

TESCO STORES LIMITED (the “Company”)

Statement of Compliance with Tesco Governance Code

For the year ended 26 February 2022, under The Companies (Miscellaneous Reporting) Regulations 2018, the Company has applied the Tesco Governance Code (the ‘Code’) which can be found on the Tesco PLC website at www.tescopl.com.

At Tesco Stores Limited, we are committed to maintaining high standards of corporate governance. Good corporate governance is about implementing the right systems and structures across the Company to facilitate effective management and sound business decision making. Due to the large scale of Tesco Group’s operations and the variety of business activities carried on, the Code provides guidance on the minimum standard of governance principles that the Group’s large UK incorporated companies should implement to achieve a high level of corporate governance, while supporting directors in compliance with their statutory duties.

During the period under review, the Company has complied with the Code. An overview of the how the Company has applied the Code is detailed below. This statement of compliance can be found at www.tescopl.com.

Culture and Purpose

The Tesco Group purpose is to serve our customers, communities and the planet a little better every day keeping customers at the heart of what we do, while also reflecting our responsibilities to the communities we serve and to society more broadly. Our purpose is underpinned by strong policies and procedures set out in the Tesco Code of Business Conduct. It sets out the ways we can make the right decisions for our stakeholders, using the Group values and leadership behaviours to ensure that through our conduct and decision-making we do the right thing for the business and deliver our strategic objectives. Our culture comes to life through our three values: No one tried harder for customers; We treat people how they want to be treated, and Every little help makes a big difference.

The company adopts the Group strategy and Directors have been part of the discussions to shape the strategy and new Strategic priorities: Magnetic value for customers; I love my Tesco Clubcard; Easily the most convenient; and Save to invest.

Board Effectiveness

The Board comprises five directors, with the necessary skills and experiences to fulfil the role and responsibilities of the Board. Directors keep under review the size and composition of the Board to ensure it has the appropriate balance of skills, knowledge and experience. Upon appointment, Directors receive induction training which covers not only details on the operations of the business but also, amongst other things, guidance on their statutory duties as a director to ensure they understand their role as a director and to whom they are accountable.

There is a schedule of matters reserved for its decision to ensure that the right decisions are being made in the right forum and that there is appropriate oversight of them. As is normal for a large business and as a subsidiary of a larger Group, the Company complies with the Group Delegation of the Authority, seeking permission to proceed where a significant business decision is required. However, the decision is ultimately taken by the Board with background papers provided to support any decisions setting out any benefits and risks, the financial implications and any relevant potential impact on stakeholders.

Directors are required to report actual or potential 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. A Directors’ and Officers’ Liability Insurance policy is maintained for all Directors providing cover in respect of certain legal action brought against them.

The Board is supported by a Company Secretary who facilitates Board meetings including circulation of papers in advance of a meeting, producing minutes to record Board decisions, assist on a range of governance related matters and maintain corporate records.

Statement of Compliance with Tesco Governance Code (continued)

Risk

When making decisions, the Board considers the relevant risks and ensures that mitigating steps are put in place where appropriate and possible. Any significant risks or concerns are highlighted to the Group Risk Team for consideration through the Group Risk management process. The latter is reviewed on a regular basis and covers all business units including the Company. This includes the maintenance of risk registers which detail the risks, the risk movement and the relevant key controls and mitigating factors. These are reviewed on a regular basis by the UK leadership team and the Executive Committee which helps to further promote sufficient oversight and management of risk.

Remuneration

The Tesco PLC Board has overall responsibility for reviewing remuneration and related policies across the Group ensuring they are appropriate, fair and support the Group's strategy, creating value for stakeholders. The Remuneration Committee of the Tesco PLC Board approves the Remuneration Policy for Executive Directors and senior managers, having regard to pay across the Group.

The Group is committed to rewarding colleagues with a total reward package that is competitive and provides them with choice and that they really value. The Board ensure that remuneration is paid in line with Group processes and the following principles:

- Competitive: setting pay with reference to internal relativity and external market practices.
- Simple: helping all colleagues to understand how they are rewarded.
- Fair: achieving consistent outcomes through flexible and transparent policies.
- Sustainable: aligning reward to business strategy and performance.