixed rate			**83%**			**83%**
Weighted average rate of interest paid on senior unsecured debt, excluding joint ventures and associates			**4.8%**			**4.8%**

(a) RPI-linked borrowings of £(379)m have been re-presented as fixed in the prior year.
(b) Comprised loans and advances to customers of £7,669m and cash and cash equivalents of £346m in the prior year.
(c) Comprised borrowings of £(549)m and customer deposits of £(6,440)m in the prior year.

Inflation risk management

Description of risks	Management policy	Hedging strategy
Index-linked debt, where the principal is indexed to increase/decrease in line with either RPI or LPI.	The Group's policy is to hedge inflation in total balance sheet debt (including index-linked bonds and RPI-linked lease liabilities) on a portfolio basis alongside its interest rate risk management. Interest and inflation risk in total balance sheet debt are managed to a combined target of 50% fixed, with a tolerance of 15%, where RPI-linked rents are considered to be floating.	LPI debt (where principal is indexed to RPI, with an annual maximum increase of 5% and a minimum of 0%) and RPI debt are hedged back to fixed rate using derivative contracts designated as cash flow hedges.
Index-linked lease liabilities, where the liability is indexed to increase/decrease in line with either RPI or LPI.		Indexed liabilities arising from property joint ventures are fully hedged using derivative contracts which economically hedge the lease liability inflation uplift.

Refer to **Note 13** for information on the Group's exposure to inflation-linked leases.

Commodity risk management

Description of risks	Management policy	Hedging strategy
Changes in commodity prices largely relating to diesel for own use.	The Group policy is to hedge a minimum of 50% of the forecast uncommitted exposure within the next 12 months.	Forward derivative contracts which are designated as cash flow hedges are used to hedge future purchases of diesel for own use. These are denominated in the same currency and volume as the forecast purchases and the hedge ratio is determined to be 1:1.

Note 27 Financial risk management continued

Financial instruments not qualifying for hedge accounting

The Group's policy does not permit the use of derivatives for trading purposes. However, some derivatives do not qualify for hedge accounting, or are specifically not designated as a hedge where gains and losses on the hedging instrument and the hedged item naturally offset in the Group income statement. These instruments include index-linked swaps, interest rate swaps, cross-currency swaps and foreign currency forward contracts.

Sensitivity analysis

The impact on the financial statements of the Group from foreign currency, inflation, interest rate and commodity price volatility is discussed below.

The analysis excludes the impact of movements in market variables on the carrying value of pension and other post-employment benefit obligations and on the retranslation of overseas net assets. However, it does include the foreign exchange sensitivity resulting from local entity non-functional currency financial instruments.

The sensitivity analysis has been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of the debt and derivatives portfolio, and the proportion of financial instruments in foreign currencies are all constant and on the basis of the hedge designations in place at 22 February 2025. It should be noted that the sensitivity analysis reflects the impact on income and equity due to financial instruments held at the balance sheet date. It does not reflect any change in sales or costs that may result from changing interest or exchange rates.

The following assumptions were made in calculating the sensitivity analysis:

- the sensitivity of interest payable to movements in interest rates is calculated on net floating rate exposures on debt, deposits and derivative instruments with no sensitivity assumed for RPI-linked borrowings, which have been swapped to fixed rates;
- changes in the carrying value of derivative financial instruments designated as fair value hedges against movements in interest rates or foreign exchange rates have an immaterial effect on the Group income statement and equity due to compensating adjustments in the carrying value of debt;
- changes in the carrying value of financial instruments designated as net investment hedges against movements in foreign exchange rates are recorded directly in the Group statement of comprehensive income/(loss);
- all other changes in the carrying value of derivative financial instruments designated as hedging instruments are fully effective with no impact on the Group income statement; and
- the floating leg of any swap or any floating rate debt is treated as not having any interest rate already set, therefore a change in interest rates affects a full 12-month period for the interest payable portion of the sensitivity calculations.

Using the above assumptions, the following table shows the quantitative effect on the Group income statement and the Group statement of changes in equity that would result, at the balance sheet date, from changes in interest rates, inflation rates, currency exchange rates and commodity prices that are reasonably possible for major currencies where there have recently been significant movements:

	2025		2024	
	Income gain/ (loss) £m	**Equity gain/ (loss) £m**	Income gain/ (loss) £m	Equity gain/ (loss) £m
1% increase in interest rates	(21)	2	3	2
5% appreciation of the Euro	(9)	(47)	(5)	(49)
5% appreciation of the US Dollar	(10)	38	2	38
50 basis points parallel upward shift in the forward inflation curve	82	20	93	23
10% increase in commodity prices*	–	6	1	10

* Relating to diesel prices only, where derivatives are used to hedge risk.

A decrease in interest rates and commodity prices, depreciation of foreign currencies and downward shift in the forward inflation curve would have the opposite effect to the impact in the table above.

The impact on the Group income statement resulting from changes in foreign exchange rates against GBP in relation to financial instruments (excluding those arising on consolidation) is minimal as Group policy dictates that all material income statement foreign exchange exposures are hedged.

In prior years, the Group entered into a number of derivative index-linked contracts with external counterparties, to economically hedge a proportion of the Group's exposure to index-linked lease liabilities with its joint ventures. These are specifically not designated as accounting hedges but are economic hedges. However, the gains and losses on the hedging instrument and hedged item do not naturally offset in the Group income statement. This mismatch arises due to different accounting outcomes of IFRS 9 and IFRS 16, which results in a timing difference.

The impact on the Group statement of comprehensive income/(loss) from changing exchange rates results from the revaluation of financial liabilities used as net investment hedges. The impact on the Group statement of comprehensive income/(loss) will largely be offset by the revaluation in equity of the hedged assets in the Group statement of changes in equity.

Derivatives and hedging exposures

Derivatives are used to hedge exposure to market risks, some of which are economic hedges and others are formally designated hedging instruments with hedge accounting applied. The main sources of hedge ineffectiveness are the effects of the counterparties' and the Group's own credit risk on the fair value of derivatives.

Notes to the Group financial statements continued

The fair value and notional amounts of derivatives analysed by hedge type are as follows:

	2025				2024			
	Asset		Liability		Asset		Liability	
	Fair value £m	Notional £m	Fair value £m	Notional £m	Fair value £m	Notional £m	Fair value £m	Notional £m
Fair value hedges								
Interest rate swaps	24	414	(72)	1,100	44	916	(103)	1,152
Cross-currency swaps	–	–	(118)	621	–	–	(126)	640
Banking operations disposal group[a]	–	–	–	–	50	3,355	(16)	1,543
Cash flow hedges								
Interest rate swaps	–	–	(2)	50	–	–	(2)	50
Index-linked swaps[b]	299	406	–	–	265	406	–	–
Foreign currency forward contracts	25	1,094	(8)	601	20	818	(17)	862
Diesel forward contracts	–	20	(2)	41	2	31	(2)	57
Derivatives not in a formal hedge relationship								
Cross-currency swaps	138	308	(12)	95	182	790	(13)	94
Index-linked swaps	347	2,074	–	–	318	2,074	–	–
Foreign currency forward contracts	2	285	(3)	545	5	379	(3)	433
Diesel forward contracts	–	–	–	–	–	1	–	4
Banking operations disposal group[a]	–	–	–	–	4	315	(1)	–
Total	**835**	**4,601**	**(217)**	**3,053**	**890**	**9,085**	**(283)**	**4,835**

(a) Interest rate swaps within the Banking operations disposal group.
(b) The notional values of the index-linked swaps designated as cash flow hedges have been re-presented to show the original unindexed notional amounts. In the prior year, the table presented the notional values after inflation indexation. The current year notional value after indexation for these swaps is £818m (2024: £790m).

Note 27 Financial risk management continued

The following table sets out the maturity profile, average interest rates and foreign currency exchange rates of the hedging instruments used in the Group's hedging strategies.

	2025			2024		
Maturity profile	**Up to one year**	**One to five years**	**More than five years**	Up to one year	One to five years	More than five years
Notional amount (£m)						
Fair value hedges						
Interest rate swaps – GBP	400	–	700	150	726	766
Interest rate swaps – EUR	–	–	414	–	–	426
Cross currency swaps (GBP: EUR)[a]	–	621	–	–	–	640
Banking operations disposal group[b]	–	–	–	2,695	2,157	46
Cash flow hedges						
Index-linked swaps[c]	210	–	196	–	210	196
Interest rate swaps	–	50	–	–	50	–
Average net interest rate (pay)/receive						
Fair value hedges						
Interest rate swaps – GBP	(3.41)%	–	(3.04)%	4.39%	(3.58)%	(3.67)%
Interest rate swaps – EUR	–	–	0.59%	–	–	(0.88)%
Cross currency swaps (GBP: EUR)[a]	–	(5.19)%	–	–	–	(5.91)%
Banking operations disposal group[b]	–	–	–	(0.50)%	(1.18)%	(1.05)%
Cash flow hedges						
Index-linked swaps	(4.23)%	–	(4.21)%	–	(4.23)%	(4.21)%
Interest rate swaps	–	(0.45)%	–	–	0.29%	–

(a) Average exchange rate for cross-currency swaps (GBP: EUR) is 1.128 (2024: 1.128).
(b) Interest rate swaps within the Banking operations disposal group.
(c) The notional values of the index-linked swaps designated as cash flow hedges have been re-presented to show the original unindexed notional amounts. In the prior year, the table presented the notional values after inflation indexation. The current year notional value after indexation for these swaps with maturities up to one year is £425m (2024: £nil), one to five years is £nil (2024: £411m) and more than five years is £393m (2024: £379m).

At 22 February 2025, foreign currency forward contracts, designated as cash flow hedges, equivalent to £1.7bn were outstanding (2024: £1.7bn). These forward contracts are largely in relation to purchases of Euros (notional €0.7bn) (2024: notional €0.4bn) and US Dollars (notional $0.9bn) (2024: notional $0.8bn) with varying maturities up to February 2026.

For the above currencies the rates ranged from EUR/GBP 1.149 to 1.206 (2024: 1.134 to 1.171) and USD/GBP from 1.219 to 1.336 (2024: 1.181 to 1.306).

Forward commodity contracts hedging diesel purchases for own use as at 22 February 2025 had a GBP notional of £61m (2024: £93m) at a rate of £515 to £618 (2024: £493 to £828) per tonne.

The notional and fair values of these contracts are shown in the table on **page 187**.

Notes to the Group financial statements continued

The following table sets out the details of the hedged exposures covered by the Group's fair value hedges:

	Balance sheet classification	2025 Carrying amount assets/(liabilities) £m	2025 Accumulated amounts of fair value adjustments on hedged item assets/(liabilities) £m	2025 Changes in fair value for calculating hedge ineffectiveness £m	2024 Carrying amount assets/(liabilities) £m	2024 Accumulated amounts of fair value adjustments on hedged item assets/(liabilities) £m	2024 Changes in fair value for calculating hedge ineffectiveness £m
Interest rate risk							
Fixed-rate investment securities	Other investments	–	–	–	377	32	12
Fixed-rate bonds[a]	Borrowings	(2,492)	114	36	(2,615)	142	50
Fixed-rate loans[b]	Assets of the disposal group	–	–	–	3,355	33	41
Fixed-rate savings[b]	Liabilities of the disposal group	–	–	–	(1,543)	(1)	1

(a) The accumulated amount of fair value adjustments remaining in the Group balance sheet for hedged items that have ceased to be adjusted for hedging gains and losses was £(70)m for fixed-rate bonds (2024: £(77)m).
(b) Loans and advances to customers and customer deposits were transferred to the Banking operations disposal group in the prior year and disposed of in the current year.

The following table sets out information regarding the change in value of the hedged item used in calculating hedge ineffectiveness as well as the impacts on the hedging reserve for cash flow hedge designations:

	Hedging instrument	2025 Change in value of hedging instrument for calculating hedge ineffectiveness £m	2025 Change in value of hedged item for calculating hedge ineffectiveness £m	2025 Cumulative impact on hedging reserve[a] £m	2024 Change in value of hedging instrument for calculating hedge ineffectiveness £m	2024 Change in value of hedged item for calculating hedge ineffectiveness £m	2024 Cumulative impact on hedging reserve[a] £m
Interest rate/inflation risk							
Index-linked bonds	Index-linked swaps	32	(20)	10	25	(17)	16
Borrowings	Interest rate swaps	1	(1)	5	1	(1)	7
Foreign currency risk							
Forecasted purchases	Foreign currency forward contracts	10	(10)	8	31	(31)	6
Commodity risk							
Forecasted purchases	Diesel forward contracts	(3)	3	(1)	9	(9)	(1)
Interest rate/foreign currency risk							
MTNs[b]	Cross-currency swaps	–	–	46	–	–	75

(a) Excludes deferred tax.
(b) This is a discontinued hedge.

The following table sets out information regarding the effectiveness of hedging relationships designated by the Group, as well as the impacts on profit or loss and other comprehensive income:

	Line item in Group income statement that includes hedge ineffectiveness	2025 Hedge ineffectiveness recognised in profit or loss £m	2024 Hedge ineffectiveness recognised in profit or loss £m
Fair value hedges – interest rate risk			
Borrowings	Finance cost	(1)	(9)

Notes to the Group financial statements continued

Note 27 Financial risk management continued

The following table presents a reconciliation by risk category of the cash flow hedge reserve and an analysis of other comprehensive income in relation to hedge accounting:

	Interest rate/inflation risk		Interest rate/ foreign currency risk	Foreign currency/commodity risk		
	Index-linked swaps £m	Interest rate swaps £m	Cross-currency swaps £m	Foreign currency forward contracts[a] £m	Diesel forward contracts[a] £m	Hedging reserve[b] £m
At 25 February 2023	**34**	**5**	**25**	**(24)**	**(7)**	**33**
Net fair value gains/(losses)	24	–	–	(39)	1	(14)
Amount reclassified to finance income/(cost) in Group income statement	(52)	(2)	(2)	–	–	(56)
Transfer from hedging reserve to retained earnings	–	–	44	–	–	44
Amount reclassified to inventories	–	–	–	71	8	79
Tax	7	–	(10)	–	(2)	(5)
At 24 February 2024	**13**	**3**	**57**	**8**	**–**	**81**
Net fair value gains/(losses)	32	1	–	10	(3)	40
Amount reclassified to finance income/(cost) in Group income statement	(38)	(1)	(30)	(2)	–	(71)
Amount reclassified to inventories	–	–	–	(7)	3	(4)
Tax	1	–	8	(2)	–	7
At 22 February 2025	**8**	**3**	**35**	**7**	**–**	**53**

(a) Net fair value gains/(losses) relates to inventory cash flow hedges of £7m (2024: £(38)m) and other cash flow hedges of £nil (2024: £nil).
(b) Includes £4m (2024: £6m) relating to non-controlling interests.

Net investment hedges

The details of the hedging instruments and movements in cumulative impact on net investment hedges in other comprehensive income are set out below:

	Nominal amount of hedging instrument £m	Nominal amount of hedged item £m	Cumulative impact on net investment hedges £m
At 25 February 2023	**(1,325)**	**1,325**	**(794)**
Discontinued hedges in the year[a]	653	(653)	9
New hedges designated in the year[b]	(436)	436	9
Change in value for calculating ineffectiveness	40	(40)	22
At 24 February 2024	**(1,068)**	**1,068**	**(754)**
Change in value for calculating ineffectiveness	33	(33)	33
At 22 February 2025	**(1,035)**	**1,035**	**(721)**

(a) As at 22 February 2025, the discontinued hedge balance is £(760)m (2024: £(760)m).
(b) During the year, there was no discontinuation and no new designation of MTNs in a net investment hedge. In the prior year, €750m 1.375% MTN Oct 2023 was repaid and another €500m 4.25% MTN Feb 2031 was subsequently designated in a net investment hedge.

Net investment hedge ineffectiveness was £nil (2024: £nil) during the year.

During the current financial year, currency movements decreased the net value, after the effects of hedging, of the Group's overseas assets by £(56)m (2024: decrease by £(116)m). The Group also ensures that each subsidiary is appropriately hedged in respect of its non-functional currency assets.

(b) Credit risk

Description of risk	Management policy	Measurement
A counterparty will not meet its obligations leading to a financial loss for the Group. This arises from cash and cash equivalents, short-term investments, trade receivables, other receivables, joint venture and associate loan receivables, reinsurance contract assets, other investments, and derivative financial instruments.	For cash and cash equivalents, short-term investments, other investments, and derivative financial instruments: – the Group holds positions with an approved list of investment-grade rated counterparties. – counterparty credit limits are set to minimise the concentration of risk and are set taking into account the type and value of the specific financial asset. For trade receivables, other receivables, joint venture and associate loan receivables, and reinsurance contract assets: – the Group's credit risk is managed with various mitigating controls including credit checks, credit insurance, and master netting agreements. Due to the nature of the business, there is little concentration of risk due to the large number of customers which are spread across wide geographical areas.	The Group monitors the exposure, credit rating, outlook, and credit default swap levels of these counterparties on a regular basis. Counterparty credit limits are reviewed every six months and may be updated throughout the financial year. Refer to **page 192** for information on the Group's ECLs.

Maximum exposure to credit risk

The maximum exposure to credit risk at the end of the reporting period reflects the carrying amount of each class of financial assets, including loan commitments which are not recognised on the balance sheet.

The net counterparty exposure under derivative contracts is £0.6bn (2024: £0.7bn).

The Group's maximum gross exposure to credit risk is analysed below by class of financial instrument, including for financial instruments that are not subject to ECL i.e. derivative financial instruments:

	2025 £m	2024 £m
Cash and cash equivalents	2,255	2,340
Short-term investments	2,223	2,128
Trade receivables	652	576
Other receivables	183	274
Joint venture and associates loan receivables	97	96
Assets of the Banking operations disposal group[a]	–	7,698
Other investments	1,085	1,752
Derivative financial assets:		
Interest rate swaps	24	44
Cross-currency swaps	138	182
Index-linked swaps	646	583
Foreign currency forward contracts	27	25
Diesel forward contracts	–	2
Off balance sheet:		
Loan commitments[b]	–	12,850
Maximum exposure to credit risk	**7,330**	**28,550**

(a) Relates to assets transferred to the Banking operations disposal group in the prior year and disposed of in the current year.
(b) Loan commitments in the prior year represented the undrawn amount contractually committed by the Banking operations disposal group.

Notes to the Group financial statements continued

Note 27 Financial risk management continued

Counterparty credit rating

The table below provides detail of financial assets by long-term credit rating of investment-grade rated counterparties:

	2025					2024				
Rating	**AAA**	**AA**	**A**	**BBB**	**Total**	AAA	AA	A	BBB	Total
Cash and cash equivalents[a]	–	–	1,355	35	**1,390**	–	–	1,517	15	**1,532**
Short-term investments	1,389	3	731	100	**2,223**	889	203	986	50	**2,128**
Investment in debt securities at amortised cost[b]	–	–	–	192	**192**	391	48	393	196	**1,028**
Investment at fair value through other comprehensive income[c]	156	123	341	235	**855**	117	100	287	178	**682**
Investments at fair value through profit or loss[d]	–	–	–	–	**–**	–	1	–	–	**1**
Assets of the Banking operations disposal group[e]	–	–	–	–	**–**	–	54	–	–	**54**
Derivative financial assets:										
Interest rate swaps	–	12	12	–	**24**	–	36	8	–	**44**
Cross-currency swaps	–	–	138	–	**138**	–	–	181	1	**182**
Index-linked swaps	–	–	299	347	**646**	–	–	134	449	**583**
Foreign currency forward contracts	–	5	22	–	**27**	–	2	18	5	**25**
Diesel forward contracts	–	–	–	–	**–**	–	–	1	1	**2**

(a) Excludes £865m (2024: £808m) of cash and cash equivalents which do not have a credit rating.
(b) Excludes £4m (2024: £5m) of investments in debt instruments which do not have a credit rating.
(c) Excludes £19m (2024: £19m) of investments in equity instruments which do not have a credit rating.
(d) Excludes £15m (2024: £17m) of property fund investments that do not have a credit rating.
(e) Comprises interest rate swaps transferred to the Banking operations disposal group in the prior year and disposed of in the current year.

Expected credit losses (ECLs)

The Group applies either the simplified approach or the three-stage model for ECLs, depending on the nature of the financial asset. The ECL is determined by multiplying together the probability of default (PD), exposure at default (EAD) and the loss given default (LGD) for the relevant time period and for each specific loan and by discounting back to the balance sheet date.

The Group's financial assets are written off when the balance is known not to be recoverable or the Group is time-barred from recovering a balance under local legislation. The ECLs are immaterial. Gross loans to related parties of £97m (2024: £96m) are presented net of loss allowances of £nil (2024: £nil) on the Group balance sheet.

For reinsurance contract assets the maximum exposure to credit risk is their carrying amount, refer to **Note 24.** Refer to **page 195** for the credit rating of the reinsurers.

The low credit risk exemption has been applied to cash and cash equivalents, money market funds, deposits and similar investments, investments in debt instruments at fair value through other comprehensive income (FVOCI), investments at fair value through profit or loss (FVPL) and investments in debt instruments at amortised cost.

(c) Liquidity risk

Description of risk	Management policy	Measurement
Difficulty in meeting the obligations associated with the Group's financial liabilities.	The Group finances its liquidity position and its operations by a combination of retained profits, disposals of assets, debt capital market issuance, bank borrowings, and leases. The policy is to maintain a prudent level of cash together with sufficient committed bank facilities to meet liquidity needs as they arise, to maintain a smooth debt profile and to ensure maturing senior unsecured debt will not exceed £1.5bn in any 12-month period.	Liquidity risk is continuously monitored by short-term and long-term cash flow forecasts.
The Group is exposed to liquidity risk from daily calls on its cash resources, including from claims arising on its insurance contracts. There is a risk that cash will not be available to settle liabilities when they fall due.	The Group manages its liquidity risk by having an investment guideline that it maintains sufficient liquidity, or its financial assets can be realised at short notice in the event of a major adverse event. The Group may also make use of borrowing facilities if required.	

Notes to the Group financial statements continued

The Group is investment-grade rated with all three major credit rating agencies and retains access to capital markets so that maturing debt may be refinanced as it falls due.

	2025			2024		
	Short-term rating	**Long-term rating**	**Outlook**	Short-term rating	Long-term rating	Outlook
Rating agency						
Fitch	F3	BBB–	Stable	F3	BBB–	Stable
Moody's	P-3	Baa3	Stable	P-3	Baa3	Stable
Standard & Poor's	A-3	BBB–	Positive	A-3	BBB–	Stable

The Group has a £15.0bn Euro Medium Term Note programme, of which £2.8bn (2024: £2.4bn) is in issue in GBP and €2.2bn (2024: €2.7bn) is in issue in EUR, plus $0.4bn of USD-denominated notes issued under 144A documentation (2024: $0.4bn). The amount in issue includes £0.4bn (2024: £0.4bn) of accretion on the index-linked MTNs which will be repayable at maturity.

Borrowing facilities

The Group has the following undrawn committed facilities available at 22 February 2025, in respect of which all conditions precedent had been met as at that date:

	2025 £m	2024 £m
Expiring in less than one year	38	238
Expiring between one and two years	–	–
Expiring in more than two years	2,500	2,500
Total	**2,538**	**2,738**

The Group has a £2.5bn undrawn committed facility available at 22 February 2025 (24 February 2024: £2.5bn), in respect of which all conditions precedent had been met as at that date, consisting of a syndicated revolving credit facility expiring in more than two years. The cost of the facility is linked to three ESG targets and incurs commitment fees at market rates which would provide funding at floating rates. There were no drawings under the facility during the year (2024: £nil).

Maturities of financial liabilities

The following is an analysis of the undiscounted contractual cash flows payable under financial liabilities and derivative liabilities, taking into account contractual terms that provide the counterparty a choice of when (the earliest date) an amount is repaid by the Group. The potential cash outflow is considered acceptable as it is offset by financial assets.

The undiscounted cash flows will differ from both the carrying values and fair values. Floating-rate interest and inflation is estimated using the prevailing rate at the balance sheet date. Cash flows in foreign currencies are translated using spot rates at the balance sheet date.

At 22 February 2025	Due within 1 year £m	Due between 1 and 2 years £m	Due between 2 and 3 years £m	Due between 3 and 4 years £m	Due between 4 and 5 years £m	Due beyond 5 years £m
Non-derivative financial liabilities						
Borrowings	(1,748)	(686)	(71)	(718)	(687)	(3,117)
Interest payments on borrowings	(202)	(175)	(166)	(162)	(138)	(798)
Lease liabilities	(995)	(973)	(940)	(896)	(855)	(6,217)
Trade payables	(6,692)	–	–	–	–	–
Other payables	(1,815)	(15)	(6)	(1)	(1)	(11)
Accruals	(943)	–	–	–	–	–
Derivative financial liabilities						
Net settled derivative contracts – receipts	–	–	–	–	–	7
Net settled derivative contracts – payments	(22)	(18)	(18)	(18)	(17)	–
Gross settled derivative contracts – receipts	1,145	113	2	2	623	–
Gross settled derivative contracts – payments	(1,194)	(155)	(33)	(33)	(681)	–
Total	**(12,466)**	**(1,909)**	**(1,232)**	**(1,826)**	**(1,756)**	**(10,136)**

Note 27 Financial risk management continued

At 24 February 2024	Due within 1 year £m	Due between 1 and 2 years £m	Due between 2 and 3 years £m	Due between 3 and 4 years £m	Due between 4 and 5 years £m	Due beyond 5 years £m
Non-derivative financial liabilities						
Borrowings	(1,416)	(891)	(706)	(71)	(718)	(4,148)
Interest payments on borrowings	(205)	(221)	(130)	(153)	(149)	(906)
Deposits from central bank – Tesco Bank	(151)	(820)	–	–	–	–
Lease liabilities	(903)	(931)	(913)	(889)	(842)	(6,279)
Trade payables	(6,644)	–	–	–	–	–
Other payables	(1,831)	(13)	(5)	(1)	(1)	(13)
Accruals	(931)	–	–	–	–	–
Liabilities of the Banking operations disposal group[(a)]	(5,789)	(481)	(681)	(128)	(130)	(2)
Derivative financial liabilities						
Net settled derivative contracts – receipts	8	5	4	2	1	3
Net settled derivative contracts – payments	(38)	(19)	(16)	(15)	(15)	(8)
Gross settled derivative contracts – receipts[(b)]	1,282	8	110	2	2	643
Gross settled derivative contracts – payments[(b)]	(1,343)	(41)	(150)	(31)	(30)	(680)
Total on balance sheet	**(17,961)**	**(3,404)**	**(2,487)**	**(1,284)**	**(1,882)**	**(11,390)**
Off balance sheet						
Contractual lending commitments[(c)]	(12,850)	–	–	–	–	–
Total	**(30,811)**	**(3,404)**	**(2,487)**	**(1,284)**	**(1,882)**	**(11,390)**

(a) Comprised customer deposits, lease liabilities, trade and other payables, borrowings, and derivatives transferred to the Banking operations disposal group in the prior year and disposed of in the current year. Refer to **Note 8**.
(b) Gross settled derivative contracts have been re-presented to include mandatory breaks on certain derivatives.
(c) Contractual lending commitments in the prior year were included in the Banking operations disposal group.

The Group is not subject to covenants in relation to its facilities and borrowings. There is an element of seasonality in the Group's operations, however the overall impact on liquidity is not considered significant. The table below shows information about the timing of total expected undiscounted cash outflows in relation to insurance contract liabilities, irrespective of the measurement basis, based on current best estimates. The phasing is based on current estimates and the actual timing of future settlement cash flows may differ from that disclosed below.

	2025		2024*	
	£m	**%**	£m	%
Due within one year	166	31	144	34
Due within one and two years	80	15	57	13
Due within two and three years	56	11	44	10
Due within three and four years	32	6	28	7
Due within four and five years	23	4	18	4
Due beyond five years	174	33	138	32
Total	**531**	**100**	**429**	**100**

* Comparatives have been re-presented from discounted to undiscounted liabilities.

Insurance contract liabilities issued and reinsurance contracts held have no amounts that are payable on demand.

Notes to the Group financial statements continued

d) Insurance risk

Description of risk	Management policy
Risks accepted through the provision of insurance products in return for a premium, exposed through the wholly-owned subsidiary, Tesco Underwriting Limited (TU). These risks may or may not occur as expected and the amount and timing of these risks are uncertain and determined by events outside of the Group's control (e.g. flood or vehicular accident).	TU operates a separate risk framework with dedicated risk and compliance teams and a suite of TU risk policies to ensure that the TU insurance portfolio is operating within the agreed risk appetite.

Types of insurance risk

Risks	Description of risks	Mitigation
Underwriting	Policies not priced correctly due to underestimating the frequency and/or severity of the claims and/or that payments are required under conditions that were not anticipated.	The Group has large numbers of policyholders with homogeneous exposures such as car and home policies. Products are priced based on the Group's knowledge using past exposures, historical losses (plus an appropriate allowance for incurred but not reported (IBNR) losses) and external data sources, with the appropriate adjustments to reflect anticipated future market conditions and expenses.
Claims reserving	Estimates of insurance liabilities prove to be insufficient through inaccurate forecasting, adverse random variation and additional expenses.	The aim of the reserving policy is to provide estimates of insurance liabilities that are accurate and reliable across each line of business and are consistent over the time period required to settle all the claims. Provisions are monitored on an ongoing basis by a reserving committee and the TU board, and an annual independent review is undertaken.
Claims management	Claims management risk may arise in the event of inaccurate or incomplete case reserving or settlement, poor customer service, claims fraud, ineffective or inefficient claim processes or excessive costs of handling claims.	The Group's approach to claims management focuses upon creating a successful balance between satisfying the needs of the customer against control of the overall cost of the provision of the service that meets those needs in agreement with its service provider. Customers include both the insured as well as others that believe the insured has breached a duty of care.
Reinsurance	Reinsurance contracts, placed to reduce exposure to specific risks, events, and accumulations, fail to perform as planned and do not reduce the gross cost of claims in terms of the limits purchased, by risks not being appropriately covered, by reinsurance bad debts or by there being gaps in the programme.	The reinsurance programme is subject to considerable scenario planning and approved by the Reinsurance Committee and the TU board. All reinsurers in the reinsurance programme have a minimum credit rating of A.

Concentration of insurance risk

Concentration of insurance risk may exist where a particular event or series of events could impact significantly upon the Group's liabilities. Such concentrations may arise from a single insurance contract or through a small number of related contracts. The following are key categories of concentration risks that might result in significant impacts to the Group:

Category	Description	Mitigation
High-severity, low frequency event concentrations	High-severity, low frequency events (e.g. natural disasters) represent a material risk as the occurrence of such an event would have a significant adverse impact on TU's cash flows and profitability.	Making appropriate allowance within the price calculated by underwriters and by purchasing a reinsurance programme that limits the impact of these events, using non-proportional reinsurance treaties to manage retention levels and the limits of protection.
Geographic and demographic concentrations	Material geographical concentrations of risk exist in property portfolios such that natural disasters (e.g. floods) may give rise to a large number of material damage and business interruption claims.	The Group only writes policies in the UK. TU models its exposure to this risk to estimate its probable maximum loss and purchases reinsurance to significantly reduce its exposure to such events.
Economic conditions	The insurance portfolio exposes a potential accumulation of different risks in the event of difficult economic conditions or more challenging points in the underwriting cycle.	The Group aims to ensure it charges the right premium for the business underwritten and it focuses on maintaining prices in such difficult market conditions. It also monitors claims closely to identify any that may be exaggerated or fraudulent.
Total aggregate exposure	The total aggregate exposure that the Group is prepared to accept in relation to concentrations of risk.	The exposures are monitored on a regular basis by reviewing reports which show the key aggregations to which the Group is exposed and by using a number of modelling tools to monitor aggregation and simulate catastrophe losses in order to measure the effectiveness of the reinsurance programmes, and to quantify the net exposure. Additional stress and scenario tests are run using these models during the year.

TU has carried out sensitivity analyses on the reasonably possible changes in its key business drivers, including interest yields, expenses and gross loss ratio, as well as executing the stress and scenario testing programme on the insurance risk as part of contingency planning. These do not indicate a material impact to the Group's overall financial position and performance.

Note 27 Financial risk management continued

e) Other risks

Risk	Description of risk	Management policy	Measurement
Capital risk	Ability to continue as a going concern in order to provide returns to shareholders and benefits for policyholders and other stakeholders, while protecting and strengthening the Group balance sheet through the appropriate balance of debt and equity funding, and ability to meet minimum capital requirements for regulated businesses.	**Group capital** The Group manages its capital structure (net debt plus equity) and makes adjustments to it: – in light of changes to economic conditions and the strategic objectives of the Group. – through dividend payment to shareholders, buying back shares and cancelling them or issuing new shares. During the current financial year, the Group continued the share buyback programme and cancelled these shares (refer to **Note 30**). – by raising finance in the public debt markets and borrowing centrally and locally from financial institutions, using a variety of capital market instruments and borrowing facilities to meet the requirements of each local business. **Insurance capital** Solvency II (SII) came into force on 1 January 2016. It provides a framework for managing and measuring the risks and the solvency position for all insurance companies in the EU. Following the UK's departure from the EU, the SII framework continues to be applied in the UK and its requirements are applicable to TU. TU assesses its Solvency Capital Requirement (SCR) using Prudential Regulation Authority (PRA) Standard Formula (2024: Partial Internal Model). TU also maintains a capital contingency plan supported by its direct shareholder, Tesco Personal Finance Group Limited (TPFG). TPFG as the parent entity of TU adheres to SII requirements and has complied with the supervisory requirements of the PRA. During the year, the Group was compliant with the externally imposed capital requirements.	Refer to **Note 32** for the value of Net debt, and the Group statement of changes in equity for the value of the Group's equity.
Operational insurance risk	The Group is inadequately protected from liabilities arising from unforeseen events in its operations.	The Group purchased assets, earnings and combined liability protection from the open insurance market for higher value losses only. The risk not transferred to the insurance market is retained within the Group with some cover being provided by the Group's captive insurance company, ELH Insurance Limited in Guernsey, which is consolidated in the Group financial statements, covering assets, earnings and combined liability.	Refer to **Note 23** for details on operational insurance provisions.

Notes to the Group financial statements continued

Note 28 Share-based payments

The table below shows amounts charged to the Group income statement in respect of share-based payments:

	2025 £m	2024 £m
Income statement		
Equity-settled share-based payment charge[a]	119	123
Cash-settled National Insurance contributions[b]	17	5
	136	**128**

(a) Includes £4m (2024: £6m) in relation to discontinued operations.
(b) Includes £1m (2024: £2m) in relation to discontinued operations.

The table below shows amounts included in the Group cash flow statement in relation to share-based payments and own shares purchased for share schemes:

	2025 £m	2024 £m
Share-based payment charge included in operating profit/(loss)	**(136)**	**(128)**
Share-based payments non-cash movement	37	78
Increase/(decrease) in trade and other payables*	99	50
Included in Group operating cash flows	**–**	**–**
Cash paid to purchase own shares including related fees and taxes	(123)	(146)
Cash received from employees exercising SAYE options	69	53
Included in Group financing cash flows	**(54)**	**(93)**

* Shares withheld from employees in order to settle their tax liability and National Insurance.

The table below presents the components of share-based payments recognised in the Group statement of changes in equity:

	2025 £m	2024 £m
(Increase)/decrease in own shares held*	**239**	**184**
Shares delivered to employees	(239)	(184)
Cash received from employees exercising SAYE options	69	53
Share-based payments charge to the income statement	119	123
Movements in shares withheld to settle employee tax	2	4
Reclassification	–	15
Increase/(decrease) to retained earnings	**(49)**	**11**
Included in the Group statement of changes in equity	**190**	**195**

* Decrease in own shares held is the gross amount of shares that the employees are entitled to receive.

Note 28 Share-based payments continued

Share option, share bonus and incentive schemes

The Company had nine share option schemes and four discretionary share award schemes in operation during the financial year, all of which are equity-settled schemes:

Arrangement	Participants	Term	Vesting requirements
Savings-related option schemes			
The Savings-related Share Option Scheme (1981)	UK colleagues	Three or five years.	The options are capable of being exercised at the end of the term at a subscription price of not less than 80% of the middle-market quotations of an Ordinary share over the three dealing days immediately preceding the offer date.
The Irish Savings-related Share Option Scheme (2000)	ROI colleagues	Three or five years.	
The Savings-related Share Option Scheme (2021)	UK colleagues	Three or five years.	
The International Savings-related Share Option Scheme (2021)	ROI colleagues	Three or five years.	
The Global Save As You Earn Plan (2023)	India and CE colleagues	Three years.	
Discretionary option schemes[a]			
The Group Bonus Plan	Selected senior executives and senior managers	Granted as a proportion of annual bonus following the completion of a required service period and is normally exercisable between three and 10 years from the date of grant for nil consideration. No further options will be granted under this scheme.	Dependent on the achievement of corporate performance, individual targets and continuous employment.
The Performance Share Plan (2011)	Selected senior executives and senior managers	Normally exercisable between the vesting date(s) set at grant and 10 years from the date of grant for nil consideration. No further options will be granted under this scheme.	Conditional upon the achievement of specified performance targets over a three-year period and/or continuous employment.
The Long-Term Incentive Plan (2015)	Selected senior executives and senior managers	Normally exercisable between the vesting date(s) set at grant and 10 years from the date of grant for nil consideration.	
The Booker Group PLC Performance Share Plan (2008) (Booker PSP and CSOP)	Selected Booker senior colleagues (Booker)	Normally exercisable between the third anniversary of the original date of grant and 10 years from the date of grant for nil consideration. No further options will be granted under this scheme.	Conditional upon the achievement of specified performance targets over a three-year period and continuous employment. Company Share Option Plan options (CSOP options) which are linked to the Booker PSP options are exercisable at a subscription price equivalent to the market value of the Booker Shares at the time of grant.
Discretionary share award schemes[b]			
The Performance Share Plan (2011) and the Long Term Incentive Plan (2021)	Selected senior executives and senior managers	Awards made under these plans will normally vest on the vesting date(s) set on the date of the award for nil consideration.	Conditional on the achievement of specified performance targets over a three-year performance period and/or continuous employment.
The Group Bonus Plan and Deferred Bonus Plan (2019)	Selected senior executives and senior managers	Granted based on a percentage of salary, which is determined by the achievement of corporate and individual performance targets. The fair value of shares awarded under these schemes is their market value on the date of award. Expected dividends are not incorporated into the fair value.	Conditional on completion of continuous employment and achievement of corporate and individual performance targets.

(a) The Executive Directors participate in short-term bonus and long-term incentive schemes designed to align their interests with those of shareholders. Full details of these schemes can be found in the Directors' remuneration report. Refer to **pages 90 to 122**.
(b) Until 2017, nil-cost options were awarded to selected senior executives using the Group Bonus Plan and Performance Share Plan, and conditional share awards were granted to selected senior executives and senior managers. Since 2018, conditional share awards have been granted to all eligible colleagues.

Notes to the Group financial statements continued

The following tables reconcile the number of share options outstanding and the weighted average exercise price (WAEP):

For the 52 weeks ended 22 February 2025

	Savings-related Share Option Schemes		Irish Savings and International Savings-related Share Option Schemes		Nil cost Share Option Schemes		Global Savings-related Share Option Schemes		Booker Group PLC Performance Share Plan Scheme	
	Options	WAEP	Options	WAEP	Options	WAEP	Options	WAEP	Options	WAEP
Outstanding at 24 February 2024	**192,162,445**	**205.24**	**6,837,146**	**209.55**	**803,031**	**–**	**1,292,354**	**220.00**	**258,828**	**–**
Granted	48,584,817	279.00	1,480,934	279.00	21,358	–	622,815	279.00	–	–
Forfeited	(16,000,990)	213.11	(855,791)	210.44	–	–	(53,571)	221.33	(24,533)	–
Exercised	(33,778,419)	196.21	(1,181,929)	196.65	(824,389)	–	–	–	(15,887)	–
Outstanding at 22 February 2025	**190,967,853**	**224.95**	**6,280,360**	**228.24**	**–**	**–**	**1,861,598**	**239.70**	**218,408**	**–**
Exercise price range (pence)		182.00 to 279.00		182.00 to 279.00		–		220.00 to 279.00		–
Weighted average remaining contractual life (years)*		2.71		2.43		–		2.94		–
Exercisable at 22 February 2025	**39,903**	**193.60**	**1,316**	**198.00**	**–**	**–**	**–**	**–**	**218,408**	**–**
Exercise price range (pence)		188.00 to 198.00		198.00 to 198.00		–		–		–
Weighted average remaining contractual life (years)*		–		–		–		–		–

* Contractual life represents the period from award to the scheme end date. Certain schemes may be exercised later than vesting date at the discretion of the individual.

Share options were exercised on a regular basis throughout the financial year. The average share price during the 52 weeks ended 22 February 2025 was 335.25p (24 February 2024: 270.31p).

For the 52 weeks ended 24 February 2024

	Savings-related Share Option Schemes		Irish Savings and International Savings-related Share Option Schemes		Nil cost Share Option Schemes		Global Savings-related Share Option Scheme		Booker Group PLC Performance Share Plan Scheme	
	Options	WAEP	Options	WAEP	Options	WAEP	Options	WAEP	Options	WAEP
Outstanding at 25 February 2023	**176,035,795**	**199.35**	**6,724,207**	**205.67**	**2,111,675**	**–**	**–**	**–**	**366,639**	**–**
Granted	61,056,367	220.00	1,931,876	220.00	69,131	–	1,292,671	220.00	–	–
Forfeited	(19,939,606)	200.81	(893,588)	206.55		–	(317)	220.00	(22,659)	–
Exercised	(24,990,111)	203.36	(925,349)	206.00	(1,377,775)	–	–	–	(85,152)	–
Outstanding at 24 February 2024	**192,162,445**	**205.24**	**6,837,146**	**209.55**	**803,031**	**–**	**1,292,354**	**220.00**	**258,828**	**–**
Exercise price range (pence)		168.00 to 242.00		182.00 to 260.00		–		220.00 to 220.00		–
Weighted average remaining contractual life (years)*		2.79		2.50		2.08		3.60		–
Exercisable at 24 February 2024	**49,950**	**206.24**	**1,712**	**219.00**	**803,031**	**–**	**–**	**–**	**258,828**	**–**
Exercise price range (pence)		168.00 to 219.00		219.00 to 219.00		–		–		–
Weighted average remaining contractual life (years)*		–		–		2.08		–		–

Refer to previous table for footnote.

Note 28 Share-based payments continued

The fair value of savings-related share options schemes is estimated at the date of grant using the Black-Scholes option pricing model. The following table gives the assumptions applied to the options granted in the respective periods shown.

	2025 SAYE	2024 SAYE
Expected dividend yield (%)	4.21–4.42	4.48–4.61
Expected volatility (%)	19.2–20.8	19.35–21.42
Risk-free interest rate (%)	4.41–4.49	3.59–3.74
Expected life of option (years)	3 or 5	3 or 5
Weighted average fair value of options granted (pence)	77.71	66.76
Probability of forfeiture (%)	6–12	6–12
Share price (pence)	349.10	290.50
Weighted average exercise price (pence)	279.00	220.00

Volatility is a measure of the amount by which a price is expected to fluctuate during a period. The measure of volatility used in the Group's option pricing models is the annualised standard deviation of the continuously compounded rates of return on the share over a period of time. In estimating the future volatility of the Company's share price, the Board considers the historical volatility of the share price over the most recent period that is generally commensurate with the expected term of the option, taking into account the remaining contractual life of the option.

The number and weighted average fair value (WAFV) of share bonuses granted during the financial year were:

	2025		2024	
	Number of shares	WAFV pence	Number of shares	WAFV pence
Deferred Bonus Plan	17,554,675	306.48	15,144,646	270.27
Performance Share Plan and Long-Term Incentive Plan	21,370,918	309.88	25,497,401	253.25

Note 29 Post-employment benefits

Pensions

The Group operates a variety of post-employment benefit arrangements, covering both funded and unfunded defined benefit schemes and defined contribution schemes.

Defined contribution

Defined contribution schemes are open to all Tesco employees in the UK and ROI.

Under the Group's defined contribution pension schemes, employees of the Group pay contributions to an independently administered fund, into which the Group also pays contributions based upon a fixed percentage of the employee's contributions. The Group has no further payment obligations once its contributions have been paid. Contributions paid for defined contribution schemes in continuing operations of £454m (2024: £415m) have been recognised in the Group income statement. This includes £181m (2024: £166m) of salaries paid as pension contributions.

Defined benefit schemes

The Group has a defined benefit pension deficit of £307m (2024: £657m), and a defined benefit pension surplus of £56m (2024: £22m), comprising a number of schemes. The most significant schemes are for the Group's employees in the UK and ROI, which are closed to future accrual. The defined benefit pension deficit in the UK represents 122% (2024: 104%) of the net Group deficit.

United Kingdom

The principal scheme within the Group is the Tesco PLC Pension Scheme (the Scheme), the assets of which are held as a segregated fund and administered by the Trustee.

The Scheme is established under trust law and has a corporate trustee (the Trustee) that is required to run the Scheme in accordance with the Scheme's Trust Deed and Rules and to comply with all relevant legislation. Responsibility for the governance of the Scheme lies with the Trustee. The Trustee is a company whose directors comprise:

1. representatives of the Group;
2. independent trustees; and
3. representatives of the Scheme participants, in accordance with its articles of association and UK pension law.

On completion of a comprehensive strategic review of the Scheme's long-term needs, the Trustee appointed Schroders with effect from 28 June 2024 as the Scheme's principal Outsourced Chief Investment Officer (OCIO), under an investment management agreement. Schroders works with the Trustee to implement the Scheme's investment strategy and deliver security for the Scheme's members.

As set out in the Annual Report and Group financial statements for 2024, the Group has continued to monitor the Virgin Media vs NTL Pension Trustees and other related court cases. Following the Court of Appeal's decision to uphold the ruling of the High Court against Virgin Media, the Group has continued to assess the extent to which the defined benefit schemes may be impacted by the outcome of these cases. For the Group's main scheme (Tesco PLC Pension Scheme), there are no findings from the work undertaken to date that would require any adjustment to the Group's financial statements. Work is ongoing with regards to the smaller schemes within the UK (Booker & Budgens), however given their comparable size, the Group does not anticipate any material findings.

Management will continue to monitor developments of the associated court cases and will assess any change in risk and potential impact on the Group as required.

Scheme funding

The Group considers two measures of the pension surplus/deficit. The accounting position is shown on the Group balance sheet. The funding position, calculated at the triennial funding valuation, is used to agree contributions made to the schemes. The two measures will vary because they are for different purposes and are calculated at different dates and in different ways. The key calculation difference is that the funding position considers the expected returns of scheme assets when calculating the liability, whereas the accounting position calculated under IAS 19 discounts liabilities based on high quality corporate bond yields.

The most recent completed triennial funding valuation of the Scheme was performed as at 31 March 2022 using the projected unit credit method. The funding position was a surplus of £0.9bn. The Scheme remained in a funding surplus as at 22 February 2025.

Subsequent to this triennial funding valuation it was agreed that no further pension deficit contributions would be required, with contributions next expected to be assessed at the 31 March 2025 triennial review. The Group paid £17m per annum (2024: £17m) to meet expenses of the Scheme, including the Pension Protection Fund levy.

The most recent triennial funding valuation of the Booker Pension Scheme showed a deficit of £49m at 31 March 2024, with agreement for the current deficit contributions of £17m per annum to reduce to £5m per annum from April 2026. The most recent triennial funding valuation of the Budgens Pension Scheme showed a surplus of £2m at 31 March 2024. The Company and the Trustee have agreed that no deficit contributions are currently required.

IFRIC 14

For schemes in an accounting surplus position, these surpluses are recognised on the balance sheet in line with IFRIC 14, as the Group has an unconditional legal right to any future economic benefits by way of future refunds following a gradual settlement.

Maturity profile of the defined benefit obligation

The estimated duration of the Scheme defined benefit obligation is an indicator of the weighted average term of benefit payments after discounting. For the Scheme, this is 15 years.

Around 34% of the undiscounted benefits are due to be paid beyond 30 years' time, with the last payments expected to be over 80 years from now. The table below sets out the estimated undiscounted benefit payments expected to be paid out over the life of the Scheme:

	2025 £m	2024 £m
Within the next 12 months	393	363
Between one and 15 years	8,888	8,361
Between 15 and 30 years	13,000	12,774
Between 30 and 45 years	8,736	8,893
Over 45 years	2,530	2,802
Total expected undiscounted benefit payments	**33,547**	**33,193**

The defined benefit obligation held by the Scheme is broken down as follows:

	%
Deferred members	66
Current pensioners	34

Risks

The Group bears a number of risks in relation to the Scheme, which are described below:

Risk	Description of risk	Mitigation
Investment	The Scheme's defined benefit obligation is calculated using a discount rate set with reference to corporate bond yields. If the return on the Scheme's assets underperforms this rate, the accounting deficit will increase. If the Scheme's assets underperform the expected return for the funding valuation, this may require additional contributions to be made by the Group.	The Trustee and the Group regularly monitor the funding position and operate a diversified investment strategy. The Trustee and the Group take a balanced approach to investment risk and have a long-term plan to significantly reduce the investment risk within the Scheme. The Trustee considers climate risk as one of the key investment risks faced by the Scheme and has set up a Responsible Investment Committee to consider climate-related issues relating to the Scheme. The Scheme has also made a commitment to aim for investments to be net-zero by 2050. Further details on the metrics, targets and actions taken in relation to climate risk can be seen in the Scheme's Climate Change Report.
Inflation	The Scheme's defined benefit obligation is linked to inflation. A higher rate of expected long-term inflation will therefore lead to higher liabilities, both for the IAS 19 and funding liability. If the Scheme's funding liability increases, this may require additional contributions to be made by the Group.	As part of the investment strategy, the Trustee aims to mitigate this risk through investment in a liability-driven investment (LDI) portfolio. The portfolio invests in assets which increase in value as inflation expectations increase. This mitigates the impact of any adverse movement in long-term inflation expectations. The Scheme's holdings are designed to hedge against inflation risk for most of the funded liabilities.
Interest rate	A decrease in corporate bond yields in isolation is expected to increase the accounting deficit. Similarly, a decrease in gilt yields in isolation is expected to have an adverse impact on the funding position of the Scheme. This may lead to additional contributions being made by the Group.	As part of the investment strategy, the Trustee aims to mitigate this risk through investment in an LDI portfolio. The portfolio invests in assets which increase in value as interest rates decrease. The Scheme's holdings are designed to hedge against interest rate risk for most of the funded liabilities. Because the aim of the portfolio is to mitigate risk for the funding position, ineffectiveness in hedging for the accounting deficit can arise where corporate bond and gilt yields diverge. This is partially offset by the Scheme's holdings in corporate bonds. Using an LDI portfolio means a rise in interest rates can lead to collateral calls. The Trustee and the Group regularly monitor and manage the level of liquidity to ensure it remains appropriate.
Life expectancy	The Scheme's obligations are to provide benefits for the life of the member and so increases in life expectancy will lead to a higher defined benefit obligation.	To reduce this risk, changes to future benefits were introduced in June 2012 to increase the age at which members can take their full pension by around two years. The Trustee and the Group regularly monitor the impact of changes in longevity on the Scheme defined benefit obligation.

Notes to the Group financial statements continued

Note 29 Post-employment benefits continued

The Group operates an operations and audit pensions committee to further strengthen the Scheme's Trustee governance and provide greater oversight and stronger internal control over the Group's risks. A second committee, the Group pensions committee provides an additional layer of governance and risk management. Further mitigation of the risks is provided by external advisors and the Trustee who considers the funding position, fund performance and impacts of any regulatory changes.

Scheme principal assumptions

Financial assumptions

The principal assumptions, on a weighted average basis, used by external actuaries to value the defined benefit obligation of the Scheme were as follows:

	2025 %	2024 %
Discount rate	5.7	5.1
Price inflation	3.0	2.9
Rate of increase in deferred pensions*	2.6	2.5
Rate of increase in pensions in payment*		
Benefits accrued before 1 June 2012	2.9	2.8
Benefits accrued after 1 June 2012	2.6	2.5

* In excess of any guaranteed minimum pension (GMP) element.

Discount rate

The discount rate for the Scheme is determined by reference to market yields of high-quality corporate bonds of suitable currency and term to the Scheme cash flows and extrapolated based on the trend observable in corporate bond yields.

Inflation

The inflation assumption is used to determine increases in pensions linked to RPI and CPI inflation within sections of the Scheme, subject to relevant maximum and minimum increases.

RPI inflation is derived by reference to the difference between fixed-interest and index-linked long-term government bonds. To account for the premium that investors are willing to pay to mitigate the risk that inflation is higher than expected, the inflation assumption incorporates an inflation risk premium. CPI inflation is set by reference to RPI.

The Group uses a bifurcated approach to pre- and post-2030 assumptions, reflecting the impact of the RPI reforms from 2030 onwards. In consultation with external actuaries, the inflation risk premium has been set at 0.3% p.a. pre-2030 and 0.5% p.a. post-2030, which is a weighted average of 0.44% (2024: 0.44%). The CPI differential has been set as 1.0% p.a. pre-2030 and 0.1% p.a. post-2030, which is a weighted average of 0.43% lower than RPI (2024: 0.46%).

Mortality assumptions

The Trustee's actuary conducted a mortality analysis of the Scheme as part of the triennial funding valuation process. Subsequent to this analysis, the Group adopted the best estimate assumptions for the calculation of the defined benefit obligation for the main UK scheme.

The mortality assumptions used are based on tables that have been projected to 2018 with CMI 2020 improvements. In addition, the allowance for future mortality improvements from 2018 has been updated to be in line with CMI 2023, with a long-term improvement rate of 1.00% p.a., a 0% weighting applied to both 2020 and 2021 data and a 25% weighting applied to 2022 and 2023, reflecting the expectation that the COVID-19 pandemic has had an impact on future life expectancies.

The base tables used in calculating the mortality assumptions are different for various categories of members, as shown below:

		Pensioner	Non-Pensioner
Male	Staff	96% of SAPS S3 normal heavy	100% of SAPS S3 normal heavy
	Senior Manager	112% of SAPS S3 normal light	113% of SAPS S3 normal light
Female	Staff	105% of SAPS S3 normal heavy	109% of SAPS S3 normal heavy
	Senior Manager	87% of SAPS S3 all middle	87% of SAPS S3 all middle

The following table illustrates the life expectancy of an average member retiring at age 65 at the balance sheet date and a member reaching age 65 at the balance sheet date +25 years. A comparison between the two retiree dates illustrates the expected improvements in mortality over the next 25 years.

		2025 Years	2024 Years
Retiring at the balance sheet date at age 65:	Male	19.6	19.5
	Female	22.2	22.1
Retiring at the balance sheet date +25 years at age 65:	Male	20.6	20.6
	Female	23.4	23.3

Sensitivity analysis of significant actuarial assumptions

The sensitivity of significant assumptions upon the Scheme defined benefit obligation are detailed below:

	2025		2024	
Financial assumptions – Increase/(decrease) in UK defined benefit obligation	Discount rate £m	Inflation Rate £m	Discount rate £m	Inflation Rate £m
Impact of 0.1% increase of the assumption	(157)	146	(191)	167
Impact of 0.1% decrease of the assumption	168	(135)	191	(167)
Impact of 1.0% increase of the assumption	(1,459)	1,492	(1,686)	1,770
Impact of 1.0% decrease of the assumption	1,829	(1,279)	2,153	(1,483)

Mortality assumptions – Increase/(decrease) in UK defined benefit obligation	2025 £m	2024 £m
Impact of 1 year increase in longevity	292	335
Impact of 1 year decrease in longevity	(325)	(371)

The sensitivities reflect the range of recent assumption movements and illustrate that the financial assumption sensitivities do not move in a linear fashion. Movements in the defined benefit obligation from discount rate and inflation rate changes may be partially offset by movements in assets.

Overseas

The Group operates defined benefit schemes in ROI, which are closed to future accrual. An external actuary, using the projected unit credit method, carried out the latest assessment of the ROI schemes as at 22 February 2025. At the financial year end, the accounting surplus relating to ROI was £46m (2024: £16m).

Post-employment benefits other than pensions

The Group operates a scheme offering post-retirement healthcare benefits. The cost of providing these benefits has been accounted for on a similar basis to that used for defined benefit pension schemes.

The accounting deficit as at 22 February 2025 of £3m (24 February 2024: £4m) was determined in accordance with the advice of external actuaries. During both the current and prior year, £nil was charged to the Group income statement and no benefits were paid.

Plan assets

The Group's pension schemes hold assets that both provide returns and mitigate risk, including the volatility of future pension payments.

As a result of reviewing the Group's strategic objectives, the Group transitioned the management of assets from Tesco Pension Investment Limited (TPI) to Schroders plc (Schroders) at the end of June 2024. There has been no impact on the value of the assets as a result of the transfer of ownership.

The table below shows a breakdown of the combined investments held by the Group's schemes:

	2025				2024			
	Quoted £m	Unquoted £m	Total £m	%	Quoted £m	Unquoted £m	Total £m	%
Equities								
UK	47	–	47	–	58	–	58	–
Europe	190	–	190	2	55	–	55	–
Rest of the world	1,421	–	1,421	12	1,303	–	1,303	12
	1,658	**–**	**1,658**	**14**	**1,416**	**–**	**1,416**	**12**
Bonds								
Government	259	–	259	2	570	–	570	5
Corporates – investment grade	888	–	888	8	875	–	875	7
Corporates – non-investment grade	433	–	433	4	155	–	155	1
	1,580	**–**	**1,580**	**14**	**1,600**	**–**	**1,600**	**13**
Property								
UK	–	666	666	6	–	854	854	7
Rest of the world	–	392	392	3	–	521	521	4
	–	**1,058**	**1,058**	**9**	**–**	**1,375**	**1,375**	**11**
Alternative assets								
Hedge funds	–	–	–	–	–	30	30	–
Private equity	–	864	864	7	–	982	982	8
Other	119	1,679	1,798	15	93	1,701	1,794	15
	119	**2,543**	**2,662**	**22**	**93**	**2,713**	**2,806**	**23**
LDI portfolio	**6,327**	**(2,509)**	**3,818**	**33**	**5,723**	**(1,527)**	**4,196**	**35**
Cash	**939**	**–**	**939**	**8**	**763**	**–**	**763**	**6**
Total fair value of plan assets	**10,623**	**1,092**	**11,715**	**100**	**9,595**	**2,561**	**12,156**	**100**

Quoted assets are those with a quoted price in an active market. Unquoted assets are valued in accordance with IFRS 13 'Fair value measurement', using the most appropriate level within the fair value hierarchy based on the specifics of the asset class, and in line with industry standard guidelines, including the RICS methodology for property and the IPEV guidelines for private equity.

The LDI portfolio consists of assets, including gilts and index-linked gilts and money market funds, of the value of £7,102m (2024: £6,556m) and associated repurchase agreements and swaps of £(3,284)m (2024: £(2,360)m). Other alternative assets include infrastructure and private credit investments. Other derivatives are included in the asset category to which they relate, reflecting the underlying nature and exposure of the derivative. The fall in fair value is primarily attributable to the increase in gilt yields during the year.

The plan assets include £185m (2024: £239m) relating to property used by the Group. Group property with net carrying value of £820m (2024: £829m) (refer to **Note 12**) and a value to the Scheme of at least £775m (2024: £775m) is held as security in favour of the Scheme.

Notes to the Group financial statements continued

Note 29 Post-employment benefits continued

Movement in the Group pension surplus/(deficit) during the financial period

	Fair value of plan assets		Defined benefit obligation		Net defined benefit surplus/(deficit)	
	2025 £m	2024 £m	**2025 £m**	2024 £m	**2025 £m**	2024 £m
Opening balance	**12,156**	**13,025**	**(12,787)**	**(13,416)**	**(631)**	**(391)**
Current service cost	–	–	(17)	(15)	(17)	(15)
Finance income/(cost)	601	619	(633)	(637)	(32)	(18)
Included in the Group income statement	**601**	**619**	**(650)**	**(652)**	**(49)**	**(33)**
Remeasurement gain/(loss):						
Financial assumptions gain/(loss)	–	–	981	720	981	720
Demographic assumptions gain/(loss)	–	–	17	261	17	261
Experience gain/(loss)	–	–	(62)	(182)	(62)	(182)
Return on plan assets excluding finance income	(550)	(1,050)	–	–	(550)	(1,050)
Foreign currency translation	(9)	(10)	8	10	(1)	–
Included in the Group statement of comprehensive income/(loss)	**(559)**	**(1,060)**	**944**	**809**	**385**	**(251)**
Employer contributions	17	15	–	–	17	15
Additional employer contributions	23	24	–	–	23	24
Benefits paid	(523)	(467)	530	472	7	5
Other movements	**(483)**	**(428)**	**530**	**472**	**47**	**44**
Closing balance	**11,715**	**12,156**	**(11,963)**	**(12,787)**	**(248)**	**(631)**
Withholding tax on surplus[(a)]					(3)	(4)
Closing balance, net of withholding tax					**(251)**	**(635)**
Consisting of:						
Schemes in deficit					(307)	(657)
Schemes in surplus[(b)]					56	22
Deferred tax asset/(liability)[(c)]					71	162
Surplus/(deficit) in schemes at the end of the year, net of deferred tax					**(180)**	**(473)**

(a) The movement in the year is recognised through other comprehensive income in remeasurements of defined benefit pension schemes.
(b) Schemes in surplus in the UK are presented on the balance sheet net of a 25% (2024: 35%) withholding tax.
(c) Including £(6)m deferred tax liability relating to the ROI scheme in surplus where no withholding tax is applicable (2024: £(2)m).

Notes to the Group financial statements continued

Note 30 Share capital and other reserves

Share capital

	2025		2024	
	Ordinary shares of 6⅓p each		Ordinary shares of 6⅓p each	
	Number	**£m**	Number	£m
Allotted, called-up and fully paid:				
At the beginning of the year	**7,038,930,440**	**445**	**7,318,341,195**	**463**
Shares cancelled	(302,088,678)	(19)	(279,410,755)	(18)
At the end of the year	**6,736,841,762**	**426**	**7,038,930,440**	**445**

No shares were issued during the current or prior financial year in relation to share options or bonus awards. The holders of Ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company.

The Group has a share forfeiture programme, following the completion of a tracing and notification exercise to any shareholders who have not had contact with the Company over the past 12 years, in accordance with the provisions set out in the Company's Articles of Association. Under the share forfeiture programme, the shares and dividends associated with shares of untraced members are forfeited, with the resulting proceeds transferred to the Group to use for good causes in line with the Group's Sustainability strategy. During the current financial year, the Group received £nil (2024: £2m) proceeds from the sale of untraced shares and £nil (2024: £2m) write-back of unclaimed dividends, which are reflected in retained earnings.

As at 22 February 2025, the Directors were authorised, on behalf of the Company, to purchase up to a maximum in aggregate of 704 million (2024: 732 million) Ordinary shares until the conclusion of the 2025 AGM.

Note 30 Share capital and other reserves continued

Other reserves

The tables below set out the movements in other reserves:

	Notes	Capital redemption reserve £m	Hedging reserve £m	Translation reserve £m	Own shares held* £m	Merger reserve £m	Insurance finance reserve £m	Total £m
At 24 February 2024		**61**	**75**	**206**	**(315)**	**3,090**	**14**	**3,131**
Other comprehensive income/(loss)								
Retranslation of net assets of overseas subsidiaries, joint ventures and associates		–	–	(89)	–	–	–	(89)
Impact of net investment hedges		–	–	33	–	–	–	33
Gains/(losses) on cash flow hedges		–	40	–	–	–	–	40
Cash flow hedges reclassified and reported in the Group income statement		–	(69)	–	–	–	–	(69)
Finance income/(expenses) from reinsurance contracts held		–	–	–	–	–	1	1
Tax relating to components of other comprehensive income	7	–	7	–	–	–	–	7
Total other comprehensive income/(loss)		**–**	**(22)**	**(56)**	**–**	**–**	**1**	**(77)**
Transfer from translation reserve to retained earnings		**–**	**–**	**36**	**–**	**–**	**–**	**36**
Inventory cash flow hedge movements								
(Gains)/losses transferred to the cost of inventory		–	(4)	–	–	–	–	(4)
Total inventory cash flow hedge movements		**–**	**(4)**	**–**	**–**	**–**	**–**	**(4)**
Transactions with owners								
Own shares purchased for cancellation		–	–	–	(1,016)	–	–	(1,016)
Own shares cancelled		19	–	–	1,016	–	–	1,035
Own shares purchased for share schemes		–	–	–	(204)	–	–	(204)
Share-based payments	28	–	–	–	239	–	–	239
Total transactions with owners		**19**	**–**	**–**	**35**	**–**	**–**	**54**
At 22 February 2025		**80**	**49**	**186**	**(280)**	**3,090**	**15**	**3,140**

* Includes 37.1 million shares held by the Tesco International Employee Benefit Trust (2024: 70.0 million). The number of shares held by the Tesco International Employee Benefit Trust represents 0.55% of called-up share capital at the end of the year (2024: 0.99%).

Notes to the Group financial statements continued

	Notes	Capital redemption reserve £m	Hedging reserve £m	Translation reserve £m	Own shares held* £m	Merger reserve £m	Insurance finance reserve £m	Total £m
At 25 February 2023		**43**	**27**	**322**	**(359)**	**3,090**	**16**	**3,139**
Other comprehensive income/(loss)								
Retranslation of net assets of overseas subsidiaries, joint ventures and associates		–	–	(157)	–	–	–	(157)
Impact of net investment hedges		–	–	41	–	–	–	41
Gains/(losses) on cash flow hedges		–	(14)	–	–	–	–	(14)
Cash flow hedges reclassified and reported in the Group income statement		–	(56)	–	–	–	–	(56)
Finance income/(expenses) from insurance contracts issued		–	–	–	–	–	(4)	(4)
Finance income/(expenses) from reinsurance contracts held		–	–	–	–	–	1	1
Tax relating to components of other comprehensive income	7	–	(5)	–	–	–	1	(4)
Total other comprehensive income/(loss)		**–**	**(75)**	**(116)**	**–**	**–**	**(2)**	**(193)**
Transfer from hedging reserve to retained earnings		**–**	**44**	**–**	**–**	**–**	**–**	**44**
Inventory cash flow hedge movements								
(Gains)/losses transferred to the cost of inventory		–	79	–	–	–	–	79
Total inventory cash flow hedge movements		**–**	**79**	**–**	**–**	**–**	**–**	**79**
Transactions with owners								
Own shares purchased for cancellation		–	–	–	(752)	–	–	(752)
Own shares cancelled		18	–	–	752	–	–	770
Own shares purchased for share schemes		–	–	–	(140)	–	–	(140)
Share-based payments	28	–	–	–	184	–	–	184
Total transactions with owners		**18**	**–**	**–**	**44**	**–**	**–**	**62**
At 24 February 2024		**61**	**75**	**206**	**(315)**	**3,090**	**14**	**3,131**

Refer to previous table for footnotes.

Own shares held

The own shares held represents shares in Tesco PLC purchased from the market and held by the Tesco International Employee Benefit Trust to satisfy share awards under the Group's share scheme plans (refer to **Note 28**), and shares purchased for cancellation as part of the share buyback programme. Shares purchased for cancellation are included in own shares held until cancellation, at which point the consideration is transferred to retained earnings, and the nominal value of the shares is transferred from share capital to the capital redemption reserve. Own shares held can include equity elements of forward contracts where the Group has an obligation to purchase its own shares.

Note 30 Share capital and other reserves continued

Own shares held continued

302.1 million (2024: 279.4 million) shares were purchased for cancellation at an average price of £3.36 per share (2024: £2.69). This represented 4.5% of the called-up share capital as at 22 February 2025 (24 February 2024: 4.0%). The total consideration was £1,016m (2024: £752m) including expenses of £16m (2024: £2m).

The table below presents the reconciliation of own shares purchased for share schemes between the Group statement of changes in equity and the Group cash flow statement:

Own shares purchased for share schemes	2025 £m	2024 £m
Included in the Group statement of changes in equity	**(204)**	**(140)**
Payments in relation to prior year financial liabilities	–	(55)
Shares withheld to settle employee tax	81	49
Cash received from employees exercising SAYE options	69	53
Included in the Group cash flow statement	**(54)**	**(93)**

Capital redemption reserve

The capital redemption reserve relates to the repurchase and cancellation of shares of the Company. During the financial year, the aggregate nominal value of shares cancelled and transferred to the capital redemption reserve was £19m (2024: £18m).

Merger reserve

The merger reserve represents the difference between the market value and nominal value of shares issued for the acquisition of Booker on 2 March 2018.

Insurance finance reserve

Insurance finance reserve includes the impact of changes in market discount rates on insurance and reinsurance contract assets and liabilities.

Note 31 Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and its joint ventures and associates are disclosed below:

Transactions

	Joint ventures		Associates	
	2025 £m	2024 £m	2025 £m	2024 £m
Sales to related parties	645	606	–	–
Purchases from related parties	109	126	–	–
Dividends received	2	9	–	–
Injection of equity funding	10	9	5	–

Sales to related parties consist of service/management fees and loan interest.

Transactions between the Group and the Group's pension plans are disclosed in **Note 29**.

Balances

	Joint ventures		Associates	
	2025 £m	2024 £m	2025 £m	2024 £m
Amounts owed to related parties	(7)	(7)	–	–
Amounts owed by related parties	57	80	–	–
Lease liabilities payable to related parties[a]	(1,840)	(1,844)	–	–
Loans to related parties[b]	97	96	–	–

(a) Lease liabilities payable to related parties represent leases entered into by the Group for properties held by joint ventures. Refer to **Note 14** for further details.
(b) A 12-month ECL allowance is recorded on initial recognition. In the current and prior financial years, the ECL allowance was immaterial.

Amounts owed to and owed by related parties are measured at amortised cost and the carrying values approximate fair value. The undiscounted cash flow amounts owed to related parties are due within one year and do not differ from the amounts included in the table above.

A number of the Group's subsidiaries are members of one or more partnerships to whom the provisions of the Partnerships (Accounts) Regulations 2008 apply. The financial statements for those partnerships have been consolidated into these financial statements pursuant to Regulation 7 of the Regulations.

Notes to the Group financial statements continued

Transactions with key management personnel

Members of the Board of Directors and Executive Committee of Tesco PLC are deemed to be key management personnel.

Cost of key management personnel compensation for the financial year was as follows:

	2025 £m	2024 £m
Salaries and short-term benefits	28	28
Pensions and cash in lieu of pensions	1	1
Share-based payments	21	22
Joining costs and loss of office costs	1	–
	51	**51**
Attributable to:		
The Board of Directors (including Non-executive Directors)	18	13
Executive Committee (members not on the Board of Directors)	33	38
	51	**51**

During the year, 5,840,408 (2024: 7,586,273) performance shares and 1,990,366 (2024: 2,302,633) bonus shares were granted to key management personnel under the Performance Share Plan and Deferred Bonus Plan 2019, respectively. Vesting will be conditional on the achievement of specified performance targets over a three-year performance period and/or continuous employment. The cost of these awards will be spread over the vesting period.

Note 32 Analysis of changes in net debt

The Group's Net debt APM is defined in the Glossary.

	2025 £m	2024 £m
Borrowings, excluding overdrafts	(6,094)	(6,407)
Lease liabilities	(7,716)	(7,622)
Net financing derivatives	602	544
Liabilities from financing activities	**(13,208)**	**(13,485)**
Cash and cash equivalents in the balance sheet	2,255	2,340
Overdrafts[(a)]	(856)	(812)
Cash and cash equivalents (including overdrafts) in the cash flow statement	1,399	1,528
Short-term investments	2,223	2,128
Joint venture loans	97	96
Interest and other receivables	19	23
Net operating and investing derivatives	16	26
Net debt APM[(b)]	**(9,454)**	**(9,684)**

(a) Overdraft balances are included within borrowings in the Group balance sheet, and within cash and cash equivalents in the Group cash flow statement. Refer to **Note 19**.
(b) Following the disposal of the Group's Banking operations, Net debt is now presented on a Group continuing operations basis including Insurance and Money Services, rather than on a Retail basis including Retail discontinued operations. The comparative has been restated.

Note 32 Analysis of changes in net debt continued

The tables below set out the movements in liabilities arising from financing activities:

	Borrowings, excluding overdrafts £m	Lease liabilities £m	Net financing derivative financial instruments[a] £m	Share purchase obligations[b] £m	Liabilities from Group financing activities[a] £m
At 24 February 2024	**(6,407)**	**(7,622)**	**544**	**–**	**(13,485)**
Cash flows arising from financing activities	347	600	(32)	1,016	1,931
Cash flows arising from operating activities:					
Interest paid	210	377	85	–	672
Non-cash movements:					
Fair value gains/(losses)	(92)	–	96	–	4
Foreign exchange	58	25	–	–	83
Interest income/(charge)	(210)	(377)	(91)	–	(678)
Acquisitions and disposals	–	(5)	–	–	(5)
Lease additions, terminations, modifications and reassessments	–	(714)	–	–	(714)
Share purchase agreements	–	–	–	(1,016)	(1,016)
At 22 February 2025	**(6,094)**	**(7,716)**	**602**	**–**	**(13,208)**

(a) Net financing derivatives comprise those derivatives which hedge the Group's exposures in respect of lease liabilities and borrowings. Net operating and investing derivatives of £16m (2024: £26m), which form part of the Group's Net debt APM, are not included in liabilities from Group financing activities.

(b) Share purchase obligations form part of the liabilities arising from the Group's financing activities, but do not form part of Net debt. Cash flows arising from financing activities exclude £(91)m (2024: £(91)m) cash outflows relating to other cancellable arrangements and prepayments, and £69m (2024: £53m) cash received from employees exercising SAYE options.

	Borrowings, excluding overdrafts £m	Lease liabilities £m	Net financing derivative financial instruments[a] £m	Share purchase obligations[b] £m	Liabilities from Group financing activities[a] £m
At 25 February 2023	**(6,451)**	**(7,727)**	**472**	**(55)**	**(13,761)**
Cash flows arising from financing activities	(457)	627	4	807	981
Cash flows arising from operating activities:					
Interest paid[c]	192	373	125	–	690
Non-cash movements:					
Fair value gains/(losses)	(124)	–	50	–	(74)
Foreign exchange	101	46	–	–	147
Interest income/(charge)[c]	(217)	(373)	(108)	–	(698)
Acquisitions and disposals	–	3	–	–	3
Lease additions, terminations, modifications and reassessments	–	(588)	–	–	(588)
Share purchase agreements	–	–	–	(752)	(752)
Transfer to disposal group	549	17	1	–	567
At 24 February 2024	**(6,407)**	**(7,622)**	**544**	**–**	**(13,485)**

(a)-(b) Refer to previous table for footnotes.

(c) Interest paid and Interest income/(charge) have been re-presented in the prior year.

Note 33 Commitments and contingencies

Capital commitments

At 22 February 2025, there were commitments for capital expenditure contracted for, but not incurred, of £191m (2024: £160m), principally relating to store development and distribution investment.

Subsidiary audit exemptions

The following UK subsidiary undertakings are exempt from the requirements of the Companies Act 2006 (the Act) relating to the audit of individual accounts by virtue of section 479A of the Act.

Name	Company number	Name	Company number	Name	Company number
Booker Group Limited	5145685	Spen Hill Regeneration Limited	6418300	Tesco Food Sourcing Limited	7502096
Booker Wholesale Holdings Limited	5137980	Supermarket Income Investments UK (No16) Limited	12605279	Tesco Freetime Limited	4345023
Buttoncase Limited	5298861	T & S Stores Limited	1228935	Tesco Fuchsia (3LP) Limited	10127851
Day and Nite Stores Limited	1746058	Tapesilver Limited	5205362	Tesco Gateshead Property Limited	8312532
Dillons Newsagents Limited	140624	Tesco (Overseas) Limited	01611684	Tesco Maintenance Limited	6003554
dunnhumby Overseas Limited	6601821	Tesco Aqua Finco 2 Limited	05888957	Tesco Mobile Communications Limited	4780729
dunnhumby Trustees Limited	3565371	Tesco Atrato (1LP) Limited	6969529	Tesco Mobile Services Limited	4780734
Giant Booker Limited	65519	Tesco Atrato (GP) Limited	6969536	Tesco Navona (1LP) Limited	7459436
Launchgrain Limited	5260856	Tesco Blue (3LP) Limited	10127682	Tesco Passaic (1LP) Limited	7121667
Makro Holding Limited	4310463	Tesco Brislington Limited	10701640	Tesco Property Partner (GP) Limited	4945955
Makro Properties Limited	1273672	Tesco Bury Limited	3854371	Tesco Property Partner (No.1) Limited	4945945
Oakwood Distribution Limited	5721635	Tesco Coral (GP) Limited	06640968	Tesco Sarum (1LP) Limited	7849948
Reskammel Property Company Limited	13264276	Tesco Distribution Holdings Limited	3193655	Tesco Sarum (GP) Limited	7849882
Spen Hill Developments	4827219	Tesco Dorney (1LP) Limited	8255488	The Tesco Coral Limited Partnership	LP013072
Spen Hill Management Limited	2460426	Tesco Dorney (GP) Limited	8255493	Transcend Retail Solutions Limited	14772291
Spen Hill Properties (Holdings) PLC	2412674	Tesco Family Dining Limited	8514605	TFSM Limited	14263834

Tesco PLC will guarantee all outstanding liabilities that these subsidiaries are subject to as at the financial year ended 22 February 2025 in accordance with section 479C of the Act, as amended by the Companies and Limited Liability Partnerships (Accounts and Audit Exemptions and Change of Accounting Framework) Regulations 2012. In addition, Tesco PLC will guarantee any contingent and prospective liabilities that these subsidiaries are subject to.

Contingent liabilities

As previously reported, Tesco Stores Limited (TSL) (along with all the major supermarkets) has received claims from current and former hourly-paid store colleagues alleging that they do equal work to that of colleagues working in its distribution centres and that differences in terms and conditions relating to pay are not objectively justifiable (the Equal Pay Claims). The claimants are seeking the differential between the pay terms looking back, and equivalence of pay terms moving forward. As at the date of this disclosure, there are approximately 59,000 claims against TSL, with the number of claims expected to continue to increase as the litigation progresses.

UK equal pay law provides that an employee is entitled to the same terms in relation to pay as those of a comparator of the opposite sex in the same employment if they are employed to do equal work. The legislation achieves this by implying a clause into the contract of employment, which has the effect of importing into the employee's contract the more favourable term(s) of the comparator.

Equal pay claims are typically heard in three stages and the claimants have to win at every stage in order to succeed. The first stage is comparability, which is effectively a technical gateway to the claims proceeding. The claimants have to show that there is a valid basis in law for comparing their pay and the pay of any comparator. One of the legal bases here is that pay terms are set by the same body. Following a European court ruling on this, TSL has made a concession on comparability.

The subsequent stages comprise an equal work assessment and the consideration of TSL's material factor defences (non-discriminatory reasons for differentials in pay terms). The employment tribunal hearing of TSL's material factor defences is due to commence on 1 September 2025. The employment tribunal hearing for the equal value assessment is due to commence on 1 February 2027. The Equal Pay Claims have been split into three tranches (with tranche 1 being heard first) and the stages apply to each tranche. Although the claims that have been heard to date involve female claimants, male store workers (being close to 50% of the current store worker population) may also bring claims by comparing themselves against any successful female claimants. Male claimants who have pre-emptively brought such claims currently make up approximately 46% of the Equal Pay Claims against TSL in the employment tribunal. The ultimate determination of all claims is likely to take many years, including as a result of appeals.

At present, the total number of Equal Pay Claims that may be received, the merits, and likely outcome of those claims and of TSL's defences to them, and the potential impact on the Group, are subject to various and substantial uncertainties. There are multiple factual and legal defences to these claims and the Group intends to defend them vigorously, while at the same time taking appropriate steps to mitigate the risks. The Group therefore cannot make an assessment of the likely outcome of the litigation, or the potential quantum of its liability or the potential impact on the Group at this stage. Depending on the outcome at the various stages of the Equal Pay Claims, and dependent on the number of any ultimately successful claims, the potential quantum of its liability could be material.

There are a number of other contingent liabilities that arise in the normal course of business, which if realised, are not expected to result in a material liability to the Group.

Note 34 Events after the reporting period

There were no material events after the reporting period requiring disclosure.

Tesco PLC – Parent Company balance sheet

	Notes	22 February 2025 £m	24 February 2024 £m
Non-current assets			
Investments	6	16,538	16,990
Receivables	7	–	234
Derivative financial instruments	8	869	949
		17,407	**18,173**
Current assets			
Receivables	7	542	537
Cash in hand		271	231
Derivative financial instruments	8	145	–
		958	**768**
Current liabilities			
Payables	9	(488)	(756)
Borrowings	10	(534)	(55)
		(1,022)	**(811)**
Net current assets/(liabilities)		**(64)**	**(43)**
Non-current liabilities			
Payables	9	(1,941)	(1,131)
Borrowings	10	(993)	(1,473)
Derivative financial instruments	8	(12)	(13)
Deferred tax liabilities	11	(13)	(23)
		(2,959)	**(2,640)**
Net assets		**14,384**	**15,490**
Equity			
Share capital	14	426	445
Share premium		5,165	5,165
Other reserves	14	2,892	2,865
Retained earnings (including profit for the financial year of £809m (2024: £1,866m))		5,901	7,015
Total equity		**14,384**	**15,490**

The notes on **pages 214 to 219** form part of these financial statements.

Ken Murphy **Imran Nawaz**
Directors

The Parent Company financial statements on **pages 212 to 219** were approved and authorised for issue by the Directors on 9 April 2025.

Tesco PLC
Registered number 00445790

Tesco PLC – Parent Company statement of changes in equity

	Share capital (Note 14) £m	Share premium £m	Other reserves (Note 14) £m	Retained earnings £m	Total equity £m
At 24 February 2024	**445**	**5,165**	**2,865**	**7,015**	**15,490**
Profit for the year	–	–	–	809	809
Other comprehensive income/(loss)					
Gains on cash flow hedges	–	–	34	–	34
Cash flow hedges reclassified and reported in the Company income statement	–	–	(70)	–	(70)
Tax relating to components of other comprehensive income	–	–	9	–	9
Total other comprehensive income/(loss)	**–**	**–**	**(27)**	**–**	**(27)**
Total comprehensive income/(loss)	**–**	**–**	**(27)**	**809**	**782**
Transactions with owners					
Own shares purchased for cancellation	–	–	(1,016)	–	(1,016)
Own shares cancelled	(19)	–	1,035	(1,016)	–
Own shares purchased for share schemes	–	–	(204)	–	(204)
Share-based payments	–	–	239	(42)	197
Dividends	–	–	–	(865)	(865)
Total transactions with owners	**(19)**	**–**	**54**	**(1,923)**	**(1,888)**
At 22 February 2025	**426**	**5,165**	**2,892**	**5,901**	**14,384**

	Share capital (Note 14) £m	Share premium £m	Other reserves (Note 14) £m	Retained earnings £m	Total equity £m
At 25 February 2023	**463**	**5,165**	**2,793**	**6,692**	**15,113**
Profit for the year	–	–	–	1,866	1,866
Other comprehensive income/(loss)					
Gains on cash flow hedges	–	–	25	–	25
Cash flow hedges reclassified and reported in the Company income statement	–	–	(55)	–	(55)
Tax relating to components of other comprehensive income	–	–	(4)	–	(4)
Total other comprehensive income/(loss)	**–**	**–**	**(34)**	**–**	**(34)**
Total comprehensive income/(loss)	**–**	**–**	**(34)**	**1,866**	**1,832**
Transfer from hedging reserve to retained earnings	**–**	**–**	**44**	**(44)**	**–**
Transactions with owners					
Own shares purchased for cancellation	–	–	(752)	–	(752)
Own shares cancelled	(18)	–	770	(752)	–
Own shares purchased for share schemes	–	–	(140)	–	(140)
Share-based payments	–	–	184	30	214
Dividends	–	–	–	(777)	(777)
Total transactions with owners	**(18)**	**–**	**62**	**(1,499)**	**(1,455)**
At 24 February 2024	**445**	**5,165**	**2,865**	**7,015**	**15,490**

The Company has considered the profits available for distribution to shareholders. At 22 February 2025, the Company had retained earnings of £5.9bn (2024: £7.0bn), of which £3.2bn is available for distribution (2024: £4.2bn).

The notes on **pages 214 to 219** form part of these financial statements.

Notes to the Parent Company financial statements

Note 1 Authorisation of financial statements and statement of compliance with FRS 101

The Parent Company financial statements for the 52 weeks ended 22 February 2025 were approved by the Board of Directors on 9 April 2025 and the Company balance sheet was signed on the Board's behalf by Ken Murphy and Imran Nawaz.

These financial statements were prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The Company meets the definition of a qualifying entity under FRS 100, 'Application of Financial Reporting Requirements' as issued by the Financial Reporting Council.

The Company's financial statements are presented in Pounds Sterling, its functional currency, generally rounded to the nearest million.

The principal accounting policies adopted by the Company are set out in **Note 2**. The financial statements have been prepared under the historical cost convention, except for certain financial instruments and share-based payments that have been measured at fair value.

Note 2 Accounting policies

Basis of preparation of financial statements

The Parent Company financial statements have been prepared in accordance with FRS 101 and the Companies Act 2006 (the Act).

FRS 101 sets out a reduced disclosure framework for a 'qualifying entity' as defined in the standard, which addresses the financial reporting requirements and disclosure exemptions in the individual financial statements of qualifying entities that otherwise apply the recognition, measurement and disclosure requirements of adopted IFRS.

The financial year represents the 52 weeks to 22 February 2025 (prior financial year 52 weeks to 24 February 2024).

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to business combinations, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement, impairment of assets, share-based payments, related party transactions and disclosure of the possible impact of the application of a new IFRS that has been issued but is not yet effective. Where required, equivalent disclosures are given in the consolidated financial statements of Tesco PLC.

The Parent Company financial statements are prepared on a going concern basis as set out in **Note 1** of the consolidated financial statements of Tesco PLC.

The Directors have taken advantage of the exemption available under section 408 of the Companies Act 2006 and not presented an income statement or a statement of comprehensive income/(loss) for the Company alone.

A summary of the Company's material accounting policies is set out below.

Investments in subsidiaries and joint ventures

Investments in subsidiaries and joint ventures are stated at cost less, where appropriate, provisions for impairment. The Company tests the investment balances for impairment annually or when there are indicators of impairment.

Foreign currencies

Transactions in foreign currencies are translated to the functional currency at the exchange rate on the date of the transaction. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated to the functional currency at the rates prevailing on the balance sheet date.

Share-based payments

The fair value of employee share option plans is calculated at the grant date using the Black-Scholes model. The resulting cost is charged to the Company income statement over the vesting period. The value of the charge is adjusted to reflect expected and actual levels of vesting. Where the Company awards shares or options to employees of subsidiary entities, this is treated as a capital contribution.

Own shares held

Own shares represent the shares of Tesco PLC that are held by the Tesco International Employee Benefit Trust, or which are purchased and held for cancellation as part of the share buyback programme. The Company adopts a 'look-through' approach which, in substance, accounts for the trust as an extension of the Company. Shares purchased for cancellation are included in own shares held until cancellation, at which point they are transferred to retained earnings. Own shares held can include equity elements of forward contracts where the Group has an obligation to purchase its own shares.

Financial instruments

Financial assets and financial liabilities are recognised in the Company balance sheet when the Company becomes party to the contractual provisions of the instrument.

Receivables

Receivables are recognised initially at fair value, and subsequently at amortised cost using the effective interest rate method, less any expected credit losses.

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recorded as the proceeds received, net of direct issue costs.

Borrowings

Borrowings and overdrafts are initially recognised at fair value and net of attributable transaction costs. Subsequent to initial recognition, borrowings are stated at amortised cost with any differences between proceeds and redemption value being recognised in the Company income statement over the period of the borrowings on an effective interest basis.

Payables

Payables are recognised initially at fair value and subsequently at amortised cost using the effective interest rate method.

Derivative financial instruments and hedge accounting
The Company uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operating, financing and investing activities. The Company does not hold or issue derivative financial instruments for trading purposes.

Derivative financial instruments are recognised and stated at fair value. Where derivatives do not qualify for hedge accounting, any gains or losses on remeasurement are immediately recognised in the Company income statement. Where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the hedge relationship and the item being hedged.

Cash flow hedging
Derivative financial instruments are classified as cash flow hedges when they hedge the Company's exposure to variability in cash flows that are either attributable to a particular risk associated with a recognised asset or liability, or a highly probable forecast transaction. The effective element of any gain or loss from remeasuring the derivative designated as the hedging instrument is recognised directly in the Company statement of comprehensive income/(loss) and accumulated in the hedging reserve. The ineffective element is recognised immediately in the Company income statement.

The associated cumulative gain or loss is reclassified from other comprehensive income and recognised in the Company income statement in the same period or periods during which the hedged transaction affects the Company income statement. The classification of the effective portion when recognised in the Company income statement is the same as the classification of the hedged transaction.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that point in time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in the Company statement of changes in equity until the forecast transaction occurs or the original hedged item affects the Company income statement. If a forecast hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in the Company statement of changes in equity is reclassified to the Company income statement.

Pensions
The Company participates in a Group defined benefit pension scheme which is closed to future accrual. The net defined benefit cost and deficit/surplus for the scheme are borne and recognised by another Group company, Tesco Stores Limited, as per the stated policy of the Group. The Company also participates in a defined contribution scheme open to all UK employees. Payments to this scheme are recognised as an expense as they fall due.

Taxation
Current tax is the expected tax payable on the taxable income for the financial year, using tax rates enacted or substantively enacted by the balance sheet date.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates that have been enacted or substantively enacted by the balance sheet date.

The tax expense is recognised in the Company income statement, except when it relates to items recognised directly in the Company statement of changes in equity or the Company statement of comprehensive income/(loss), in which case the tax follows the same treatment.

Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax assets and liabilities are offset against each other when there is a legally enforceable right to set off current tax assets against current tax liabilities and they relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to settle current tax assets and liabilities on a net basis.

The Company has applied the Pillar Two income taxes exception in IAS 12, so neither recognises nor discloses information about deferred tax assets and liabilities related to Pillar Two income taxes.

Judgements and sources of estimation uncertainty
The preparation of the Company financial statements requires management to make judgements, estimates and assumptions in applying the Company's accounting policies to determine the reported amounts of assets, liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis, with revisions to accounting estimates applied prospectively.

The preparation of the Company financial statements for the financial year did not require the exercise of any critical accounting judgements. The Company's evaluation of the recoverable amount of investments in subsidiaries involves significant estimation uncertainty. The key assumptions to which the recoverable amounts are most sensitive are disclosed in **Note 6**.

New standards and amendments effective for the current financial year
New standards, interpretations and amendments that became effective in the current financial year have not had a material impact on the Company.

Note 3 Auditor remuneration
Fees payable to the Company's auditor for the audit of the Company and Group financial statements are disclosed in **Note 4** to the Group financial statements.

Note 4 Dividends
For details of dividends see **Note 9** to the Group financial statements.

Notes to the Parent Company financial statements continued

Note 5 Employment costs, including Directors' remuneration

	Notes	2025 £m	2024 £m
Wages and salaries		13	10
Social security costs		2	2
Pension costs	13	1	1
Share-based payment expense	12	6	5
Total		**22**	**18**

The amounts above include recharges from other Group companies for Tesco PLC-related activities.

The average number of employees (all Directors of the Company) during the financial year was 11 (2024: 12).

The Schedule 5 requirements of SI 2008/410 for Directors' remuneration are included within the Directors' remuneration report on **pages 90 to 122**.

Note 6 Investments

	2025 £m
Cost	
At 24 February 2024	**17,511**
Capital contributions	117
Return of capital contributions	(233)
At 22 February 2025	**17,395**
Accumulated impairment losses	
At 24 February 2024	**(521)**
Impairment	(336)
At 22 February 2025	**(857)**
Net carrying value	
At 22 February 2025	**16,538**
At 24 February 2024	16,990

Included in the return of capital contributions of £233m is the repayment of £150m of 11.5% fixed rate reset AT1 securities from Tesco Personal Finance Group Limited. As a result, the Company's investment in Tesco Personal Finance Group Limited has reduced by £150m.

Following the Banking operations disposal in November 2024, the Company's investment in Tesco Personal Finance Group Limited has been impaired by £295m to a recoverable amount of £1.6bn. The recoverable amount was estimated as the equity value of the subsidiary, comprising the value in use of its Insurance and Money Services businesses, net of unallocated central assets and liabilities on the subsidiary's balance sheet. The methodology for calculating the value in use of Insurance and Money Services is set out in **Note 15** of the Group financial statements. The key assumptions are discount rates of 9.0% and 11.2% for Insurance and Money Services respectively and a long-term growth rate of 1.5%.

The remaining immaterial impairment of £41m relates to three other subsidiaries.

Sensitivity

The key sources of estimation uncertainty in determining the recoverable amount of investments in trading subsidiaries are the discount rate, long-term growth rate and cashflows. Discount rates range from 6.8% to 11.2% and long-term growth rates range from 1.5% to 3.0%. If the discount rates were to increase by 1.0%pt, the carrying amount of investments would decrease by £1,010m. If the long-term growth rates were to decrease by 0.5%pt, the carrying amount of investments would decrease by £443m. If the future cashflows were to decrease by 5.0%, the carrying amount of investments would decrease by £350m.

The Company's subsidiary undertakings, joint ventures and associates are shown on **pages 220 to 225**.

Note 7 Receivables

	2025 £m	2024 £m
Amounts owed by Group undertakings*	517	747
Other receivables	25	24
Total receivables	**542**	**771**
Of which:		
Current	542	537
Non-current	–	234
	542	**771**

* Amounts owed by Group undertakings are non interest-bearing and are repayable on demand.

The expected credit loss on receivables is immaterial (2024: immaterial).

Notes to the Parent Company financial statements continued

Note 8 Derivative financial instruments

	2025				2024			
	Asset		Liability		Asset		Liability	
	Fair value £m	Notional £m	Fair value £m	Notional £m	Fair value £m	Notional £m	Fair value £m	Notional £m
Cash flow hedges								
Index-linked swaps*	296	406	–	–	263	406	–	–
Derivatives not in a formal hedge relationship								
Cross-currency swaps	138	308	(12)	95	152	386	(13)	94
Index-linked swaps	580	3,089	–	–	534	3,089	–	–
Total	**1,014**	**3,803**	**(12)**	**95**	**949**	**3,881**	**(13)**	**94**

* The notional values of the index-linked swaps designated as cash flow hedges have been re-presented to show the original unindexed notional amounts. In the prior year, the table presented the notional values after inflation indexation. The current year notional value after indexation for these swaps is £818m (2024: £790m).

Note 9 Payables

	2025 £m	2024 £m
Amounts owed to Group undertakings*	2,405	1,861
Other payables	22	23
Taxation and social security	2	3
Total payables	**2,429**	**1,887**
Of which:		
Current	488	756
Non-current	1,941	1,131
	2,429	**1,887**

* Amounts owed to Group undertakings are either interest-bearing or non interest-bearing depending on the type and duration of the creditor relationship, with interest rates ranging from 5.1% to 5.2% (2024: 5.8% to 6.2%) and with maturities up to and including February 2051.

Under the policy choice permitted by IFRS 17 'Insurance contracts', the Company has elected to recognise and measure financial guarantee contracts in accordance with IFRS 9 'Financial instruments'. These balances, included in other payables, are immaterial.

The Company has entered into financial guarantee contracts to guarantee indebtedness held on the balance sheets of Group undertakings amounting to £3.4bn (2024: £3.5bn). The Company has also guaranteed derivative agreements of Group undertakings, of which those in a net liability position at the reporting date total £0.1bn (2024: £0.1bn).

In addition, the Company has guaranteed the rental payments of certain Group undertakings relating to a portfolio of retail stores, distribution centres and mixed-use retail developments amounting to £4.9bn (2024: £5.1bn).

In the prior year the Company had guaranteed £0.9bn drawn by Tesco Bank under the Bank of England's Term Funding Scheme with incentives for small and medium-sized enterprises (TFSME). The amounts were fully repaid in the current year.

Note 10 Borrowings

	Par value	Maturity	2025 £m	2024 £m
Bank loans and overdrafts			90	32
LPI and RPI-linked bonds*				
3.322% LPI MTN	£210m	Nov 2025	429	416
1.982% RPI MTN	£196m	Mar 2036	397	382
Other borrowings				
6% MTN	£38m	Dec 2029	42	42
5.5% MTN	£67m	Jan 2033	75	76
6.15% USD Bond	$355m	Nov 2037	341	346
4.875% MTN	£14m	Mar 2042	14	14
5.125% MTN	€147m	Apr 2047	125	206
5.2% MTN	£14m	Mar 2057	14	14
Total			**1,527**	**1,528**
Of which:				
Current			534	55
Non-current			993	1,473
			1,527	**1,528**

* These bonds are redeemable at par, indexed for increases in the RPI over the life of the MTN. However, for the LPI-linked bond, the maximum indexation of the principal in any one year is 5%, with a minimum of 0%. For the RPI-linked bond, refer to **Note 27** to the Group financial statements.

Notes to the Parent Company financial statements continued

Note 11 Taxation

The deferred tax liability recognised by the Company, and the movements thereon, during the current financial year are as follows:

	2025 £m
24 February 2024	**(23)**
Credit to the income statement	1
Movement in reserves for the year	9
22 February 2025	**(13)**

Note 12 Share-based payments

The Company's equity-settled share-based payment schemes comprise various share schemes designed to reward Executive Directors.

For further information on these schemes, including the valuation models and assumptions used, refer to **Note 28** to the Group financial statements.

Share option schemes

At 22 February 2025, there were 9,890 options outstanding (2024: 9,890) with a weighted average exercise price (WAEP) of 182.00p (2024: 182.00p) and a weighted average remaining contractual life of 1.52 years (2024: 2.52 years). There were no options granted, exercised or forfeited in the 52 weeks ended 22 February 2025 (52 weeks ended 24 February 2024: nil). There were no options exercisable at 22 February 2025 (2024: nil).

Share bonus and incentive schemes

Executive Directors participate in the Deferred Bonus Plan, a performance-related bonus scheme. The amount paid is based on a percentage of salary and is paid partly in cash and partly in shares. Bonuses are awarded to the Executive Directors who have completed a required service period and depend on achievement of corporate and individual performance targets. For further information on these schemes, including the valuation models and assumptions used, refer to **Note 28** to the Group financial statements.

The number and weighted average fair value (WAFV) of share bonuses granted during the financial year were:

	2025		2024	
	Number of shares	**WAFV pence**	Number of shares	WAFV pence
Deferred Bonus Plan	829,624	306.46	728,059	273.60
Performance Share Plan	2,018,282	308.40	2,312,987	252.00

Note 13 Pensions

The total cost of participation in the Tesco Retirement Savings Plan (a defined contribution scheme) to the Company was £1m (2024: £1m). Further disclosure relating to all schemes can be found in **Note 29** to the Group financial statements.

Note 14 Called-up share capital and reserves

Refer to **Note 30** to the Group financial statements for details relating to called-up share capital.

Other reserves

The tables below set out the movements in other reserves:

	Capital redemption reserve £m	Hedging reserve £m	Own shares held £m	Merger reserve £m	Total £m
At 24 February 2024	**61**	**69**	**(315)**	**3,050**	**2,865**
Other comprehensive income/(loss)					
Gains on cash flow hedges	–	34	–	–	34
Cash flow hedges reclassified and reported in the Company income statement	–	(70)	–	–	(70)
Tax relating to components of other comprehensive income	–	9	–	–	9
Total other comprehensive income/(loss)	**–**	**(27)**	**–**	**–**	**(27)**
Transactions with owners					
Own shares purchased for cancellation	–	–	(1,016)	–	(1,016)
Own shares cancelled	19	–	1,016	–	1,035
Own shares purchased for share schemes	–	–	(204)	–	(204)
Share-based payments	–	–	239	–	239
Total transactions with owners	**19**	**–**	**35**	**–**	**54**
At 22 February 2025	**80**	**42**	**(280)**	**3,050**	**2,892**

	Capital redemption reserve £m	Hedging reserve £m	Own shares held £m	Merger reserve £m	Total £m
At 25 February 2023	**43**	**59**	**(359)**	**3,050**	**2,793**
Other comprehensive income/(loss)					
Gains on cash flow hedges	–	25	–	–	25
Cash flow hedges reclassified and reported in the Company income statement	–	(55)	–	–	(55)
Tax relating to components of other comprehensive income	–	(4)	–	–	(4)
Total other comprehensive income	**–**	**(34)**	**–**	**–**	**(34)**
Transfer from hedging reserve to retained earnings	**–**	**44**	**–**	**–**	**44**
Transactions with owners					
Own shares purchased for cancellation	–	–	(752)	–	(752)
Own shares cancelled	18	–	752	–	770
Own shares purchased for share schemes	–	–	(140)	–	(140)
Share-based payments	–	–	184	–	184
Total transactions with owners	**18**	**–**	**44**	**–**	**62**
At 24 February 2024	**61**	**69**	**(315)**	**3,050**	**2,865**

Note 15 Contingent liabilities

Contingent liabilities

Refer to **Note 33** to the Group financial statements.

Note 16 Events after the reporting period

After the balance sheet date, Tesco Personal Finance Group Ltd, a subsidiary of Tesco PLC, completed a capital reduction and its Board approved a capital distribution to Tesco PLC of £315m. It is due for settlement after publication of the Annual Report and Financial Statements 2025. Once received, it will reduce the carrying value of the Tesco PLC investment in the subsidiary. This is a non-adjusting post balance sheet event.

Related undertakings of the Tesco Group

In accordance with section 409 of the Companies Act 2006 and Schedule 4 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, a full list of related undertakings, together with the registered office address, class of share held and the percentage of share class owned, as at 22 February 2025 is disclosed below. Changes to the list of related undertakings since the year end date are detailed in the footnotes below. All undertakings are indirectly owned by Tesco PLC unless otherwise stated.

Subsidiary undertakings incorporated in the United Kingdom

Name of undertaking	Registered address	Class of share held	% held by Group
Armitage Finance Unlimited	1	GBP0.90 Ordinary	100
BF Limited	8	GBP0.000000011111111 Ordinary	100
Bishop's Group Limited	8	GBP0.01 Ordinary	100
Booker Cash & Carry Limited	8	GBP1.00 Ordinary	100
Booker Direct Limited	8	GBP0.01 Ordinary	100
Booker Group Limited	8	GBP0.00000000055625 Ordinary	100
Booker Limited	8	GBP1.00 Ordinary	100
Booker Retail Partners (GB) Limited	8	GBP1.00 Ordinary	100
Booker Retail Limited	8	GBP0.10 Ordinary	100
Booker Pension Trustees Limited	8	Limited by Guarantee	–
Booker Wholesale Holdings Limited	8	GBP0.01 A1 Ordinary	100
Booker Unapproved Scheme Trustees Ltd	8	Limited by Guarantee	–
Bourne End Residential Management Company Limited	1	Limited by Guarantee	–
Broughton Retail Park Nominee 1 Limited	1	GBP1.00 Ordinary	100
Broughton Retail Park Nominee 2 Limited	1	GBP1.00 Ordinary	100
Broughton Retail Park Nominee 3 Limited	1	GBP1.00 Ordinary	100
Broughton Retail Park Nominee 4 Limited	1	GBP1.00 Ordinary	100
Budgen Holdings Limited	8	GBP1.00 Ordinary	100
Budgens Pension Trustees No.2 Limited	8	GBP1.00 Ordinary	100
Budgens Property Investments Limited	8	GBP1.00 Ordinary	100
Budgens Stores Limited	8	GBP1.00 Ordinary	100
Buttoncase Limited†	1	GBP1.00 2% Cumulative Redeemable Preference	100
		GBP1.00 Ordinary	100
Cardiff Cathays Terrace Management Company Limited[a]	1	Limited by Guarantee	–
Day And Nite Stores Limited	2	GBP1.00 Cumulative Convertible Participating Preferred Ordinary	100
		GBP1.00 Cumulative Redeemable Preference	100
		GBP1.00 Ordinary	100
Dillons Newsagents Limited*	2	GBP0.25 Non-Voting Ordinary	100
dunnhumby International Limited	4	GBP1.00 Ordinary	100

Name of undertaking	Registered address	Class of share held	% held by Group
dunnhumby Limited	4	GBP0.05 Ordinary	100
		GBP0.10 A Ordinary	100
		GBP0.10 Deferred	100
dunnhumby Overseas Limited	4	GBP1.00 Ordinary	100
dunnhumby Trustees Limited	4	GBP1.00 Ordinary	100
Giant Bidco Limited	8	GBP1.00 Ordinary	100
Giant Booker Limited	8	GBP0.0025 Ordinary	100
Giant Midco Limited	8	GBP1.00 Ordinary	100
Highams Green Management Company Limited	1	Limited by Guarantee	–
IRTH (15) Limited	8	GBP1.00 Ordinary	100
IRTH (19) Limited	8	USD0.000000052383172 Ordinary	100
Launchgrain Limited†	1	GBP1.00 Ordinary	100
Linnco Limited	8	GBP1.00 Ordinary	100
Londis (Holdings) Limited	8	GBP50.00 Ordinary	100
Londis Pension Trustees Limited	8	GBP1.00 Ordinary	100
Makro Holding Limited	8	GBP1.00 Ordinary	100
Makro Properties Limited	8	GBP1.00 Ordinary	100
Makro Self Service Wholesalers Limited	8	GBP1.00 A Ordinary	100
		GBP1.00 B Ordinary	100
Maldon Finance Limited	1	GBP0.01 Ordinary	100
		GBP0.000000000592 A Preference	100
		GBP0.000000000222 B Preference	100
		GBP0.000000000740 C Preference	100
Murdoch Norton Limited	8	GBP0.05 Ordinary	100
Oakwood Distribution Limited	1	GBP1.00 Ordinary	100
One Stop Community Stores Limited	2	GBP0.00001200004 Ordinary	100
One Stop Convenience Stores Limited	2	GBP1.00 Ordinary	100
One Stop Stores Limited†[b]	2	GBP1.00 Ordinary	100
One Stop Stores Trustee Services Limited	2	GBP1.00 Ordinary	100
Orpington (Station Road) Limited	1	GBP1.00 Ordinary	100
PTLL Limited	1	GBP1.00 Ordinary	100
Reskammel Property Company Limited	1	GBP1.00 Ordinary	100
Seacroft Green Nominee 1 Ltd	1	GBP1.00 Ordinary	100
Seacroft Green Nominee 2 Ltd	1	GBP1.00 Ordinary	100
Spen Hill Developments Limited	1	GBP1.00 Ordinary	100
Spen Hill Management Limited†[c]	1	GBP1.00 Ordinary	100
Spen Hill Properties (Holdings) plc†	1	GBP1.00 Ordinary	100
Spen Hill Regeneration Limited	1	GBP1.00 Ordinary	100
Spen Hill Residential No 1 Limited	1	GBP1.00 Ordinary	100
Spen Hill Residential No 2 Limited	1	GBP1.00 Ordinary	100

Related undertakings of the Tesco Group continued

Name of undertaking	Registered address	Class of share held	% held by Group
Station House Welling Management Limited	1	Limited by Guarantee	–
Statusfloat Limited	1	GBP1.00 Ordinary	100
Supermarket Income Investments UK (NO16) Limited	1	GBP1.00 Ordinary	100
T&S Stores Limited†	2	GBP0.05 Ordinary	100
Tapesilver Limited†	1	GBP1.00 Ordinary	100
Teesport (GP) Limited	1	GBP1.00 Ordinary	100
The Teesport Unit Trust	33	–	100
Tesco (Overseas) Limited†	1	GBP1.00 Ordinary	100
Tesco Atrato (1LP) Limited	1	GBP1.00 Ordinary	100
Tesco Atrato (GP) Limited	1	GBP1.00 A Ordinary	100
		GBP1.00 B Ordinary	100
Tesco Atrato (Nominee 1) Limited	1	GBP1.00 Ordinary	100
Tesco Atrato (Nominee 2) Limited	1	GBP1.00 Ordinary	100
Tesco Atrato (Nominee Holdco) Limited	1	GBP1.00 Ordinary	100
Tesco Atrato Depot Propco Limited	1	GBP1.00 Ordinary	100
Tesco Atrato Unit Trust	33	–	100
Tesco Blue (3LP) Limited	1	GBP1.00 Ordinary	100
Tesco Blue (GP) Limited	1	GBP1.00 A Ordinary	100
		GBP1.00 B Ordinary	100
Tesco Blue (Nominee 1) Limited	1	GBP1.00 Ordinary	100
Tesco Blue (Nominee 2) Limited	1	GBP1.00 Ordinary	100
Tesco Blue (Nominee Holdco) Limited	1	GBP1.00 Ordinary	100
Tesco Blue Unit Trust	33	–	100
Tesco Breakfast Unit Trust	33	–	100
Tesco Brislington Limited	1	GBP1.00 Ordinary	100
Tesco Bury Limited	1	GBP1.00 Ordinary	100
Tesco Coral (GP) Limited	1	GBP1.00 A Ordinary	100
		GBP1.00 B Ordinary	100
Tesco Coral (Nominee) Limited	1	GBP1.00 Ordinary	100
Tesco Corporate Treasury Services PLC†	1	GBP1.00 Ordinary	100
Tesco Depot Propco Limited	1	GBP1.00 Ordinary	100
Tesco Distribution Holdings Limited	1	GBP1.00 Ordinary	100
Tesco Distribution Limited	1	GBP1.00 Ordinary	100
Tesco Dorney (1LP) Limited	1	GBP1.00 Ordinary	100
Tesco Dorney (GP) Limited	1	GBP1.00 A Ordinary	100
		GBP1.00 B Ordinary	100
Tesco Dorney (Nominee 1) Limited	1	GBP1.00 Ordinary	100
Tesco Dorney (Nominee 2) Limited	1	GBP1.00 Ordinary	100
Tesco Dorney (Nominee Holdco) Limited	1	GBP1.00 Ordinary	100

Name of undertaking	Registered address	Class of share held	% held by Group
Tesco Employees' Share Scheme Trustees Limited†(d)	1	GBP1.00 Ordinary	100
Tesco Family Dining Limited	1	GBP1.00 Ordinary	100
Tesco Food Sourcing Limited	1	GBP1.00 Ordinary	100
Tesco Freetime Limited	1	GBP1.00 Ordinary	100
Tesco Fuchsia (3LP) Limited	1	GBP1.00 Ordinary	100
Tesco Gateshead Property Limited	1	GBP1.00 Ordinary	100
Tesco Holdings Limited†	1	GBP0.10 Ordinary	100
		GBP10 Preference	
Tesco International Services Limited†	1	GBP1.00 Ordinary	100
Tesco Maintenance Limited	1	GBP1.00 Ordinary	100
Tesco Mobile Communications Limited†	1	GBP1.00 Ordinary	100
Tesco Mobile Services Limited	1	GBP1.00 Ordinary	100
Tesco Navona (1LP) Limited	1	GBP1.00 Ordinary	100
Tesco Navona (GP) Limited	1	GBP1.00 A Ordinary	100
		GBP1.00 B Ordinary	100
Tesco Navona (Nominee 1) Limited	1	GBP1.00 Ordinary	100
Tesco Navona (Nominee 2) Limited	1	GBP1.00 Ordinary	100
Tesco Navona (Nominee Holdco) Limited	1	GBP1.00 Ordinary	100
Tesco Navona PL Propco Limited	1	GBP1.00 Ordinary	100
Tesco Overseas Investments Limited†	1	GBP1.00 Ordinary	100
Tesco Passaic (1LP) Limited	1	GBP1.00 Ordinary	100
Tesco Passaic (GP) Limited	1	GBP1.00 A Ordinary	100
		GBP1.00 B Ordinary	100
Tesco Passaic (Nominee 1) Limited	1	GBP1.00 Ordinary	100
Tesco Passaic (Nominee 2) Limited	1	GBP1.00 Ordinary	100
Tesco Passaic (Nominee Holdco) Limited	1	GBP1.00 Ordinary	100
Tesco Passaic PL Propco Limited	1	GBP1.00 Ordinary	100
Tesco Pension Investment Limited(e)	1	GBP1.00 Ordinary	100
Tesco Pension Trustees Limited†	1	GBP1.00 Ordinary	100
Tesco Personal Finance Group Limited†	6	GBP0.10 A Ordinary	100
Tesco Personal Finance Limited	6	GBP0.10 Ordinary	100
Tesco Property (Nominees) Limited	11	GBP1.00 Ordinary	100
Tesco Property (Nominees) (No.1) Limited	11	GBP1.00 Ordinary	100
Tesco Property (Nominees) (No.2) Limited	11	GBP1.00 Ordinary	100
Tesco Property Finance 1 Holdco Limited	1	GBP1.00 Ordinary	100
Tesco Property Finance 1 PLC	1	GBP1.00 Ordinary	100
		GBP0.25 Ordinary(f)	100
Tesco Property Holdings (No.2) Limited	1	GBP1.00 Ordinary	100
Tesco Property Holdings Limited	1	GBP1.00 Ordinary	100
Tesco Property Nominees (No.5) Limited	1	GBP1.00 Ordinary	100

Related undertakings of the Tesco Group continued

Name of undertaking	Registered address	Class of share held	% held by Group
Tesco Property Nominees (No.6) Limited	1	GBP1.00 Ordinary	100
Tesco Property Partner (GP) Limited†	1	GBP1.00 A Ordinary	100
		GBP1.00 B Ordinary	100
Tesco Property Partner (No.1) Limited†	1	GBP1.00 Ordinary	100
Tesco Sarum (1LP) Limited	1	GBP1.00 Ordinary	100
Tesco Sarum (GP) Limited	1	GBP1.00 A Ordinary	100
		GBP1.00 B Ordinary	100
Tesco Sarum (Nominee 1) Limited	1	GBP1.00 Ordinary	100
Tesco Sarum (Nominee 2) Limited	1	GBP1.00 Ordinary	100
Tesco Sarum (Nominee Holdco) Limited	1	GBP1.00 Ordinary	100
Tesco Seacroft Ltd	1	GBP1.00 Ordinary	100
Tesco Secretaries Limited	1	GBP1.00 Ordinary	100
Tesco Services Limited	1	GBP1.00 Ordinary	100
Tesco Stores Limited	1	GBP1.00 Ordinary	100
		GBP1.00 A Preference	100
		GBP1.00 B Preference	100
Tesco Underwriting Limited	31	GBP1.00 A Ordinary	100
		GBP1.00 B Ordinary	100
The Big Food Group Limited	8	GBP0.10 Ordinary	100
The Teesport Limited Partnership	1	Limited Partnership	100
The Tesco Atrato Limited Partnership	1	Limited Partnership	100
The Tesco Blue Limited Partnership	1	Limited Partnership	100
The Tesco Coral Limited Partnership	1	Limited Partnership	100
The Tesco Dorney Limited Partnership	1	Limited Partnership	100
The Tesco Navona Limited Partnership	1	Limited Partnership	100
The Tesco Passaic Limited Partnership	1	Limited Partnership	100
The Tesco Property Limited Partnership	1	Limited Partnership	100
The Tesco Sarum Limited Partnership	1	Limited Partnership	100
TPI Fund Managers Limited	1	GBP1.00 Ordinary	100
TPT Holdco No.1 Limited	1	GBP1.00 Ordinary	100
Transcend Retail Solutions Limited	1	GBP1.00 Ordinary	100
TSFM Limited	1	GBP1.00 Ordinary	100
Venus Wine & Spirit Merchants PLC	8	GBP1.00 Ordinary	100
Weymouth Avenue (Dorchester) Limited	1	GBP1.00 Ordinary	100

International subsidiary undertakings

Name of undertaking	Registered address	Class of share held	% held by Group
Arena (Jersey) Management Limited†	33	GBP1.00 Ordinary	100
Cheshunt Holdings Guernsey Limited	27	GBP1.00 Ordinary	100
dunnhumby (Malaysia) Sdn Bhd	10	MYR1.00 Ordinary	100
dunnhumby (Thailand) Limited	19	THB100 Ordinary	100
dunnhumby Australia Pty Ltd	64	AUD1.00 Ordinary	100
dunnhumby Brasil Consultoria Ltda	16	BRL1.00 Ordinary	100
dunnhumby Canada Limited	58	CAD1.00 Ordinary	100
dunnhumby Chile SpA	48	CLP500,000 Ordinary	100
dunnhumby Colombia S.A.S.	29	COP1,000 Ordinary	100
dunnhumby Consulting Services India Private Limited	59	INR10 Ordinary	100
dunnhumby Czech s.r.o.	7	CZK1.00 Ordinary	100
dunnhumby Denmark ApS	56	DKK1.00 Ordinary	100
dunnhumby Finland Oy	30	EUR1.00 Ordinary	100
dunnhumby France SAS	18	EUR2.00 Ordinary	100
dunnhumby Germany GmbH	14	EUR1.00 Ordinary	100
dunnhumby Hungary Kft	32	HUF1.00 Ordinary	100
dunnhumby Inc.	35	No Par Value Stock	100
dunnhumby Information Technology Consulting (Shanghai) Company Limited	61	USD1.00 Common Stock	100
dunnhumby Ireland Limited	66	EUR1.00 Ordinary	100
dunnhumby IT Services India Private Limited	36	INR10 Ordinary	100
dunnhumby Italia s.r.l	37	EUR1.00 Ordinary	100
dunnhumby Japan K.K.	38	JPY10,000 Ordinary	100
dunnhumby México S. de R.L. de C.V.	68	MXN1.00 Quota	100
dunnhumby Netherlands B.V.	69	EUR100 Ordinary	100
dunnhumby New Zealand	63	NZD1.00 Ordinary	100
dunnhumby Poland sp. z.o.o.	42	PLN50,000 Ordinary	100
dunnhumby SARL	18	EUR100 Ordinary	100
dunnhumby Serviços de Promoção Digital Ltda	16	BRL1.00 Ordinary	100
dunnhumby Slovakia s.r.o.	57	No Par Value Ordinary	100
dunnhumby Spain S.L.	50	EUR1.00 Ordinary	100
dunnhumby South Africa (Pty) Ltd	43	ZAR1.00 Ordinary	100
dunnhumby Ventures LLC	44	USD1.00 Capital	100
Edson Properties Limited	24	EUR1.00 Ordinary	100
ELH Insurance Limited	70	GBP1.00 Ordinary	100
Gresham Properties Limited	24	EUR1.00 Ordinary	100

Related undertakings of the Tesco Group continued

Name of undertaking	Registered address	Class of share held	% held by Group
Joyce's Supermarkets (Oranmore) Unlimited Company	24	EUR1.00 Ordinary	100
Monread Developments Limited	24	EUR0.001 Ordinary	100
Nabola Development Limited	24	EUR1.25 A Ordinary EUR1.25 B Ordinary	100 100
Omnisol Private Limited	41	INR10 Equity	100
Shopping Mall Eden s.r.o.	7	CZK1.00 Ordinary	100
Sociomantic Labs Private Limited	46	INR10 Ordinary	100
Tesco Akadémia Képzési és Fejlesztési Korátolt Felelősségű Társaság	32	HUF1.00 Business Share	100
Tesco Angel Foundation	32	HUF1.00 Ordinary	100
Tesco Bengaluru Private Limited	41	INR10 Ordinary	100
Tesco Capital No. 1 Limited[†]	28	GBP0.50 A Ordinary GBP0.50 B Ordinary GBP0.01 Guaranteed Cumulative Fixed Rate Preference GBP0.01 Preferred Ordinary	100 100 100 100
Tesco Corporate Treasury Services Europe Designated Activity Company	24	EUR1.00 Ordinary	100
Tesco Franchise Stores ČR s.r.o.	7	CZK2,000,000 Ordinary	100
Tesco-Global Stores Privately Held Company Limited	32	HUF10 Common HUF10 Registered Preference Liquidation	100 100
Tesco Holdings B.V.	40	EUR1.00 Ordinary	100
Tesco International Clothing Brand s.r.o.	57	EUR1.00 Ordinary	100
Tesco International Franchising s.r.o.	57	EUR1.00 Ordinary	100
Tesco International Sourcing Limited	20	HKD10 Ordinary	100
Tesco Ireland Holdings Limited	24	EUR0.00008 Ordinary	100
Tesco Ireland Limited	24	EUR1.25 Ordinary	100
Tesco Ireland Pension Trustees Designated Activity Company	24	EUR1.25 Ordinary	100
Tesco Joint Buying Service (Shanghai) Co. Limited	17	USD1.00 Ordinary	100
Tesco Mobile Ireland Limited	24	EUR1.00 Ordinary	100
Tesco Sourcing India Private Limited	41	INR10 Ordinary	100
Tesco Stores ČR a.s.	7	CZK250 Ordinary	100
Tesco Stores SR, a.s.	57	EUR33,193.92 Ordinary	100
Tesco Technology and Services Europe sp. zo.o.	3	PLN50 Ordinary	100
Tesco Trustee Company of Ireland Limited[†]	24	EUR1.25 Ordinary	100
TESCO-BST Üzleti és Technológiai Szolgáltatások Zârtköruen Múködó Részvénytársaság	25	HUF10,000 Ordinary	100

Subsidiary undertakings in liquidation

The following subsidiary undertakings were incorporated in the United Kingdom

Name of undertaking	Registered address	Class of share held	% held by Group
Acklam Management Company Limited	9	Limited by Guarantee	–
Berry Lane Management Company Limited	9	Limited by Guarantee	–
Oxford Fox and Hounds Management Company Limited	9	Limited by Guarantee	–
Tesco Aqua (GP) Limited[(g)]	1	GBP0.0001 A Ordinary	100
Tesco Aqua (FinCo2) Limited	9	GBP1.00 Ordinary	100
Tesco Lagoon GP Limited	5	GBP1.00 Ordinary	100
Tesco Property Partner (GP No.2) Limited[(g)]	1	GBP1.00 A Ordinary GBP1.00 B Ordinary	100 100
Tesco Red (GP) Limited[(g)]	1	GBP0.00001 A Ordinary GBP0.00001 B Ordinary	100 100
Tesco TLB Properties Limited[(g)]	1	GBP0.0000001 A Ordinary GBP0.0000001 B Ordinary	100 100

The following subsidiary undertakings were incorporated outside of the United Kingdom

Name of undertaking	Registered address	Class of share held	% held by Group
Patrick C. Joyce Supermarket (Headford) ULC	24	EUR1.25 Ordinary	100
Tesco Sourcing Chile SpA	22	CLP482.69 Nominal Ordinary	100

Related undertakings of the Tesco Group continued

Associated undertakings

The following associated undertakings were incorporated in the United Kingdom

Name of undertaking	Registered address	Class of share held	% held by Group
Broadfields Management Limited	12	GBP0.10 Ordinary	35.33
Drift East Management Limited	65	GBP0.01 B Ordinary	17.50
Holmscroft H.C. Limited	23	GBP0.10 Ordinary	14.29
Latitude Management Company Limited	71	GBP1.00 Ordinary	0.95
Shire Park Limited	15	GBP1.00 Ordinary	46.00
Tesco Jade (Nominee) Limited	29	GBP1.00 Ordinary	30
Tesco Mobile Limited*	1	GBP0.10 A Ordinary	100
		GBP0.90 B Ordinary	100
W23 Global Fund LP	67	Limited Partnership	20
W23 Global GP LLP	67	Limited Liability Partnership	20
W23 Global Limited	67	GBP1.00 Ordinary	20
WBD (Chesterfield Management) Limited	53	GBP1.00 Ordinary	16.67

The following associated undertakings were incorporated outside of the United Kingdom

Name of undertaking	Registered address	Class of share held	% held by Group
Booker India Limited	72	INR5 Equity	49
dunnhumby Mitsui Bussan Customer Science Co., Ltd	54	JPY50,000 Ordinary	50
dunnhumby Norge A.S.	55	NOK1,000 Ordinary	50
Fiora Hypermarket Limited	26	INR10 Equity	49
Fiora Online Limited	76	INR10 10% Non-Convertible Redeemable Preference	49
		INR10 0.01% Non-Cumulative Redeemable Preference	49
		INR10 Equity	49
Longford Centre Management Services Limited	74	EUR1.25 Ordinary	53.23
Marketplacer Holdings Ltd	73	AUD1.37334 Preference	5.47
Merrion Shopping Centre Ltd	24	EUR0.012697 Ordinary	51.88
Tesco Mobile ČR s.r.o.	7	CZK100,000 Ordinary	50
Tesco Mobile Slovakia s.r.o.	54	EUR1.00 Ordinary	50
The Arena Unit Trust	33	–	50
The Blackpool Unit Trust	33	–	50
The Broadstairs Unit Trust	33	–	50
The Coventry Unit Trust	33	–	50
THPL Support Services Limited	72	INR100 Equity	50
Trent Hypermarket Private Limited	13	INR10 Equity	50
W23 Global Manager Pty Ltd	75	AUD1.00 Ordinary	20

Consolidated structured entities

Name of undertaking	Registered address	Nature of business
Delamare Finance PLC	11	Securitisation entity
Delamare Group Holdings Limited	11	Securitisation entity
Tesco Property Finance 2 PLC	11	Securitisation entity
Tesco Property Finance 5 PLC	11	Securitisation entity
Tesco Property Finance 6 PLC	11	Securitisation entity

* Undertaking where other share classes are held by a third party.
† Interest held directly by Tesco PLC.
(a) Company sold on 28 February 2025.
(b) 95% held by Tesco PLC.
(c) 66.6% held by Tesco PLC.
(d) 50% held by Tesco PLC.
(e) Shares held by Tesco Pension Trustees Limited (TPTL), the corporate trustee of the Tesco PLC Pension Scheme (the Scheme). On behalf of the Scheme, TPTL holds a 50% shareholding in three property joint ventures with Tesco, and is the sole shareholder of TPT Holdco No.1 Limited and Tesco Pension Investment Limited.
(f) One ordinary share of the same class partly paid.
(g) Company dissolved on 3 March 2025.

Related undertakings of the Tesco Group continued

1 Tesco House, Shire Park, Kestrel Way, Welwyn Garden City, AL7 1GA, United Kingdom
2 Apex Road, Brownhills, Walsall, West Midlands, WS8 7HU, United Kingdom
3 ul. Przy Rondzie 4, 31-547 Kraków, Poland
4 184 Shepherds Bush Road, London, W6 7NL, United Kingdom
5 Atria One, 144 Morrison Street, Edinburgh, EH3 8EX, Scotland
6 2 South Gyle Crescent, Edinburgh, EH12 9FQ, United Kingdom
7 Vršovická 1527/68b, Vršovice, 100 00 Prague 10, Czech Republic
8 Equity House, Irthlingborough Road, Wellingborough, Northamptonshire, NN8 1LT, United Kingdom
9 Ernst & Young LLP, 1 More London Place, London, SE1 2AF, United Kingdom
10 Suite 13.03, 13th Floor, Menara Tan & Tan, 207 Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia
11 1 Bartholomew Lane, London, EC2N 2AX, United Kingdom
12 2 Paris Parklands, Railton Road, Guildford, Surrey, GU2 9JX, United Kingdom
13 26th Floor, Vios Tower, New Cuffe Parade, Sewri-Chembur Road, Near Imax Dome Theatre, Wadala, Antop Hill, Mumbai, Maharashtra, India, 400037, India
14 Ritterstraße 6, 10969 Berlin, Germany
15 Riverside House, 3 Place Farm, Wheathampstead, St. Albans, AL4 8SB, United Kingdom
16 Avenida Brigadeiro Luís Antônio, No. 3530, CJ, 51 and 52 Jardim Paulista São Paulo 01402-001, Brazil
17 Unit 01, 02, 06, 07, 08, 09, Floor 17, No. 610 Xujiahui Road, Huangpu District, Shanghai, People's Republic of China
18 Rue du Louvre, Spaces les Halles, Spaces 40, Paris 75001, France
19 No 319 Chamchuri Square Building, 24th Floor, Office no. 24116, Phayathai road, Pathumwan sub district, Pathumwan District, Bangkok 10330, Thailand
20 2604-2605 AXA Tower, Landmark East, No. 100 How Ming Street, Kowloon, Hong Kong
21 5 Esperidon Street, 4th Floor, 2001 Strovolos, Nicosia, Cyprus
22 Avenida Santa María 5888, Piso 2 Zona A, Oficina 4, Vitacura, Santiago, 7660268, Chile
23 73 Union Street, Greenock, PA16 8BG, Ireland
24 Gresham House, Marine Road, Dun Laoghaire, Co. Dublin A96 HX70, Ireland
25 1138, Budapest, Váci út, 187, Hungary
26 Trent House, Plot No. C-60, G-Block, Besides Citi Bank, Bandra Kurla Complex, Bandra (East), Mumbai 400051, India
27 PO Box 25, Regency Court, Glategny Esplanade, St. Peter Port, Guernsey, GY1 3AP
28 Level 1, IFC1 Esplanade, St Helier, Jersey, JE2 3BX
29 Carrera 48, No 32B Sur 139, OF 909 P. 9, Envigado, Antioquia, Medelin 055428, Colombia
30 c/o Rantalainen Oy, Helsinki Rajatorpantie 8, 01600 Vantaa, Finland
31 The Omnibus Building, Lesbourne Road, Reigate, Surrey, RH2 7LD, United Kingdom
32 2040 Budaörs, Kinizsi út 1-3, Budapest, Hungary
33 47 Esplanade, St Helier, Jersey, JE1 0BD
34 No. 725 Metropolis Building, Level 20, Suite 161, Sukhumvit Road, Klongtan Nua Sub-District, Wattana District, BANGKOK 10110, Thailand
35 c/o The Corporation Trust Company, 1209 Orange Street, Corporation Trust Center, Wilmington, DE 19801, United States
36 Ground Floor and First Floor, Worldmark 1, Asset Area 11, Aerocity, Hospitality District, Indira Ghandi Int. Airport, New Delhi, South West Delhi DL 110037, India
37 Via Tiziano 32, Milan 20145, Italy
38 9th Floor, Shiroyama Trust Tower, 4-3-1, Toranomon 4-chome, Minato-ku, Tokyo 105-6009, Japan
39 38/39 Fitzwilliam Square, Dublin 2, Ireland
40 Willemsparkweg 150H, 1071 HS, Amsterdam, The Netherlands
41 81 & 82, Tesco Bengaluru Campus, EPIP Area, Whitefield, Bangalore, Karnataka 560066, India
42 ul. Grzybowska 2/29, 00-131 Warsaw, Poland
43 237 Aloe Ridge 2, Stoneridge Drive Greenstone Hill, Gauteng, Johannesburg 1610, South Africa
44 3300 Great American Tower, 301 East Fourth Street, Cincinnati, OH, 45202, United States
45 Windward 1, Regatta Office Park, PO Box 897, Grand Cayman KY1 – 1103, Cayman Islands
46 c/o Vaish Associates, 106, Peninsula Centre, Dr. S. S. Rao Road, Parel Mumbai 400012, India
47 6th Floor, 125 London Wall, London, EC2Y 5AS, United Kingdom
48 Antonio Bellet 444 Oficina 504 Comuna de Las Condes, Ciudad de Santiago, 7500025, Chile
49 163 Tras Street, #03-01, Lian Huat Building, 079024, Singapore
50 48, 1D, Calle de Hermosilla 1ª, Madrid 28001, Spain
51 Centre de Commerces et de, Loisirs, Cite Europe, 62231 Coquelles, France
52 27/F One Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong
53 Barratt House, Cartwright Way Forest Business Park, Bardon Hill, Coalville, Leicestershire, LE67 1UF, United Kingdom
54 Pribinova 40, Bratislava 811 09, Slovakia
55 Rosenkrantzgate 16, Oslo 0160, Norway
56 C/O GALST Advokataktieselskab, Gammel Strand 44, Kobenhavn K, 1202, Denmark
57 Cesta na Senec 2, Bratislava, 821 04, Slovakia
58 1400-340 Albert Street, Ottawa, Ontario K1R 0A5, Canada
59 4th Floor, Tower B, Paras Twin Towers, DLF Golf Course Road, Sector 54, Gurgaon, Haryana-HR, 122002, India
60 48 Rue Cambon, 75001, Paris, France
61 Room 1001, Enterprise Development Tower, Unit 01 – 10th Floor, No 398, Jiangsu Road, Changning District, Shanghai 200050, People's Republic of China
62 Room 2393, 2/F, No.3 Xuanhua Road, Changning District, Shanghai, People's Republic of China
63 RSM New Zealand, Level 2, 60 Highbrook Drive, East Tamaki, Auckland, 2013, New Zealand
64 c/o RSM Australia Pty Ltd, Level 21, 55 Collins Street, Melbourne, VIC 3000, Australia
65 Prologis House, Blythe Gate, Blythe Valley Park, Solihull, England, B90 8AH
66 Floor 3, 2 Harbour Square, Crofton Road, Dun Laoghaire, Dublin A96D6R0, Ireland
67 8 Sackville Street, London, W1S 3DG, United Kingdom
68 Av President Masarik No. 111, Piso 1, Colina Polance V Seccion Delegacion Miguel Hidalgo, Mexico 11560, Mexico
69 Kingsfordweg 151, 1043 GR Amsterdam, The Netherlands
70 Dorey Court, Admiral Park, St. Peter Port, GY1 4AT, Guernsey
71 Queensway House, 11 Queensway, New Milton, Hampshire, England, BH25 5NR
72 C-60/G Block, Trent House, BKC, Near Citi Bank, Bandra (East), Mumbai 400051, India
73 c/o Automic Pty Ltd, Suite 5, Level 12, 530 Collins Street, Melbourne VIC 3000, Australia
74 Longford Shopping Centre, Longford Town, Co. Longford, Longford, N39 R7R6, Ireland
75 Suite 502, 80 Cooper Street, Surry Hills, New South Wales 2010, Australia

Supplementary information (unaudited)

One-year like-for-like sales performance (exc. VAT, exc. fuel)

	Like-for-like sales						
	Q1 2024/25	Q2 2024/25	Q3 2024/25	Q4 2024/25	H1 2024/25	H2 2024/25	FY 2024/25
UK & ROI	**3.6%**	**2.5%**	**2.8%**	**3.6%**	**3.1%**	**3.2%**	**3.1%**
UK	4.6%	3.5%	3.8%	4.3%	4.0%	4.1%	4.0%
ROI	4.4%	5.1%	4.2%	4.5%	4.7%	4.4%	4.6%
Booker	(1.3)%	(2.5)%	(2.6)%	(0.6)%	(1.9)%	(1.6)%	(1.8)%
Central Europe	**0.6%**	**0.6%**	**2.8%**	**4.8%**	**0.6%**	**3.8%**	**2.2%**
Like-for-like sales growth	**3.4%**	**2.4%**	**2.8%**	**3.7%**	**2.9%**	**3.2%**	**3.1%**

Growth in sales (exc. VAT, exc. fuel)

	Actual rates			Constant rates		
	H1 2024/25	H2 2024/25	FY 2024/25	H1 2024/25	H2 2024/25	FY 2024/25
UK & ROI*	**4.1%**	**3.9%**	**4.0%**	**4.2%**	**4.1%**	**4.2%**
UK*	5.4%	4.8%	5.1%	5.4%	4.8%	5.1%
ROI	3.6%	2.2%	2.9%	5.6%	5.6%	5.6%
Booker	(1.7)%	(0.3)%	(1.0)%	(1.7)%	(0.3)%	(1.0)%
Central Europe	**(4.2)%**	**(1.9)%**	**(3.0)%**	**0.9%**	**4.0%**	**2.5%**
Growth in sales*	**3.5%**	**3.5%**	**3.5%**	**4.0%**	**4.1%**	**4.0%**

* H1 restated to include the Insurance and Money Services business.

Country level revenue detail is provided in **Note 3**.

UK sales area by size of store

	22 February 2025			24 February 2024		
Store size (sq. ft.)	No. of stores	Million sq. ft.	% of total sq. ft.	No. of stores[a]	Million sq. ft.[a]	% of total sq. ft.
0–3,000	2,716	5.9	15.4%	2,675	5.8	15.0%
3,001–20,000	281	3.0	7.7%	279	2.9	7.5%
20,001–40,000	302	9.0	23.3%	279	7.6	19.6%
40,001–60,000	192	9.7	25.2%	174	8.5	22.0%
60,001–80,000	111	7.6	19.6%	139	9.4	24.3%
80,001–100,000	31	2.7	7.0%	40	3.5	9.0%
Over 100,000	6	0.7	1.8%	10	1.0	2.6%
Total[b]	**3,639**	**38.6**	**100.0%**	**3,596**	**38.7**	**100.0%**

(a) The prior year has been re-presented for sales areas remeasurements.
(b) Excludes Booker and franchise stores.

Group space summary

Actual Group space – store numbers[a]

	2023/24 year end	Openings	Closures/ disposals	Net gain/ (reduction)[b]	2024/25 year end	Repurposing/ extensions[c]
Large	809	2	(2)	–	809	30
Convenience	2,048	55	(9)	46	2,094	–
Dotcom only	6	–	–	–	6	–
Total Tesco	**2,863**	**57**	**(11)**	**46**	**2,909**	**30**
One Stop[d]	733	7	(10)	(3)	730	–
Booker	190	–	–	–	190	–
UK[d]	3,786	64	(21)	43	3,829	30
ROI	170	12	–	12	182	–
UK & ROI[d]	**3,956**	**76**	**(21)**	**55**	**4,011**	**30**
Czech Republic[d]	184	3	(3)	–	184	14
Hungary	197	1	–	1	198	49
Slovakia[d]	169	10	–	10	179	16
Central Europe[d]	**550**	**14**	**(3)**	**11**	**561**	**79**
Group[d]	**4,506**	**90**	**(24)**	**66**	**4,572**	**109**
UK (One Stop)	317	54	(17)	37	354	–
Czech Republic	119	1	(6)	(5)	114	–
Franchise stores	**436**	**55**	**(23)**	**32**	**468**	**–**
Total Group	**4,942**	**145**	**(47)**	**98**	**5,040**	**109**

(a) Continuing operations.
(b) The net gain/(reduction) reflects the number of store openings less the number of store closures/disposals and, for sq. ft. tables, adjustments for repurposing/extensions.
(c) Repurposing of retail selling space.
(d) Excludes franchise stores.

Supplementary information (unaudited) continued

Actual Group space – '000 sq. ft.[a]

	2023/24 year end[e]	Openings	Closures/ disposals	Repurposing/ extensions[c]	Net gain/ (reduction)[b]	2024/25 year end
Large	31,344	38	(55)	(235)	(252)	31,092
Convenience	5,455	188	(28)	–	160	5,615
Dotcom only	716	–	–	–	–	716
Total Tesco	**37,515**	**226**	**(83)**	**(235)**	**(92)**	**37,423**
One Stop[d]	1,208	12	(15)	–	(3)	1,205
Booker	7,951	–	–	–	–	7,951
UK[d]	46,674	238	(98)	(235)	(95)	46,579
ROI	3,499	73	–	–	73	3,572
UK & ROI[d]	**50,173**	**311**	**(98)**	**(235)**	**(22)**	**50,151**
Czech Republic[d]	4,101	61	(45)	(32)	(16)	4,085
Hungary	5,372	4	–	(60)	(56)	5,316
Slovakia[d]	3,213	19	–	(53)	(34)	3,179
Central Europe[d]	**12,686**	**84**	**(45)**	**(145)**	**(106)**	**12,580**
Group[d]	**62,859**	**395**	**(143)**	**(380)**	**(128)**	**62,731**
UK (One Stop)	459	73	(23)	–	50	509
Czech Republic	108	1	(6)	–	(5)	103
Franchise stores	**567**	**74**	**(29)**	**–**	**45**	**612**
Total Group	**63,426**	**469**	**(172)**	**(380)**	**(83)**	**63,343**

(a)-(d) Refer to previous table for footnotes.
(e) The prior year has been re-presented for sales areas remeasurements.

Group space forecast to 28 February 2026 – '000 sq. ft.[a]

	2024/25 year end	Openings	Closures/ disposals	Repurposing/ extensions[c]	Net gain/ (reduction)[b]	2025/26 year end
Large	31,092	73	–	8	81	31,173
Convenience	5,615	150	(22)	3	131	5,746
Dotcom only	716	–	–	–	–	716
Total Tesco	**37,423**	**223**	**(22)**	**11**	**212**	**37,635**
One Stop[d]	1,205	17	(2)	–	15	1,220
Booker	7,951	–	(12)	–	(12)	7,939
UK[d]	46,579	240	(36)	11	215	46,794
ROI	3,572	82	–	–	82	3,654
UK & ROI[d]	**50,151**	**322**	**(36)**	**11**	**297**	**50,448**
Czech Republic[d]	4,085	33	(3)	(17)	13	4,098
Hungary	5,316	16	(3)	(49)	(36)	5,280
Slovakia[d]	3,179	116	–	(33)	83	3,262
Central Europe[d]	**12,580**	**165**	**(6)**	**(99)**	**60**	**12,640**
Group[d]	**62,731**	**487**	**(42)**	**(88)**	**357**	**63,088**
UK (One Stop)	509	11	–	–	11	520
Czech Republic	103	–	(1)	–	(1)	102
Franchise stores	**612**	**11**	**(1)**	**–**	**10**	**622**
Total Group	**63,343**	**498**	**(43)**	**(88)**	**367**	**63,710**

Refer to previous table for footnotes.

Glossary – Alternative performance measures

Alternative performance measures.

Introduction

In the reporting of financial information, the Directors have adopted various Alternative performance measures (APMs).

These measures are not defined by International Financial Reporting Standards (IFRS) and therefore may not be directly comparable with other companies' APMs, including those in the Group's industry. APMs should be considered in addition to, and are not intended to be a substitute for, or superior to, IFRS measures.

Purpose

The Directors believe that these APMs assist in providing additional useful information on the trends, performance and position of the Group. APMs aid comparability between geographical units or provide measures that are widely used across the industry. They also aid comparability between reporting periods; adjusting for certain costs or incomes that derive from events or transactions that fall within the normal activities of the Group but which, by virtue of their size or nature, are adjusted, can provide a helpful alternative perspective on year-on-year trends, performance and position that aids comparability over time.

The alternative view presented by these APMs is consistent with how management views the business, and how it is reported internally to the Board and Executive Committee for performance analysis, planning, reporting, decision-making and incentive-setting purposes.

Further information on the Group's adjusting items, which is a critical accounting judgement, can be found in **Notes 1 and 5**.

Some of the Group's IFRS measures are translated at constant exchange rates. Constant exchange rates are the average actual periodic exchange rates for the previous financial period and are used to eliminate the effects of exchange rate fluctuations in assessing performance. Actual exchange rates are the average actual periodic exchange rates for that financial period.

All income statement measures are presented on a continuing operations basis.

Changes to APMs

Following the disposal of the Group's Banking operations, management has reviewed the definition of each APM, with the following changes:

- EBITDA (previously Retail EBITDA) has been refined to include the continuing Insurance and Money Services business. This reflects the Group's new segmental reporting structure (refer to **Note 2**) and ensures that all continuing operations are included in the APM. Comparatives have been restated.
- Net debt has been refined to include the continuing Insurance and Money Services business and exclude all discontinued operations. This reflects the Group's new segmental reporting structure (refer to **Note 2**) and ensures that all continuing operations are included in the APM. Comparatives have been restated.
- The Group no longer makes the distinction between Retail and Tesco Bank (refer to **Note 2**). Accordingly, Retail free cash flow is now called Free cash flow. Free cash flow does not include cash generated directly by the Insurance and Money Services business but does include any ordinary cash dividends this business pays to Tesco PLC.

In addition to the changes set out above, management has made the following clarifications:

- Free cash flow and Capex have been refined to also exclude refit costs directly associated with store purchases (including those acquired through business combinations). Such costs are a necessary and directly attributable cost of such acquisitions. The impact is immaterial to both the current and prior year, and as such, comparatives have not been restated.
- The Group has updated the name Adjusted total finance costs to Adjusted net finance costs to reflect that this APM includes finance income as well as finance cost. This name change does not change the composition or quantification of the amount in the current or prior year.

Management has introduced one additional APM:

- Return on capital employed (ROCE), which is defined as Adjusted operating profit divided by the average of opening and closing capital employed from continuing operations. This metric represents the profit generated as a proportion of the total average capital that the business has utilised in the period. Management believes this is a useful measure to assess performance.

Management has discontinued two APMs:

- Total indebtedness and Total indebtedness ratio are no longer used as APMs by management as they do not drive decision making and therefore have less relevance in assessing performance.

Glossary – Alternative performance measures continued

Group APMs

APM	Closest equivalent IFRS measure	Adjustments to reconcile to IFRS measure	Definition and purpose
Income statement			
Revenue measures			
Sales	Revenue	– Fuel sales	– Excludes the impact of fuel sales made at petrol filling stations. This removes volatilities outside of the control of management, associated with the movement in fuel prices. – This measure is presented on a country, segmental and Group continuing operations basis. – This is a key management incentive metric.
Growth in sales	No direct equivalent	– Ratio N/A	– Growth in sales is a ratio that measures year-on-year movement in Group sales for continuing operations for 52 weeks ended 22 February 2025 (52 weeks ended 24 February 2024). It shows the annual rate of increase in the Group's sales and is considered a good indicator of how rapidly the Group's core business is growing. – This measure is presented at both actual and constant foreign exchange rates.
Like-for-like (LFL) sales growth	No direct equivalent	– Ratio N/A	– LFL sales growth is a measure of growth in Group online sales and sales from stores that have been open for at least a year (but excludes prior year sales of stores closed during the year) at constant foreign exchange rates. – It excludes revenue from dunnhumby and Insurance and Money Services, as this revenue is not directly linked to the sale of goods. – It is a widely used indicator of a retailer's current trading performance and is important when comparing growth between retailers that have different profiles of expansion, disposals and closures.
Profit measures			
Adjusted operating profit	Operating profit from continuing operations[a]	– Adjusting items[b]	– Adjusted operating profit is the headline measure of the Group's performance, based on operating profit from continuing operations before the impact of adjusting items. Refer to the APM Purpose section of the Glossary and **Note 1** for further information on adjusting items. – Amortisation of acquired intangibles is included within adjusting items because it relates to inorganic business combinations and does not reflect the Group's ongoing trading performance (related revenue and other costs from acquisitions are not adjusted). – This measure is presented on a segmental and Group continuing operations basis. – This is a key management incentive metric.
Adjusted net finance costs	Net finance costs	– Adjusting items[b]	– Adjusting items within net finance costs include net pension finance income/(costs) and fair value remeasurements on financial instruments. Net pension finance income/(costs) are impacted by corporate bond yields, which can fluctuate significantly and are reset each year based on external market factors that are outside management's control. Fair value remeasurements are impacted by changes to credit risk and various market indices, applying to financial instruments resulting from liability management exercises, which can fluctuate significantly outside of management's control. This measure helps to provide an alternative view of year-on-year trends in the Group's net finance costs.
Adjusted profit before tax	Profit before tax	– Adjusting items[b]	– This measure is the summation of the impact of all adjusting items on profit before tax. Refer to the APM Purpose section of the Glossary and **Note 1** for further information on adjusting items.
Adjusted operating margin	No direct equivalent	– Ratio N/A	– Adjusted operating margin is calculated as adjusted operating profit divided by revenue. Progression in Adjusted operating margin is an important indicator of the Group's operating efficiency.
Adjusted diluted earnings per share	Diluted earnings per share from continuing operations	– Adjusting items[b]	– This metric shows the adjusted profit after tax from continuing operations attributable to owners of the parent divided by the weighted average number of ordinary shares in issue during the financial period, adjusted for the effects of dilutive share options.
EBITDA (earnings before adjusting items, interest, tax, depreciation and amortisation)	Operating profit from continuing operations[a]	– Adjusting items[b] – Depreciation and amortisation	– This measure is widely used by analysts, investors and other users of the accounts to evaluate comparable profitability of companies, as it excludes the impact of differing capital structures and tax positions, variations in tangible asset portfolios, and differences in identification and recognition of intangible assets. It is used to derive the Net debt/EBITDA ratio, and Fixed charge cover APMs.
Tax measures			
Adjusted effective tax rate	Effective tax rate	– Adjusting items[b]	– Adjusted effective tax rate is calculated as total income tax credit/(charge) excluding the tax impact of adjusting items, divided by adjusted profit before tax. This APM provides an indication of the ongoing tax rate across the Group.

(a) Operating profit is presented on the Group income statement and is a generally accepted profit measure.
(b) Refer to **Note 1** and **Note 5**.

Glossary – Alternative performance measures continued

Group APMs continued

APM	Closest equivalent IFRS measure	Adjustments to reconcile to IFRS measure	Definition and purpose
Balance sheet measures			
Net debt	No direct equivalent	– N/A	– Net debt excludes the net debt of discontinued operations to reflect the net debt obligations of the continuing business. – Net debt comprises borrowings, lease liabilities and net derivative financial instruments, offset by cash and cash equivalents, short-term investments, joint venture loans, and interest and other receivables. – It is a useful measure of the progress in generating cash and strengthening of the Group's balance sheet position, and is a measure widely used by credit rating agencies.
Net debt/EBITDA ratio	No direct equivalent	– Ratio N/A	– Net debt/EBITDA ratio is calculated as Net debt divided by the rolling 12-month EBITDA. It is a measure of the Group's ability to meet its payment obligations, showing how long it would take the Group to repay its current net debt if both net debt and EBITDA remained constant. It is widely used by analysts and credit rating agencies.
Fixed charge cover	No direct equivalent	– Ratio N/A	– Fixed charge cover is calculated as the rolling 12-month EBITDA divided by the sum of net finance costs (excluding net pension finance costs, finance charges payable on lease liabilities, capitalised interest and fair value remeasurements on financial instruments) and all lease liability payments from continuing operations. It is a measure of the Group's ability to meet its payment obligations and is widely used by analysts and credit rating agencies.
Capex	Property, plant and equipment, intangible asset, and investment property additions, excluding those from business combinations	– Additions relating to property buybacks and store purchases – Additions relating to decommissioning provisions and similar items	– Capex excludes additions arising from business combinations, buybacks of properties (typically stores), purchases of store properties, refits associated with business combinations and purchases of store properties, as well as additions relating to decommissioning provisions and similar items. – Property buybacks and purchases of store properties are variable in timing, with the number and value of transactions dependent on opportunities that arise within any given financial year. Excluding property buybacks and store property purchases therefore gives an alternative view of trends in capital expenditure in the Group's ongoing trading operations. – Additions relating to decommissioning provisions and similar items are adjusted because they do not result in near-term cash outflows.
Return on capital employed (ROCE)	No direct equivalent	– Ratio N/A	– Return on capital employed (ROCE) is Adjusted operating profit divided by the average of opening and closing capital employed from continuing operations. – Capital employed from continuing operations is defined as net assets of the Group excluding: the pension deficit/surplus; net assets of the disposal group and non-current assets classified as held for sale; current and deferred tax balances and an adjustment to remove the impact of deferred tax liabilities recorded against identified assets acquired in business combinations; and Net debt. – This metric represents the profit generated as a proportion of the total average capital that the business has utilised in the period. – Management believes this is a useful measure to assess performance.
Cash flow measures			

Free cash flow	No direct equivalent	– N/A	– Free cash flow includes:
			  – Continuing cash flows from operating activities of the business, excluding Insurance and Money Services and adjusting operating cash flows.
			  – Investing cash flows excluding Insurance and Money Services relating to: the purchase of property, plant and equipment (excluding property buybacks and store purchases and refits associated with both store purchases and business combinations) and investment property; purchase of intangible assets; dividends received from Insurance and Money Services (excluding special dividends); dividends received from joint ventures and associates; and interest received.
			  – Financing cash flows excluding Insurance and Money Services relating to: market purchase of shares net of proceeds from shares issued in relation to share schemes; and repayment of obligations under leases.
			– Directors and management believe this provides a view of free cash flow generated by the Group's trading operations, excluding Insurance and Money Services, that is more predictable and comparable over time, and reflects the cash available to shareholders. Insurance and Money Services is excluded because free cash flow is not a common metric within this industry.
			– This is a key management incentive metric.

Glossary – Alternative performance measures continued

APMs: Reconciliation of income statement measures

Sales

A reconciliation of Sales is provided in **Note 2**.

Growth in sales and Like-for-like (LFL) sales growth

Continuing operations	Notes	2025	2024
Revenue – current year (£m)	2, 3	69,916	68,187
Revenue – prior year (£m)	2, 3	68,187	65,322
Revenue growth		**2.5%**	**4.4%**
Exclude: Fuel impact		1.0%	3.0%
Growth in sales at actual rate		**3.5%**	**7.4%**
Exclude: Foreign exchange		0.5%	(0.2)%
Growth in sales at constant rate		**4.0%**	**7.2%**
Exclude: Revenue from dunnhumby and Insurance and Money Services		(0.4)%	(0.2)%
Exclude: Underlying net new space impact		(0.5)%	(0.2)%
Like-for-like sales growth		**3.1%**	**6.8%**

Adjusted operating profit and EBITDA

Continuing operations	Notes	2025 £m	2024 (restated*) £m
Operating profit	2	**2,711**	**2,821**
Exclude: Adjusting items	5	417	8
Adjusted operating profit	2	**3,128**	**2,829**
Include: Depreciation and amortisation before adjusting items		1,697	1,619
EBITDA		**4,825**	**4,448**

* Following the disposal of the Group's Banking operations, EBITDA is now presented on a Group continuing operations basis including Insurance and Money Services rather than on a Retail basis. Comparatives have been restated.

Adjusted profit before tax

A reconciliation of Adjusted profit before tax is provided in the Group income statement.

Adjusted operating margin

A reconciliation of Adjusted operating margin is provided in **Note 2**.

Adjusted diluted earnings per share

A reconciliation of Adjusted diluted earnings per share is provided in **Note 10**.

Adjusted effective tax rate

A reconciliation of Adjusted effective tax rate is provided in **Note 7**.

APMs: Reconciliation of balance sheet measures

Net debt

A reconciliation of Net debt is provided in **Note 32**.

Reconciliation from Free cash flow to Net debt

	Notes	2025 £m	2024 (restated*) £m
Opening Net debt	32	**(9,684)**	**(10,049)**
Free cash flow		**1,750**	**2,063**
Other cash movements:			
Own shares purchased for cancellation		(1,016)	(752)
Dividends paid to equity owners		(864)	(778)
Adjusting items included in operating cash flow activities		(81)	(100)
Repayments of capital element of obligations under leases		600	625
Interest paid on lease liabilities		377	373
Net other interest paid/(received)		136	202
Proceeds from sale of property, plant and equipment, investment property, intangible assets and assets held for sale		137	55
Cash outflows attributable to property buybacks and store purchases		(225)	(121)
Disposal of Banking operations, net of costs to sell	8	586	–
Other cash movements		(21)	(91)
Non-cash movements in Net debt:			
Fair value movements		20	(80)
Foreign exchange movements		44	126
Net interest charge		(144)	(175)
Non-cash movements in lease liabilities		(1,066)	(916)
Non-cash movement arising from acquisitions and disposals		(5)	(68)
Other non-cash movements		2	2
Closing Net debt	32	**(9,454)**	**(9,684)**

* Following the disposal of the Group's Banking operations, Net debt is now presented on a Group continuing operations basis including Insurance and Money Services, rather than on a Retail basis including Retail discontinued operations. Comparatives have been restated.

Glossary – Alternative performance measures continued

APMs: Reconciliation of balance sheet measures continued

Net debt/EBITDA ratio

	Notes	2025 £m	2024 (restated*) £m
Net debt	32	9,454	9,684
EBITDA		4,825	4,448
Net debt/EBITDA ratio		**2.0**	**2.2**

* Following the disposal of the Group's Banking operations, EBITDA is now presented on a Group continuing operations basis including Insurance and Money Services rather than on a Retail basis. Net debt is now presented on a Group continuing operations basis including Insurance and Money Services, rather than on a Retail basis including Retail discontinued operations. Comparatives have been restated.

Capex

	Notes	2025 £m	2024 £m
Property, plant and equipment additions[a]	12	**1,361**	**1,198**
Goodwill and other intangible asset additions[a]	11	**286**	**275**
Exclude: Additions from obtaining control of property joint venture[b]	12	–	(65)
Exclude: Additions from property buybacks	12	(157)	(78)
Exclude: Additions from store purchases and associated refits	12	(24)	(29)
Exclude: Additions from refits associated with business combinations	12	(18)	–
Exclude: Additions relating to decommissioning provisions and similar items		9	13
Capex		**1,457**	**1,314**

(a) Excluding amounts acquired through business combinations.
(b) Acquisition of The Tesco Coral Limited Partnership in 2024.

Adjusted net finance costs and Fixed charge cover

	Notes	2025 £m	2024 (restated[a]) £m
Net finance costs	6	492	538
Exclude: Net pension finance income/(costs)	6	(32)	(18)
Exclude: Fair value remeasurements of financial instruments	6	76	38
Adjusted net finance costs[b]		**536**	**558**
Exclude: Interest expense on lease liabilities[c]	6	(377)	(373)
Adjusted net finance cost, excluding finance charges payable on lease liabilities		**159**	**185**
Include: Total lease liability payments	13	980	1,000
Exclude: Discontinued operations total lease liability payments		(3)	(3)
		1,136	1,182
EBITDA		**4,825**	**4,448**
Fixed charge cover (ratio)		**4.2**	**3.8**

(a) Following the disposal of the Group's Banking operations, EBITDA is now presented on a Group continuing operations basis including Insurance and Money Services rather than on a Retail basis. Comparatives for EBITDA and Fixed charge cover (ratio) have been restated. All other components of this APM were on a Group continuing operations basis so have not been restated.
(b) Adjusted net finance costs were previously called Adjusted total finance costs. The amended name more clearly reflects the inclusion of both finance income and costs. The composition of the APM has not changed.
(c) Interest expense on lease liabilities is presented gross of £7m hedging impact (2024: £nil).

Return on capital employed (ROCE)

	Notes	2025 £m	2024 £m
Adjusted operating profit	2	**3,128**	**2,829**
Capital employed from continuing operations:			
Net assets		11,662	11,665
Exclude: Pension deficit/(surplus) gross of deferred tax	29	251	635
Exclude: Assets of the disposal group and non-current assets classified as held for sale		(50)	(7,783)
Exclude: Liabilities of the disposal group classified as held for sale		–	7,122
Exclude: Net current tax (asset)/liability		(14)	(109)
Exclude: Deferred tax assets		(47)	(32)
Exclude: Deferred tax liabilities		503	269
Exclude: Adjustment to remove the impact of deferred tax liabilities recorded against identified assets acquired in business combinations		(133)	(128)
Exclude: Net debt	32	9,454	9,684
Capital employed		**21,626**	**21,323**
Average capital employed from continuing operations*		**21,475**	**21,072**
Return on capital employed (ROCE)		**14.6%**	**13.4%**

* The opening capital employed for 2024 is for the Retail business only because Banking operations were not classified as held for sale at 25 February 2023. The closing capital employed for 2024, opening capital employed for 2025 and closing capital employed for 2025 all include Insurance and Money Services. The 2025 ROCE would have been c.25bps lower had Insurance and Money Services been excluded. The impact on 2024 of including Insurance and Money Services would also have been immaterial.

Glossary – Alternative performance measures continued

APMs: Reconciliation of cash flow measures

Free cash flow

52 weeks ended 22 February 2025	Continuing operations excluding Insurance and Money Services Before adjusting items £m	Adjusting items £m	Total £m	Insurance and Money Services Total £m	Discontinued operations Total £m	Tesco Group Total £m
Operating profit/(loss) of continuing operations	**2,973**	**(403)**	**2,570**	**141**	**–**	**2,711**
Operating profit/(loss) of discontinued operations	**–**	**–**	**–**	**–**	**35**	**35**
Depreciation and amortisation	1,680	78	1,758	17	–	1,775
Net impairment loss/(reversal) on property, plant and equipment, right of use assets, intangible assets and investment property	12	286	298	–	–	298
Net remeasurement (gain)/loss on non-current assets held for sale	–	–	–	–	64	64
Defined benefit pension scheme payments	(30)	–	(30)	–	–	(30)
Share-based payments	39	–	39	(6)	4	37
Fair value movements included in operating profit/(loss)	–	–	–	(7)	16	9
Other reconciling items[(a)]	18	(15)	3	8	–	11
Cash generated from/(used in) operations excluding working capital	**4,692**	**(54)**	**4,638**	**153**	**119**	**4,910**
(Increase)/decrease in working capital	(45)	(1)	(46)	(860)	53	(853)
Cash generated from/(used in) operations	**4,647**	**(55)**	**4,592**	**(707)**	**172**	**4,057**
Interest paid	(755)	–	(755)	(13)	(1)	(769)
Corporation tax paid	(355)	–	(355)	(11)	–	(366)
Net cash generated from/(used in) operating activities	**3,537**	**(55)**	**3,482**	**(731)**	**171**	**2,922**
Include the following cash flows generated from/(used in) investing activities:						
Purchase of property, plant and equipment and investment property[(b)]	(1,112)	–	(1,112)	(2)	–	(1,114)
Purchase of intangible assets	(280)	–	(280)	(5)	(7)	(292)
Dividends received from joint ventures and associates	2	–	2	–	–	2
Interest received	255	–	255	–	–	255
Include the following cash flows generated from/(used in) financing activities:						
Own shares purchased for share schemes, net of cash received from employees	(54)	–	(54)	–	–	(54)
Repayment of capital element of obligations under leases	(598)	–	(598)	(2)	(2)	(602)
Free cash flow	**1,750**					

(a) Other reconciling items consist of individually immaterial items, primarily relating to (profit)/loss arising on sale of property, plant and equipment, investment property, intangible assets, assets classified as held for sale and early termination of leases. Refer to the Group cash flow statement.
(b) Total purchase of property, plant and equipment and investment property in the Group cash flow statement of £(1,247)m (2024: £(1,108)m) excluding £(133)m (2024: £(59)m) of store buybacks, direct store purchases and refits associated with both direct store purchases and business combinations.

During the year, the Insurance and Money Services business divested of an investment portfolio (refer to **Note 16**), included in Proceeds from sale of other investments in the Group cash flow statement, and used the proceeds to settle deposits from central bank of £908m drawn under the Bank of England's Term Funding Scheme with additional incentives for small and medium-sized enterprises (TFSME). Refer to **Note 25**. The repayment of the deposit is included in (Increase)/decrease in working capital above.

No ordinary dividends were received by Tesco PLC from the Insurance and Money Services business (2024: £nil).

Glossary – Alternative performance measures continued

APMs: Reconciliation of cash flow measures continued

52 weeks ended 24 February 2024	Continuing operations excluding Insurance and Money Services Before adjusting items £m	Adjusting items £m	Total £m	Insurance and Money Services Total £m	Discontinued operations Total £m	Tesco Group Total £m
Operating profit/(loss) of continuing operations	**2,760**	**(5)**	**2,755**	**66**	**–**	**2,821**
Operating profit/(loss) of discontinued operations	**–**	**–**	**–**	**–**	**(659)**	**(659)**
Depreciation and amortisation	1,602	75	1,677	17	29	1,723
Net impairment loss/(reversal) on property, plant and equipment, right of use assets, intangible assets and investment property	–	(28)	(28)	–	–	(28)
Net remeasurement (gain)/loss on non-current assets held for sale	–	(12)	(12)	–	732	720
Defined benefit pension scheme payments	(29)	–	(29)	–	–	(29)
Share-based payments	75	–	75	(3)	6	78
Fair value movements included in operating profit/(loss)	6	–	6	3	62	71
Other reconciling items[(a)]	1	(84)	(83)	9	–	(74)
Cash generated from/(used in) operations excluding working capital	**4,415**	**(54)**	**4,361**	**92**	**170**	**4,623**
(Increase)/decrease in working capital	418	(44)	374	(104)	(7)	263
Cash generated from/(used in) operations	**4,833**	**(98)**	**4,735**	**(12)**	**163**	**4,886**
Interest paid	(809)	–	(809)	(14)	(1)	(824)
Corporation tax paid	(214)	–	(214)	(9)	–	(223)
Net cash generated from/(used in) operating activities	**3,810**	**(98)**	**3,712**	**(35)**	**162**	**3,839**
Include the following cash flows generated from/(used in) investing activities:						
Purchase of property, plant and equipment and investment property[(b)]	(1,039)	–	(1,039)	(10)	–	(1,049)
Purchase of intangible assets	(250)	–	(250)	(6)	(22)	(278)
Dividends received from joint ventures and associates	9	–	9	–	–	9
Interest received	249	–	249	–	–	249
Include the following cash flows generated from/(used in) financing activities:						
Own shares purchased for share schemes, net of cash received from employees	(93)	–	(93)	–	–	(93)
Repayment of capital element of obligations under leases	(623)	–	(623)	(2)	(2)	(627)
Free cash flow	**2,063**					

Refer to previous table for footnotes.

Glossary

Other.

BPS
Basis points, or bps, is a unit of measurement equal to 1/100th of 1%.

CPI
Consumer price index.

Dividend per share
This is calculated as interim dividend per share paid plus final dividend per share declared in respect of that financial year.

Enterprise value
This is calculated as market capitalisation plus net debt.

Expected credit loss (ECL)
Credit loss represents the portion of the debt that a company is unlikely to recover. The expected credit loss is the projected future losses based on probability-weighted calculations.

ESG
Environmental, social and governance.

FTE
Full-time equivalents.

LPI
Limited price index.

Market capitalisation
The total value of all Tesco shares calculated as total number of shares multiplied by the closing share price at the year end.

MTN
Medium term note.

MREL
Minimum requirements for own funds and eligible liabilities (European Banking Authority).

Net promoter score (NPS)
This is a loyalty measure based on a single question requiring a score between 0-10. The NPS is calculated by subtracting the percentage of detractors (scoring 0-6) from the percentage of promoters (scoring 9-10). This generates a figure between -100 and 100 which is the NPS.

RPI
Retail price index.

SONIA
Sterling Overnight Index Average.

Total shareholder return
The notional annualised return from a share, measured as the percentage change in the share price, plus the dividends paid, with the gross dividends reinvested in Tesco shares. This is measured over both a one and five-year period.

Five-year record.

The statistics below reflect the latest published information. Following the disposal of the Group's Banking operations, the remaining Insurance and Money Services business is now part of the UK & ROI segment. The amended performance measures, including Return on capital employed and Net debt, are now shown on a Group continuing operations basis for 2025 and 2024. For the years before 2024, these measures were reported on a Retail basis and have not been restated. The information for 2023 reflects the adoption of IFRS 17 and the presentation of Banking operations as a discontinued operation. For financial years prior to 2023, these statistics are not restated and represent the comparatives from those years' financial statements. During 2021, the Group disposed of its operations in Asia and agreed to dispose of its operations in Poland, which were treated as discontinued. Refer to the Glossary for a full list of APMs and their definitions.

	2021	2022	2023	2024	**2025**
Financial statistics (£m)					
Sales[Δ]					
UK & ROI[(a)]	48,848	49,984	52,369	57,155	59,450
Central Europe	3,862	3,862	4,181	4,322	4,186
Tesco Bank[(b)]	735	922	666	–	–
Group sales[Δ]	**53,445**	**54,768**	**57,216**	**61,477**	**63,636**
Revenue					
UK & ROI[(a)]	53,170	56,404	60,246	63,691	65,583
Central Europe	3,982	4,018	4,410	4,496	4,333
Tesco Bank[(b)]	735	922	666	–	–
Group revenue	**57,887**	**61,344**	**65,322**	**68,187**	**69,916**
Adjusted operating profit/(loss)[Δ]					
UK & ROI[(a)]	1,839	2,481	2,307	2,739	3,016
Central Europe	124	168	180	90	112
Tesco Bank[(b)]	(175)	176	22	–	–
Group adjusted operating profit/(loss)[Δ]	**1,788**	**2,825**	**2,509**	**2,829**	**3,128**
Adjusted operating margin[Δ]	**3.1%**	**4.6%**	**3.8%**	**4.1%**	**4.5%**
Operating profit/(loss)					
UK & ROI[(a)]	1,890	2,191	1,249	2,755	2,729
Central Europe	127	193	144	66	(18)
Tesco Bank[(b)]	(470)	176	17	–	–
Group operating profit/(loss)	**1,547**	**2,560**	**1,410**	**2,821**	**2,711**
Share of post-tax profits/(losses) of joint ventures and associates	26	15	8	6	(4)
Net finance costs	(937)	(542)	(536)	(538)	(492)
Profit/(loss) before tax	**636**	**2,033**	**882**	**2,289**	**2,215**
Taxation	(104)	(510)	(224)	(525)	(611)
Profit/(loss) for the year from continuing operations	**532**	**1,523**	**658**	**1,764**	**1,604**
Discontinued operations[(b)]	5,426	(40)	78	(572)	26
Profit/(loss) for the year	**5,958**	**1,483**	**736**	**1,192**	**1,630**
Attributable to:					
Owners of the parent	5,954	1,481	737	1,188	1,626
Non-controlling interests	4	2	(1)	4	4
Adjusted profit before tax[Δ]	**1,134**	**2,197**	**1,954**	**2,277**	**2,588**

	2021	2022	2023	2024	**2025**
Other financial statistics					
Diluted earnings/(losses) per share – continuing operations	5.58p	19.64p	8.81p	24.53p	23.13p
Adjusted diluted earnings per share[Δ]	9.24p	21.86p	20.53p	23.41p	27.38p
Dividend per share[(c)]	9.15p	10.90p	10.90p	12.10p	13.70p
Cash generated from continuing operating activities excluding Insurance and Money Services (£m)[(d)]	321	3,614	3,752	3,712	3,482
Free cash flow (£m)[Δ(e)]	1,340	2,277	2,133	2,063	1,750
Return on capital employed (ROCE)[Δ(e)]	8.7%	12.1%	11.8%	13.4%	14.6%
Total shareholder return	2.6%	32.4%	(10.5)%	17.8%	39.0%
Net debt (£m)[Δ(e)]	11,955	10,516	10,493	9,684	9,454
Enterprise value (£m)	29,336	32,403	28,562	29,452	34,657
Group statistics[(f)]					
Number of stores[(g)]	4,673	4,752	4,859	4,942	5,040
Total sales area ('000 sq. ft.)[(g)(h)]	63,980	64,034	63,835	63,426	63,343
Average employees	367,321	354,744	336,926	335,392	341,108
Average full-time equivalent employees (FTE)	242,911	231,223	222,306	223,636	229,140
UK & ROI statistics[(a)]					
Number of stores[(g)]	4,008	4,074	4,169	4,273	4,365
Total sales area ('000 sq. ft.)[(g)(h)]	50,443	50,588	50,735	50,632	50,660
Average full-time equivalent employees (FTE)	214,470	204,974	196,911	203,107	208,650
Sales (per FTE – £)	227,761	243,855	267,765	281,403	284,927
Weekly Sales (per sq. ft. – £)[(h)]	18.63	19.03	19.88	21.71	22.57

Δ See APM definitions and reconciliations in the Glossary section on **pages 228 to 235**.
(a) Following the sale of the Group's Banking operations, 2025 and 2024 UK & ROI information includes the retained Insurance and Money Services business. Years prior to 2024 have not been restated.
(b) The 2023 statistics reflect the adoption of IFRS 17 and the presentation of Banking operations as a discontinued operation. Years prior to 2023 have not been restated.
(c) Dividend per share relating to the interim and proposed final dividend.
(d) For 2021 to 2023, this measure excludes Tesco Bank.
(e) Following the sale of the Group's Banking operations, Return on capital employed and Net debt are presented on a Group continuing operations basis for 2025 and 2024. Both measures were previously on a Retail basis. Retail free cash flow is now called Free cash flow and includes refits associated with store purchases and business combinations in 2025. Prior years have not been restated. See Glossary for changes to APMs.
(f) On a continuing operations basis.
(g) Including franchise stores.
(h) 2024 has been re-presented for sales areas remeasurements. Refer to **page 227**.

Directors' report.

The Directors present their report, together with the audited accounts for the 52 weeks ended 22 February 2025.

In addition to the information set out herein, and in accordance with section 414C(11) of the Companies Act 2006, this Directors' report incorporates by reference the following sections of the Annual Report:

- Strategic report;
- Corporate governance report;
- Group information, including Articles of Association and material contracts;
- Financial statements; and
- Additional information.

The Strategic report and the Directors' report together constitute the management report as required under Rule 4.1.8R of the Disclosure Guidance and Transparency Rules.

Other information relevant to the Directors' report, and which is incorporated by reference into this report, can be found by referencing the table to the right.

Directors' statement of disclosure of information to the auditor

Each of the persons who is a Director at the date of approval of this Annual Report confirms that:

- So far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- The Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

For and on behalf of the Board

Ken

Ken Murphy
Group Chief Executive
9 April 2025

Information	Location in this Annual Report	Pages
Appointment and retirement of Directors	Nominations and Governance Committee report	72 to 74
Business model and strategy	Strategic report	18
Cautionary statement regarding forward-looking information	Additional information	245
Corporate governance report	Corporate governance report	52 to 123
Directors and their interests	Corporate governance report, Directors' remuneration report	56 to 58, 90 to 116
Directors' indemnities and insurance	Corporate governance report	62
Dividends/Dividend policy	Strategic report, Financial statements – **Note 9**	28 and 157
Events after the reporting period	Financial statements – **Note 34**	211
Financial instruments and financial risk management	Financial statements – **Notes 26 and 27**	180 to 196
Future developments	Strategic report	1 to 51
GHG emissions/SECR disclosures	Strategic report	36 to 39
Going concern and viability statement	Strategic report	50 and 51
Research and development	Strategic report	1 to 51
Section 172 statement	Corporate governance report	70
Share buybacks	Strategic report, Financial statements – **Note 30**, Additional information	22, 205 and 243
Share capital and control of the Company and significant agreements	Financial statements – **Note 30**	205
Share forfeiture	Strategic report, Sustainability Committee report, Financial statements – **Note 30**	22, 79 and 205
Stakeholder engagement	Corporate governance report	20 to 22

Information required to be disclosed under the UK Listing Rules can be found on the following pages:

UK Listing Rule 6.6.1R	Pages
Statement of capitalised interest	152 to 155
Allotment for cash of equity securities	150 to 152
Waiver of dividends	157 and 239
UK Listing Rule 6.6.6(8)	**Pages**
Climate-related financial disclosures consistent with TCFD	36 to 39
UK Listing Rule 6.6.6(9) and (10)	**Pages**
Diversity disclosures	23 and 75

Articles of Association

The Company's Articles of Association may only be amended by special resolution at a general meeting of the shareholders. The Directors may exercise all the powers of the Company subject to the Articles of Association, relevant law and any directions that may be given by the Company at general meetings by shareholder resolution.

Anti-bribery matters

We have a zero-tolerance approach to bribery. Our anti-bribery programme operates across the Group. The programme is built around a clear understanding of how and where bribery risks affect our business and comprises of key controls such as: policies (anti-bribery, gifts and entertainment, conflicts of interest and charitable donations); procedures (such as conducting due diligence on suppliers, in particular those who will engage public officials on our behalf); training colleagues on bribery risks every year and ongoing assurance programmes to test that the controls are functioning effectively. Bribery risk management is discussed at senior leadership groups in each business unit, including at the executive level, and also with the Audit Committee.

Appointment and retirement of Directors

The appointment and retirement of Directors is governed by the Company's Articles of Association, the UK Corporate Governance Code 2018, the Companies Act 2006 and other related legislation. In the interests of good governance, all Directors will retire and those wishing to serve again will submit themselves for re-election at the forthcoming AGM.

Chris Kennedy will stand for election as Director at this year's AGM, following his appointment to the Board on 20 February 2025. Alison Platt, having been appointed to the Board for nine years, will step down from the Board at the conclusion of the AGM, and will therefore not be seeking re-election.

For additional information concerning the Directors who served during the year and changes to the composition of the Board, see **pages 54 to 59**.

Compliance with the Groceries (Supply Chain Practices) Market Investigation Order 2009 and the Groceries Supply Code of Practice (the Code)

The Code regulates aspects of the commercial relationship between 14 designated grocery retailers in the UK and their suppliers of grocery products. The aim of the Code is to establish and embed the overarching principles of fairness and lawfulness within retailer-supplier relationships. Specific supplier protections under the Code include the obligation for agreements to be in writing and copies retained; reasonable notice to be given of changes to the supply chain or reduction in the volume of purchases; and a number of provisions relating to payments to suppliers, including obligations for retailers to pay suppliers in full and without delay.

Retailer compliance with the Code is overseen by the Groceries Code Adjudicator (GCA). In the last year, we have actively engaged with the GCA and were pleased to introduce the GCA to both Matthew Barnes and Karen Whitworth. We also hosted the GCA's team at our Dagenham distribution centre. We received positive feedback from the GCA on both the meetings with Matthew and Karen and on the distribution centre site visit.

During the reporting year, we have continued to enhance our Code compliance programme. We have provided clear and regular guidance, communications and training sessions that incorporated feedback from suppliers and the GCA. This year, we held mandatory masterclasses with our buyers on delisting, and our request for cost price changes (RFCPC) process. As usual, we included various GSCOP scenarios in our annual microlearning programme, ensuring that the Code (and specifically, the GCA's 7 Golden Rules) are upheld.

In the GCA's annual supplier survey for 2024, 95.8% of our suppliers recognised that we comply 'consistently well' or 'mostly well' with the Code.

In our own Supplier Viewpoint survey, conducted in January 2025, the results continue to reflect the progress we have made with our supplier relationships. The total Group score for suppliers rating their satisfaction with Tesco as either 'extremely satisfied' or 'very satisfied' exceeded our targets and was the highest score to date at 88.2%. Our UK satisfaction score was 89.8% and up 3% versus last year's score of 86.9%. Among topics relevant to the Code, our strongest UK score in Viewpoint continues to be 'Tesco pays promptly (within policy terms)' at 94%. 89.4% of suppliers agreed that 'Tesco treats me fairly', which was an increase on the year.

Also, in the 2024 independent, industry-wide Advantage survey of retailers, we were pleased to be ranked first for overall performance for the ninth year running.

During the preceding financial year, we provided mandatory annual refresher training for all colleagues involved in buying groceries across our business. This included not only the buying teams but also a wider set of colleagues, including those working in our quality and supply chain divisions. In total, 1,506 colleagues completed the GSCOP annual refresher training, with the majority being trained via role-based microlearning scenarios. 89% of colleagues said that they found microlearning a better way to learn and retain training than a single, longer training module. In addition to refresher training, 235 new starters across our business completed new starter GSCOP training. In addition to computer-based training, we have also provided numerous face-to-face training sessions on GSCOP, whether on a standalone basis or combined with another element of legal or regulatory education.

During the preceding year, two Code-related issues were raised by suppliers. In one of those two matters, the supplier was seeking guidance regarding an emergency product withdrawal.

In the other matter, the supplier was seeking guidance about our annual payment terms review. Both matters were resolved during the reporting period.

Furthermore, three matters were reported as ongoing from the FY 23/24 reporting period and were carried over. Two matters have since been resolved and one remains ongoing. The matter that remains ongoing had escalated to a formal dispute (as defined by Part 5, Article 11 of the GSCOP Order). This matter has since been resolved commercially, with the commercial agreement being in place since June 2024. Despite this, the supplier wishes to keep the matter recorded as open whilst the commercial agreement is in place. As a result, at the end of FY 24/25 reporting period, there is one ongoing matter.

Directors and their interests

The biographical details of the current serving Directors are set out on **pages 56 to 58**. The interests of Directors, and their immediate families, who served during the year, in the shares of Tesco PLC along with details of Executive Directors' share options, are contained in the Directors' remuneration report set out on **pages 90 to 116**. At no time during the year did any of the Directors have a material interest in any significant contract with the Company or any of its subsidiaries.

Directors' indemnities and insurance

A qualifying third-party indemnity provision, as defined in section 234 of the Companies Act 2006, is in force to the extent permitted by law for the benefit of each of the Directors and the Group Company Secretary (who is also a Director of certain subsidiaries of the Company) in respect of liabilities incurred as a result of their office.

For further information, see **page 62**.

Dividend policy

It is the Board's intention to continue to pay a progressive dividend by aiming to grow the dividend per share each year, broadly targeting a 50% payout of adjusted earnings per share.

Dividends

The profit for the financial year, after taxation, amounts to £1,604m (2023/24: £1,764m) from continuing operations. The Directors have declared dividends as follows:

Ordinary shares	£m
Paid interim dividend of 4.25 pence per share[a] (2023/24: 3.85 pence per share)	289
Proposed final dividend of 9.45 pence per share[b] (2023/24: 8.25 pence per share)	637
Total dividend of 13.70 pence per share for 2024/25 (2023/24: 12.10 pence per share)	926

(a) Excludes £2m dividends waived (2023/24: £2m).
(b) Subject to shareholder approval at the 2025 AGM, the final ordinary dividend will be paid on 27 June 2025 to all shareholders on the register of members at the close of business on 16 May 2025.

Certain nominee companies representing our employee benefit trusts hold shares in the Company in connection with the operation of the Company's share plans. Evergreen dividend waivers remain in place on shares held by these companies that have not been allocated to employees.

For more information on dividends, see **page 28 and Note 9 on page 157**.

Employment policies

Following negotiations with USDAW/SATA, we have made significant enhancements to our Company Sick Pay (CSP). Effective from 15 September 2024, we increased the CSP to a maximum of 18 weeks for hourly paid colleagues with 17 years' service or more. Additionally, from 30 March 2025, Office and Distribution salaried colleagues will transfer onto this enhanced scheme, increasing their CSP from six weeks full and three weeks half pay to a service-based entitlement with a maximum of 18 weeks at 17 years' service or more. This change ensures that all colleagues receive equitable support during times of illness.

In October 2024, we launched our new Bullying, Harassment and Discrimination policy to support colleagues across the Group. This policy is a crucial part of ensuring that our workplace is inclusive, safe, and a place where everyone is treated fairly and with respect. Bullying, harassment and discrimination have no place in our business – we do not tolerate it in any form.

We are committed to addressing it when it occurs and continuously learning and adapting to foster a culture we can be proud of. To help everyone understand their role in this, we have been rolling out an e-Learning programme across the Group. Leaders in the UK have recently participated in Leading by Example training, and now it's time for WL1-2 colleagues in the office to complete their compulsory anti-harassment e-Learning.

We have enhanced our paternity pay so that all weeks are paid at the higher of contractual pay or average earnings over the previous 52 weeks. In addition to this, we increased our paternity leave by a further two weeks, fathers now get six weeks. Our maternity pay has been improved from 14 weeks full and 14 weeks half pay to 26 weeks full pay, followed by up to 13 weeks Statutory Maternity Pay (SMP).

In line with our efforts to create a flexible and collaborative work environment, we have updated our office ways of working. We continue to embrace a hybrid approach, with full-time colleagues requested to spend a minimum of three days coming together to work with others. For part-time colleagues, the expectation is the equivalent number of days to meet this principle. This balance allows for effective collaboration and teamwork while also providing the flexibility to work independently from elsewhere.

These updates reflect our ongoing commitment to supporting our colleagues and fostering a positive, inclusive workplace culture. We believe these changes will help us continue to attract and retain top talent, ensuring Tesco remains a great place to work. By prioritising the wellbeing and development of our colleagues, we are building a stronger, more resilient organisation that is well-equipped to meet the challenges of the future. In 2025, Tesco was recognised by the British Quality Foundation for its comprehensive approach to health and wellbeing, including mental health support, physical wellness programmes and partnerships with leading health charities.

Our policies demonstrate our commitment to providing equal opportunities to all colleagues, irrespective of age, disability (including colleagues who may have become disabled during service), gender reassignment, marriage and civil partnership, pregnancy or maternity, race, religion or belief and sex or sexual orientation.

Going concern, longer term prospects and viability statement

The Directors consider that the Group and the Company have adequate resources to remain in operation for the foreseeable future and have therefore continued to adopt the going concern basis in preparing the financial statements. The UK Corporate Governance Code (available at the FRC website **www.frc.org.uk**) requires the Directors to assess and report on the prospects of the Group over a longer period.

Our longer term viability statement is set out on **pages 50 and 51**.

Modern Slavery Act

As per section 54(1) of the Modern Slavery Act 2015, our modern slavery statement is reviewed and approved by the Board on an annual basis and published on our Group website.

The statement covers the activities of Tesco PLC and certain UK subsidiaries. It details policies, processes and actions we have taken to ensure that slavery and human trafficking are not taking place in our supply chains or any part of our business. Tesco is dedicated to tackling modern slavery, both within our own operations and supply chains, as well as the issue of forced labour more broadly. Modern slavery is one of our four key human rights strategic priority areas, in which we work to bring about change through our Improve, Transform and Advocate model.

Our modern slavery statement can be viewed at **www.tescoplc.com**.

Political donations

The Group did not make any political donations or incur any political expenditure during the year 2024/25 (2023/24: £nil).

Share buyback programme

On 10 April 2024, the Company committed to buying back an additional £1bn worth of shares by April 2025, of which £250m was funded by a one-off special dividend received from Tesco Bank. This tranche completed in February 2025. The Company intends to buy back a further £1.45bn by no later than April 2026, of which £700m will be funded by the proceeds of the sale of Tesco Bank during the financial year. This will be carried out by the Company using the authority to purchase its own shares as approved by shareholders. The sole purpose of the share buyback programme is to reduce the Company's share capital.

For further details on the share buyback programme, see **pages 22, 243 and Note 30 on page 205**.

Share capital and control of the Company and significant agreements

Details of the Company's share capital, including changes during the year in the issued share capital and details of the rights attaching to the Company's Ordinary shares are set out in **Note 30 on page 205**. No shareholder holds securities carrying special rights with regards to control of the Company. There are no restrictions on voting rights or the transfer of securities in the Company. The Company is not aware of any agreements between holders of securities that result in such restrictions.

The Company was authorised by shareholders at the 2024 AGM to replace the existing authority (as granted by shareholders at the AGM held on 16 June 2023) for Directors to allot new shares that represent not more than one third of the issued share capital of the Company. It was also given the authority to allot relevant securities in connection with a rights issue up to a further one third of the issued share capital as at 1 May 2024. No shares were allotted under that authority during the financial year.

The Company is seeking to renew this authority at the forthcoming AGM, within the limits set out in the notice of that meeting.

The Company was authorised by shareholders at the 2024 AGM to replace the existing authority (as granted by shareholders at the AGM held on 16 June 2023) to purchase its own shares in the market up to a maximum of approximately 10% of its issued share capital. The Company is seeking to renew this authority at the forthcoming AGM, within the limits set out in the notice of that meeting.

Shares held by the Company's Share Incentive Plan (SIP) Trust, International Employee Benefit Trust, Employees' Share Scheme Trust and Booker Group 2010 Employee Benefit Trust rank pari passu with the shares in issue and have no special rights. Voting rights and rights of acceptance of any offer relating to the shares held in these trusts rests with the trustees, who may take account of any recommendation from the Company. The trustees of the SIP Trust may vote in respect of shares held in the SIP Trust, but only as instructed by participants in the SIP in respect of their free shares, partnership shares and dividend shares. The trustees will not otherwise vote in respect of shares held in the SIP Trust.

The Company is not party to any significant agreements that would take effect, alter or terminate following a change of control of the Company. The Company does not have agreements with any Director or officer that would provide compensation for loss of office or employment resulting from a takeover, except that provisions of the Company's share plans may cause options and awards granted under such plans to vest on a takeover.

Share forfeiture

The Group has a share forfeiture programme which it undertakes every two years, following the completion of a shareholder tracing and notification exercise. The Group will undertake a new share forfeiture programme in FY 25/26.

For further information, see **pages 22, 79 and Note 30 on page 205**.

Streamlined energy and carbon reporting (SECR) disclosures

A breakdown of our GHG emissions in accordance with our regulatory obligation to report GHG emissions pursuant to section 7 of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 and the Companies (Directors' Report), and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 can be found on **page 39**. We continue to implement initiatives to drive energy efficiency across our operations in support of our net zero ambitions.

Examples include:

- Addressing emissions from heating, ventilation and air conditioning (HVAC) by trialling low carbon alternatives to gas boilers;
- Improving refrigeration efficiency and reducing refrigerant emissions in our stores and distribution centres;
- Switching from diesel to electric vans in our home delivery fleet;
- Addressing transport emissions associated with our distribution fleet, trialling fuel alternatives while working directly with manufacturers on even more sustainable long-term solutions for decarbonisation; and
- Installing electric hook up points for our refrigerated trucks and low emission refrigeration units powered by electricity.

For further information, see **pages 36 to 39**.

For and on behalf of the Board

Ken Murphy
Director
9 April 2025

NFSIS.

The table below constitutes the Company's non-financial and sustainability information statement as required by sections 414CA and 414CB of the Companies Act 2006. In addition, our website **www.tescoplc.com** contains a wide range of non-financial information, including actions we take to manage our environmental and social impact and look after our colleagues. The due diligence carried out for each policy is contained within each respective policy's documentation. Policies are available on our website.

Reporting requirement	Relevant policies and documents that govern our approach	Where to find more information and outcomes	Page
Environmental matters	– Group environment policy – Sustainability policies on key risk commodities including soy, palm oil and seafood	What we stand for	10
		CEO review	11
		UK market context	14
		KPIs	19
		Planet	32
		Principal risks and uncertainties	40
		Nature and TCFD	34
		Sustainability Committee report	76
		Audit Committee report: environmental disclosures	81
		Directors' report (SECR)	237
		Details of our sustainability strategy together with ESG performance can be found in our latest Sustainability Report at **www.tescoplc.com**	
Colleagues	– Code of Business Conduct – Health and safety policy – Bullying and harassment policy – Everyone's welcome policy – Group whistleblowing policy – Colleague engagement – Conflicts of interest policy	What we stand for	10
		KPIs	19
		Principal risks and uncertainties	40
		Corporate governance report: purpose and culture	65
		Board activity	67
		Colleagues	69
		Stakeholder engagement	20
		Nominations and Governance Committee report: diversity, equity and inclusion	75
		Directors' remuneration report	90
		Directors' report disclosures: employment policies	239
		Nominations and Governance Committee report: conflicts of interest	73

Reporting requirement	Relevant policies and documents that govern our approach	Where to find more information and outcomes	Page
Social matters	– Customer – Product safety and food integrity – Responsible sourcing – People – Our tax principles – Responsible retailing of alcohol, tobacco and other age-restricted products	Group whistleblowing policy	65
		Sustainability Committee report	76
		Group charitable donations policy	240
		Groceries Supply Code of Practice (GSCOP)	238
		Details of our sustainability strategy together with ESG performance can be found in our latest Sustainability Report at **www.tescoplc.com**	
Respect for human rights	– Responsible sourcing	Health and safety policy	44
		Group whistleblowing policy	65
		Sustainability Committee report	76
		Human rights policy	44
		Details of our modern slavery statement can be found on our website at **www.tescoplc.com**	
Anti-corruption and anti-bribery	– Code of Business Conduct – GSCOP – Group anti-bribery policy – Group fraud policy – Group gift and entertainment policy – Tesco's political donations policy – Cyber security – Data privacy	Principal risks and uncertainties	40
		Corporate governance report: purpose and culture	65
		Directors' report: political donations, anti-bribery matters, modern slavery statement	238 and 240
How we manage risk	– Schedule of matters reserved for the Board – Audit Committee terms of reference	Principal risks and uncertainties	40
		TCFD: risks and opportunities	48
		Governance framework	61
		Audit Committee report	80
Business model	– Strategic drivers – Performance framework – Schedule of matters reserved for the Board	Our business model	18
Non-financial key performance indicators		KPIs	19
		TCFD	36

Additional information for shareholders.

Managing your shares and shareholder communication

The Company's share register is maintained by our registrar, Equiniti. Shareholders can manage their holdings online or elect to receive shareholder documentation in electronic form by setting up a Shareview portfolio.

Go Online. Go Paperless. It's Simple.

It only takes a few minutes to register for a Shareview portfolio using your 11 digit Shareholder Reference Number. You can either:

Register at **www.shareview.co.uk/info/register**

Scan the QR code:

Electronic communications

We encourage our shareholders to take advantage of electronic communications. By signing up to receive electronic communications, you will be helping to reduce print, paper and postage costs and the associated environmental impact.

Tesco Share Account

The Tesco Share Account (TSA) is a free service available to Tesco shareholders that allows you to hold your Tesco shares electronically. The TSA is a sponsored nominee service operated for Tesco by Equiniti Financial Services Limited, authorised and regulated by the FCA. Holding your shares electronically removes the need to hold paper share certificates, making dealing quicker and more secure. When you join the TSA, you remain the beneficial owner of your shares and continue to have the right to receive shareholder communications, vote at general meetings and to receive any dividends paid on your shares.

Share dealing service

Equiniti offers shareholder services for dealing in Tesco PLC shares. Dealing fees vary between brokers and you are recommended to check that you are being charged the most competitive rate. For further information please visit **www.shareview.co.uk/dealing**. Equiniti can also assist with shareholding and voting queries. Please contact Equiniti online at **www.shareview.co.uk** (from here, you can securely email them with your enquiry).

Your dividend options

You have the option to reinvest your dividend to purchase shares by joining the Tesco PLC Dividend Reinvestment Plan (the DRIP). For further information please visit **www.shareview.co.uk/info/drip** (terms and conditions apply).

Additional information for shareholders continued

Annual General Meeting (AGM)

The 2025 AGM will be held on Thursday, 12 June 2025 at 11.30am in the Heart building on our Welwyn Garden City campus. The Notice of Meeting and the Annual Report and Financial Statements 2025 are available to view and download at **www.tescoplc.com**.

If you wish to view the AGM proceedings online, you can watch via the live webcast which will be broadcast at 11.30am on the day of the AGM at **www.tescoplc.com/AGM2025**. The webcast is not interactive, and it is not possible to vote or ask questions remotely.

Financial calendar 2025/26

Feb 2025

22 February 2025
Financial year end 2024/25

Jun 2025

12 June 2025
Annual General Meeting and Q1 trading statement

27 June 2025
Proposed payment date for final dividend

Oct 2025

2 October 2025
Interim results announcement

Jan 2026

8 January 2026
Q3 and Christmas trading statement

Feb 2026

28 February 2026
Financial year end 2025/26

Please note that these dates are provisional and subject to change.

American Depositary Receipts (ADRs)

The Company has a sponsored Level 1 ADR programme for which J.P. Morgan Chase Bank N.A. acts as depositary. The ADRs are traded in the US, where one ADR represents three Ordinary shares. The ADR programme confers the right to receive dividends in US Dollars.

ADR details	
Symbol	TSCDY
CUSIP	881575401
Exchange	OTC
Ratio	1:3
Effective date	1 April 1992

All enquiries relating to the ADR programme should be directed to:
Shareowner Services
P.O. Box 64504
St. Paul, MN 55164-0504

Email: StockTransfer@equiniti.com
Website: **www.adr.com**

Share buyback programme

On 10 April 2024, the Company committed to buying back an additional £1bn worth of shares by April 2025, of which £250m was funded by a one-off special dividend received from Tesco Bank. This tranche completed in February 2025. The Company intends to buy back a further £1.45bn by no later than April 2026, of which £700m will be funded by the proceeds of the sale of Tesco Bank during the financial year. This will be carried out by the Company using the authority to purchase its own shares as approved by shareholders. The sole purpose of the share buyback programme is to reduce the Company's share capital.

For more information on the share buyback programme, see **page 22 and Note 30 on page 205**.

Additional information for shareholders continued

Major shareholders

Information provided to the Company by major shareholders pursuant to the FCA's Disclosure Guidance and Transparency Rules (DTR) are published via a Regulatory Information Service and are available on the Company's website. As at 22 February 2025 and the date of this report, the Company had received notification of the following interests in voting rights pursuant to Chapter 5 of the DTR:

	% of voting rights[a]
BlackRock, Inc.	6.64

(a) Percentages are shown as a percentage of the Company's total voting rights as at the date the Company was notified of the change in holding.

Share register analysis

As at 22 February 2025, the Company had 6,736,841,762 shares in issue (24 February 2024: 7,038,930,440) and 195,332 registered holders of Ordinary shares (24 February 2024: 204,911).

Shareholdings are analysed below:

Breakdown of shareholdings

Range of shareholding	Number of holdings	% of issued share capital
1 – 500	130,667	0.22%
501 – 1,000	17,163	0.19%
1,001 – 5,000	32,637	1.14%
Over 5,001	14,865	98.45%
Total	195,332	100.00%

Breakdown of holders with over 5,000 shares

Range of shareholding	Number of holdings	% of issued share capital
5,001 – 10,000	7,789	0.82%
10,001 – 50,000	5,640	1.55%
50,001 – 100,000	366	0.37%
100,001 – 500,000	484	1.80%
500,001 – 1,000,000	154	1.62%
1,000,001 – 5,000,000	253	8.22%
Over 5,000,001	179	84.07%
Total	14,865	98.45%

Category of shareholders

	Number of holdings	% of total registered holders	Number of Ordinary shares	% of issued share capital
Private	193,324	98.97%	361,934,941	5.37%
Institutional and corporate	2,008	1.03%	6,374,906,821	94.63%

Shareholder security

In recent years, Tesco PLC has become aware that its shareholders (and holders of other Tesco securities) have received unsolicited phone calls or correspondence concerning investment matters. These callers can be very persistent and extremely persuasive and often have professional websites and telephone numbers to support their activities. These callers will sometimes imply connection to Tesco and provide incorrect or misleading information. Shareholders are advised to exercise caution over any unsolicited advice, offers to buy shares at a discount or offers of free company reports.

Beware of share fraud

Spot the warning signs
Fraudsters will often:

1. contact you out of the blue;
2. apply pressure to invest quickly;
3. downplay the risks to your money;
4. promise returns that sound too good to be true; and
5. state that the offer is only available to you; or that you cannot inform anyone else.

If you are suspicious, report it

You can report the firm or scam to the FCA by contacting their Consumer Helpline on
0800 111 6768

or by visiting the FCA's website at
fca.org.uk/scamsmart

How to avoid investment scams

1. Reject unexpected offers: Scammers usually make unsolicited phone calls, but they can also contact you by email, post, word of mouth or at a seminar. If you have been offered an investment opportunity out of the blue, it is likely to be a high-risk investment or a scam.
2. Check the FCA Warning List: Use the FCA Warning List to check the risks of a potential investment opportunity – you can also search to see if the firm is known to be operating without FCA authorisation.
3. Get impartial advice: Get impartial advice before investing – do not use an advisor from the firm that contacted you.

If you have lost money in a scam, contact Action Fraud on
0300 123 2040 **www.actionfraud.police.uk**

Cautionary statement regarding forward looking information

Where this Annual Report contains forward-looking statements, these are based on current expectations and assumptions, and speak only as of the date they are made. These statements should be treated with caution due to the inherent risks, uncertainties and assumptions underlying any such forward-looking information.

The Group cautions investors that a number of factors, including matters referred to in this document, could cause actual results to differ materially from those expressed or implied in any forward-looking statement. Such factors include, but are not limited to, those discussed under principal risks and uncertainties on **pages 40 to 47**.

Forward-looking statements can be identified by the use of relevant terminology including the words: 'may', 'will', 'seek', 'aim', 'anticipate', 'target', 'projected', 'expect', 'estimate', 'intend', 'plan', 'goal', 'believe' or other words of similar meaning and include all matters that are not historical facts. They appear in a number of places throughout this Annual Report and include statements regarding the intentions, beliefs or current expectations of our officers, Directors and colleagues concerning, among other things, the Group's results of operations, financial condition, liquidity, prospects, growth, strategies and the business.

Neither the Group, nor any of its officers, Directors or colleagues, provides any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statements in this Annual Report will actually occur. Undue reliance should not be placed on these forward-looking statements. Other than in accordance with our legal and regulatory obligations, the Group undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

Contact us.

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

Website: **www.tescoplc.com**

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

Registrars
Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex
BN99 6DA

Website: **www.shareview.co.uk**
From here, you can securely email Equiniti with your enquiry.

Group Company Secretary
Chris Taylor

Corporate brokers
Barclays Bank PLC
Citigroup Global Markets Limited

Independent auditors
Deloitte LLP

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www.fsc.org

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CARBON BALANCED PAPER

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The paper is Forest Stewardship Council® (FSC®) certified from well managed forests and other controlled sources.

The paper is Carbon Balanced with World Land Trust, an international conservation charity, which offset carbon emissions through the purchase and preservation of high conservation value land. Through protecting standing forests, under threat of clearance, carbon is locked in that would otherwise be released. These protected forests are then able to continue absorbing carbon from the atmosphere, referred to as REDD (Reduced Emissions from Deforestation and forest Degradation).

This is now recognised as one of the most cost-effective and swiftest ways to arrest the rise in atmospheric CO_2 and global warming effects. Additional to the carbon benefits is the flora and fauna this land preserves, including a number of species identified at risk of extinction on the IUCN Red List of Threatened Species.

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It’s not a little thing.
It’s everything.

Golden

Value.
Quality.
Service.

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

www.tescoplc.com