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

Tesco PLC Annual Report and Financial Statements 2024

Hello.

Welcome to our Annual Report 2024

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.

In challenging times, our purpose has guided every part of the Group. Serving our customers, communities and planet a little better every day is what we do.

Navigating our interactive document

This report is interactive so simply click on the section you would like to go to. The same applies to the smaller contents tables within the report.

The tools described below can be used to move through our report and return to the contents page.

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Visit our investor site for further reading
tescoplc.com/investors

Performance highlights

Group salesΔ(a)
£61.5bn
7.4%
(2023: £57.2bn)

Adjusted diluted EPSΔ(b)
23.41p
14.0%
(2023: 20.53p)

Adjusted operating profitΔ(b)
£2,829m
12.8%
(2023: £2,509m)

Retail free cash flowΔ(c)
£2,063m
(3.3)%
(2023: £2,133m)

Dividend per share
12.10p
11.0%
(2023: 10.90p)

Net debtΔ(c)
£(9,764)m
6.9%
(2023: £(10,493)m)

UK market share (sales value)(d)
27.6%
28bps
(2023: 27.3%)

Group net promoter score(e)
19pts
+4pts
(2023: 15pts)

Statutory measuresΔ

Statutory revenue
£68.2bn
4.4%
(2023: £65.3bn)

Operating profit
£2,821m
100.1%
(2023: £1,410m)

Statutory profit before tax
£2,289m
159.5%
(2023: £882m)

Statutory diluted EPS
24.53p
178.4%
(2023: 8.81p)

Comparatives have been restated for the adoption of IFRS 17 'Insurance contracts'.

In February 2024 we announced the sale of our banking operation, which has been consequently classified as discontinued. Discontinued operations are excluded from our headline performance metrics.

Δ Alternative performance measures (APMs)
All measures apart from Net debt are shown on a continuing operations basis unless otherwise stated, with growth stated at actual exchange rates. The Group has defined and outlined the purpose of its APMs in the Glossary starting on **page 220**.

(a) Group sales exclude VAT and fuel.
(b) Adjusted operating profit and Adjusted diluted EPS exclude the impact of adjusting items.
(c) Net debt and Retail free cash flow exclude the impact of Tesco Bank.
(d) UK market share based on Kantar Grocers Total Till Roll on a 12-week basis ending 18 February 2024.
(e) Basis – Tesco Global Brand tracker on a three-month rolling basis.

Tesco at a glance

Who we are.

We are Tesco, a major grocery retailer operating across multiple markets.

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

We are Tesco.

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

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. This year, we have again focused on delivering great value and quality for our customers across large stores, convenience and online.
www.tesco.com

BOOKER

Booker is the UK's leading food and drink wholesaler, serving caterers, independent retailers and other businesses. Booker also owns symbol brands including Budgens, Londis and Premier. This year, Booker has ensured it once again delivered the best choice, price and service to all customers.
www.booker.co.uk

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

one stop

One Stop is a retail convenience business with more than 1,000 shops across the country, including more than 300 franchise stores. Our focus this year has been to continue to provide customers in local communities with quality products and services at great prices.
www.onestop.co.uk

TESCO Bank

Tesco Bank offers a range of personal banking and insurance products with the aim of making financial products easier and better value for its customers. It helps more than five million customers manage their money every day. We have been better connected to our customers than ever before by listening to their needs, combined with using data and technology to drive better insight. This year, that helped us to keep delivering what our customers tell us matters most, with Clubcard Prices on everyday banking products and differentiated motor insurance.
www.tescobank.com

TESCO mobile

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

Where we operate

4,506
Stores globally

3,786
Stores in the United Kingdom

170
Stores in the Republic of Ireland

184
Stores in the Czech Republic

169
Stores in Slovakia

197
Stores in Hungary

Supporting our customers with value they can rely on

Value our customers can rely on.

We know things have been tough for many over the past year and we have worked tirelessly to make sure the weekly shop is one less thing to worry about.

Using the powerful combination of Aldi Price Match, Clubcard Prices and Low Everyday Prices, we have given our customers the power to bring down the cost of their weekly shop – and we are proud to have cemented our place as the UK's cheapest full-line grocer.

Across our Group – from banking and mobile to groceries and wholesale – we have been working around the clock to give our customers the best possible value.

And we have done that while continuing to support our colleagues, suppliers and shareholders – as well as our communities and planet.

Our value proposition

UK & ROI:

Aldi Price Match | Low Everyday Prices | The power to lower prices Clubcard Prices*

* Logo used in UK only from May 2024

Central Europe:

Nízké ceny zaručeny | Clubcarddal olcsóbb

And customers are really responding to our Value offer...

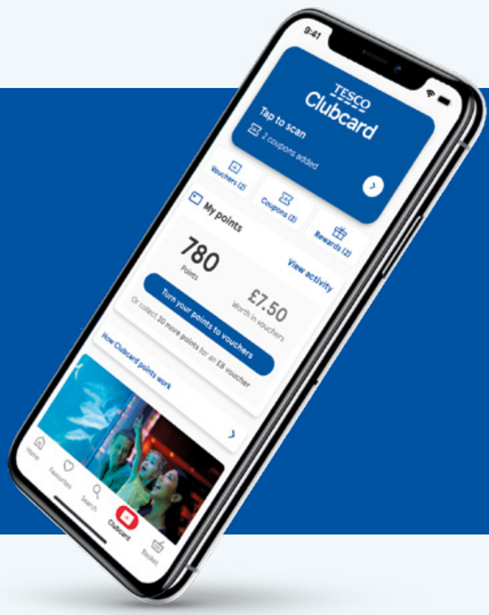
Clubcard Prices saves customers up to
£360
off the annual cost of their groceries

Tesco app users across the Group
16.2m

CE Clubcard sales penetration
87%

ROI Clubcard sales penetration
85%

UK Clubcard sales penetration
82%



Supporting customers right across the Group

However customers choose to shop with Tesco, we are giving them great value – from thousands of price cuts across our stores to free roaming with Tesco Mobile.

UK – **More than 4,000 prices cut** across the year by an average of 12%

Central Europe – Low Price Guarantee relaunched on more than **500 Own Brand lines**

ROI – **More than 800 prices cut** on essential products, by an average of 12%

BOOKER – Largest ever Booker catering price lock over Christmas, with a second price lock through to May 2024. Together, prices have been locked on more than **1,500 products**

TESCO Bank – Clubcard Prices **expanded to personal loans**

TESCO mobile – **Free roaming in EU** and other popular holiday destinations extended until 2025

one stop – **Price Drop campaign** cut the price of everyday essentials

Relentless focus on value throughout the year

- **April 2023** Price lock on 1,000 everyday products
- **April 2023** Price cuts on milk
- **June 2023** VAT covered on our suncare range
- **June 2023** Price cuts on pasta, oil, bread and butter
- **July 2023** Kids Eat Free in our cafés during summer holiday
- **June 2023** 500 price cuts on key products
- **August 2023** Reduced in Price areas now in 300 stores
- **August 2023** Covered 20% VAT on period pants
- **August 2023** Swapped >50 Express products with a cheaper alternative
- **August 2023** Prices cut on baby products
- **September 2023** Half price pre-Christmas toy sale
- **September 2023** Another price lock on 1,000 products
- **October 2023** Kids dental care prices cut by 20%
- **October 2023** Kids Eat Free in October half term
- **January 2024** Double Clubcard points offer
- **January 2024** Price cuts for 150 popular products
- **February 2024** Kids Eat Free February half term

This is an illustrative list and does not reflect all activity on value in the year.

Months of consecutive switching gains in UK

12

Value perception up

88bps

Communities – more than

450,000

free children's meals through Kids Eat Free

Chair's statement

Working hard for customers.

Gerry Murphy, Chair

I am delighted to be making my first annual statement to you following my appointment as Chair of Tesco in September 2023.

I am excited to join a company that I have long admired for its leadership in the grocery sector and its commitment to serving its customers and communities. Having been closely involved in the food sector throughout my career, it's a privilege to be able to contribute to the next phase of development of the leading grocer in the UK.

I would like to thank John Allan for the significant contribution he made to the business during his eight-year tenure as Chair. As I said when I was appointed, John has left Tesco with its business, management and Board in great shape and fit for the future.

I am already enjoying working with the Board and our exceptional executive team to deliver on Tesco's purpose and am very excited about the strategic opportunities for growth across the Group.

Doing the right thing by our stakeholders

I joined Tesco in a year that has again been shaped by cost-of-living pressures, when supporting our customers, colleagues, communities and suppliers has never been more important. You will see on **pages 4 and 5** a snapshot of the steps we have taken to look after our customers this year and support them through these challenges.

As the external environment has continued to evolve, we've been committed to doing the right thing by our stakeholders. Our customers are at the heart of what we do, and we've continued to invest in delivering great value. This relentless commitment to value has helped to make Tesco consistently the cheapest full-line grocer for well over a year in the UK. And I am pleased that customers are recognising this, with our customer recommend scores gaining in all markets and market share growth on a volume and value basis in both the UK and ROI.

We have continued to invest in our colleagues, building on the largest single investment made by Tesco in hourly pay in 2023, with a new UK hourly pay deal of £12.02, a 9.1% increase in base pay. This recognises the essential role that our colleagues play in supporting our customers and communities, and helping the business succeed.

Supporting our communities remains central to our business, and to our purpose. This year we launched Stronger Starts in the UK and ROI – a new grant programme to support young people to access healthy food and exercise.

Since joining Tesco, the dedication and hard work of our colleagues in supporting customers and their local communities has really stood out to me and I'd like to thank the whole Tesco team for their commitment in this regard.

Strong financial performance

Our focus on doing the right thing by our customers has delivered a strong financial performance for us across the year.

Group adjusted operating profit rose 12.8% on a continuing operations basis, which reflects strong trading across the Group combined with continued cost savings.

Tesco Bank update

We took the decision this year to review our banking services and announced a long-term strategic partnership with Barclays under which our existing banking operations in credit cards,

Did you know:

We are growing market share, winning customers and our customer recommend score has increased to 19 points for the Group.

Since joining Tesco, the dedication and hard work of our colleagues in supporting customers and their local communities has really stood out to me and I'd like to thank the whole Tesco team for their commitment.

loans and savings will be sold. Tesco will keep all the other existing activities of Tesco Bank, including insurance, ATMs, travel money and gift cards. These are capital-light businesses, with a strong connection to our core retail offer.

As well as removing significant capital from the Tesco balance sheet, this will reduce our exposure to the regulatory complexity and capital requirements associated with offering credit cards and loans. It will help us to unlock more cash, which we can use to keep investing in our business and our customers and colleagues.

Taking into account the £250m special dividend paid by Tesco Bank in August 2023, in total we expect to receive around £1bn, in addition to regular payments for our ongoing strategic partnership. The majority of this cash will be returned to shareholders in the form of an incremental share buyback.

I would like to thank our Tesco Bank colleagues for their hard work over the years and I look forward to the next chapter for Tesco Bank and our financial services offering in partnership with Barclays.

Board changes

In June, we said goodbye to Lindsey Pownall who stepped down from the Board after seven years. Lindsey made extremely valuable and insightful contributions to the Board and, in particular, I would like to thank her for her careful stewardship of the Sustainability Committee. She has been succeeded by Stewart Gilliland as Chair of that committee.

In September, we welcomed Carolyn Fairbairn to the Board as an independent Non-executive Director. Carolyn brings a wealth of experience to the Board with her deep understanding of the macroeconomic, regulatory and political environment and significant experience across the media, government and finance sectors. She has also taken up positions on the Remuneration Committee and Sustainability Committee.

I would like to thank Byron Grote for his careful stewardship of the Board earlier this year as interim Chair. Byron will retire from the Board at the forthcoming Annual General Meeting (AGM). Carolyn Fairbairn will succeed Byron as Senior Independent Director and Karen Whitworth will take on the role of Audit Committee Chair. I would like to thank Byron for his hard work and dedication to the Board.

Looking ahead

Tesco is well positioned to continue building on the successes of the past year as we head into 2024/25. While we expect cost-of-living pressures to remain a significant factor throughout the year, we will continue to focus our efforts on how we can best support all our stakeholders. Even as a relative newcomer to Tesco, I know that I have joined a business that has the agility and flexibility to respond to any potential challenges, while continuing to listen to our customers and support our colleagues. Tesco is fortunate to have outstanding colleagues helping it deliver and I know that our teams everywhere will continue to go above and beyond to support our customers and deliver on our strategy.

Gerry Murphy
Chair
9 April 2024

Our purpose framework

What we stand for.

Our core purpose is:	Serving our customers, communities and planet a little better every day. This 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 through to banking, mobile, Booker's wholesale customers, and dunnhumby's retail and supplier customers.
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 and then acting using all the tools at our disposal by changing and innovating to meet their needs.

2. We treat people how they want to be treated

We know that looking after our colleagues in a culture of trust and respect is essential to the success of Tesco. Where colleagues feel recognised and rewarded for the work they do together, where they have the opportunity to get on and where they are supported in their development as they move through their careers in the business – they in turn try their hardest for customers.

3. Every little help makes a big difference

Every little help makes a big difference – it is 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 – about 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.

It covers the little things we do every day as well as linking these things together to contribute to the bigger global initiatives in which we are involved. It helps us take the right actions to restore trust and transparency in our business.

Group Chief Executive's review

By investing where it matters most, we are winning with customers.

Ken Murphy, Group Chief Executive

For more information about our results use the QR code above

This year, Tesco has invested in keeping prices low, improving the quality of our products and delivering market-leading availability. Our relentless focus on customers means that we are winning market share and building a stronger business.

I would like to thank every Tesco colleague for helping to deliver another strong performance. As a team, we are guided by our purpose to serve our customers, communities and planet a little better every day and as we review the year just gone, I am proud of both what we have achieved and how we have achieved it together.

Supporting our customers with a relentless focus on value

The financial pressure on households across the UK, ROI and Central Europe has been at the forefront of our minds this year. The work we have done this year on value can be seen on **pages 4 and 5**. We continue to build on the strength of Aldi Price Match, Clubcard Prices and Low Everyday Prices to provide real savings on thousands of products in stores and online. Across Central Europe we have also invested further in our Low Price Guarantee, now on over 500 Own Brand lines.

This relentless focus on value extends right across the Group, with Booker's largest-ever price lock over Christmas, and Clubcard Prices at Tesco Bank and Tesco Mobile. We also brought back our popular Kids Eat Free initiative at Tesco Cafés at key moments throughout the year.

Investing in colleagues

The strength of our performance would not be possible without our brilliant colleagues and the work they do day-in and day-out for customers. We've made some significant improvements to our colleague benefits this year, offering enhanced parental leave, giving UK colleagues access to virtual GP appointments seven days a week, and access to flexible working from day one at Tesco.

As the Chair said, our new pay deal offering Tesco store colleagues £12.02 per hour makes Tesco one of the top UK retailers for base pay, in addition to the breadth of our colleague benefits, and reflects the vital contribution our colleagues make.

Supporting our local communities

Our scale also gives us a fantastic opportunity to make a difference to the communities we serve. This year, we launched a £5.3m Stronger Starts grant scheme, supporting around 4,000 projects across the UK to boost funds for extra food and new sports and play equipment to keep children active. We have given away more than 450,000 free meals to children during holidays as part of our Kids Eat Free at Cafés initiative. In May 2023, Tesco Ireland marked the moment that our Stronger Starts programme provided the equivalent of its one millionth free, healthier and nutritious meal, with plans to double our reach by the end of 2024.

Looking after the planet

We've taken extra steps to support British agriculture this year, with further investment in developing our Future Farmers programme. Overall, we've put an extra £75m into key agricultural suppliers this year, including £39m for British beef and lamb farmers. Supporting British farmers, growers and suppliers is absolutely vital in safeguarding the future of the food industry in the UK. Tesco has been recognised as the leading retailer in the Advantage supplier survey for the eighth consecutive year, which is a testament to the strength of relationships we have built.

This year, we launched our 571st electric delivery van, announced the expansion of our low-carbon fertiliser trials and announced our plans to move to biofuel transport in Ireland from next year. All of these projects are helping us to make progress towards our commitment to be carbon-neutral in our own operations by 2035, and our ambitious

Customer:

>4,000

price cuts in the UK

Community:

>200m

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

Planet:

Our net zero commitment has helped us achieve a

61%

emissions reduction in Scope 1 and 2 versus 2015 baseline.

We have removed

>2.3bn

pieces of plastic from the UK business to date.

target of net-zero emissions across our entire value chain by 2050. We have become one of the first companies globally to have validated science-based targets on all greenhouse gas emissions, including those originating from forests, land and agriculture (FLAG) emissions.

Tesco Bank

As the Chair has outlined, we have announced a long-term strategic partnership with Barclays, which includes the sale of our banking operations in credit cards, loans and savings. Tesco Bank is a brilliant business and for the last 25 years has served Tesco customers with market-leading customer service. As we look to the future, our aim is to be the best provider of financial services in the UK, with this strategic transaction and partnership with Barclays unlocking greater value for customers and for our business. By working with one of the UK's leading banks, we can bring customers new and innovative propositions, which will continue to benefit from Tesco Clubcard's unique insight and digital capabilities.

Around 2,800 Tesco Bank colleagues working on banking products, including the senior management team, will transfer to Barclays and will continue to offer customers the same outstanding service. We are working very closely with Barclays to support the team through this transition.

Tesco will retain all other existing activities including insurance, ATMs, travel money and gift cards. The partnership and sale remain conditional on regulatory approval, and we expect completion to take place in the second half of 2024.

Progress on our strategic priorities

Customer satisfaction is critical. It allows us to see how well customers are responding to our proposition and how they perceive us relative to our peers. Our Brand net promoter score has increased once again, driven by improvements in our range and overall shopping experience. Tesco Mobile is the highest-ranking mobile brand in the UK Customer Satisfaction Index. Alongside customer satisfaction, one of our key goals is to grow, or at least maintain our core UK market share, and I'm delighted that at the end of this year, we have grown market share on a volume and value basis. For more information on our strategic priorities, see **pages 14 and 15**.

Magnetic value

We will continue to do everything we can to pass savings on to customers wherever we can and we have also made strides on the quality of our offer.

Our Finest range has seen strong volume growth of 9% with more than 23 million customers buying into the Finest brand. Our overall quality perception has increased by 96bps. Health is also an important driver of quality and therefore of Magnetic value. We have launched some great products in this area, including our Finest signature vegetable dishes, which help customers replace or reduce meat consumption with vegetable alternatives.

I love my Tesco Clubcard

We are building a unique digital platform powered by the scale and reach of Clubcard. Clubcard penetration has grown in every part of the Group and the number of customers interacting with us over app has reached 16.3 million across the Group. Personalising our offering is increasingly important to our proposition. This year we have issued 289 million personalised coupons to more than 7.6 million customers and have seen a greater return on these compared to their non-personalised equivalents.

Personalisation and digitisation is not only about the app, but also in store and online. We have quadrupled the number of connected screens in our stores to around 2,000. We now have more than 400 suppliers using our online sponsored search, all made possible through dunnhumby's data science capabilities.

Easily the most convenient

Tesco is available wherever, whenever and however our customers want to shop with us.

Our online market share remains very strong at around 34%. Our rapid-delivery Whoosh proposition has grown from scratch to a business serving 66% of the UK and operating from 1,424 Express stores.

We have opened 113 new stores across the Group this year. Our store convenience network in the UK is further enhanced by our independent Booker retailers, with 354 net new Booker retail partners. We also converted our Booker Fareham site into a new retail hub that will help unlock more choice for retail customers and free up catering capacity.

Save to invest

We are constantly looking for opportunities to drive a simpler and more efficient operating model so that we can reinvest into the business and best support our customers. We have made strong progress across all areas, such as goods and services not for resale, property, operations and central overheads. Overall, we have exceeded our original savings target, with c.£1.2bn cumulative savings between February 2022 and February 2024.

Management team

In March, our UK CEO Jason Tarry left the business after 33 years. Jason has made an immense contribution – his values and commitment to creating a high-performing, supportive and diverse culture have shaped the organisation we know today.

I am delighted that Matthew Barnes has joined us as our new UK CEO. Matthew is a highly accomplished retailer and joins us from Aldi Sud's Executive Board. In his few months so far, he has been busy getting to know the team, and his energy and passion are abundant.

After nearly seven years as Chief Customer Officer, Alessandra Bellini left Tesco at the end of September. Alessandra was instrumental in revitalising the Tesco brand, creating distinctive propositions including Food Love Stories and Aldi Price Match.

As we evolve our customer capabilities, we have merged our Product and Customer functions and Ashwin Prasad has been appointed our new Chief Commercial Officer. Our aim is to ensure that the combined power of these functions, and the skills and experience within each, are more closely aligned to maximise the quality of our overall proposition.

Delivering for shareholders

For shareholders, we have delivered another year of strong growth. We have remained focused on our strategic priorities and have been guided by our purpose at all times.

We are building good momentum and have strong plans in place that will make the most of our unique strengths. Above all, we have a fantastic team of colleagues helping to build a stronger business.

Ken

Ken Murphy
Group Chief Executive
9 April 2024

Q&A.

Q&A with Ken

Q What is your highlight from this year?

The business has achieved a lot this year, against the backdrop of some challenging moments as a result of cost-of-living pressures. I'm really proud of how everyone in the business has pulled together to keep delivering for our customers and helping the business succeed. It has been a real team effort, and that was particularly evident at Christmas when everyone from product development, technology and online, to our colleagues in store and in distribution, came together to make it our best Christmas yet.

Q How has Tesco managed some of the year's broader macroeconomic and political instability?

In the same way that we've managed the various challenges over the last three years. We have focused on what we can control. In my time at Tesco, I have learnt to expect the unexpected. Our supply chain has tried and tested contingency plans in place when there is disruption and we're always quick to act and find solutions, so that our customers can keep getting the products they love.

Q You launched Stronger Starts in the UK this year. What is the significance to you?

We have an ambition to reach 1 million children through our Stronger Starts programme – and I'm really proud of the scale of that ambition and the potential we have to help those children lead healthier lives, and grow and thrive. And we're also looking at other ways we can help young people through the programme, which is why we launched our Stronger Starts apprenticeship programme this year, aimed at giving young people from deprived areas a better start in life. There's lots more to come from Stronger Starts so watch this space…

Q What are our priorities for sustainability in the coming year?

With the climate and nature crises growing in significance, it's critical we maintain our focus on what we can do to mitigate our impact on the planet. Alongside our validated science-based targets, we'll be driving activity through our planet plan, including action towards our commitment of achieving zero deforestation in the sourcing of forest-risk commodities like soy, by the end of 2025. We'll also be preparing the business for significant new regulations, like the Corporate Sustainability Reporting Directive (CSRD) which will require us to report on the impact our activities have on the environment and society.

Q How have you approached new food products this year?

We have made a concerted effort to put innovation back at the heart of our offer, and this is making a real difference to the products our customers experience. In the year, we invested in quality and innovation, launching more than 1,000 new products. A key highlight for me was the Finest Chef's Collection we launched at Christmas – restaurant quality food at truly great value.

Q What are you doing to make Tesco a healthier place to shop?

This is really important. There is a pressing need to improve diets, and an onus on the whole food industry to make it easier. This year we launched our healthy diets report, which lifts the lid on how we're working to support our customers' health. We have offered more than 500,000 blood pressure tests in our communities this year, donated baby clothing to 157 neonatal units across the NHS and also added Pick of the Crop Clubcard Prices promotions on fruit and vegetables in more than 1,300 Express stores.

Q Can you say more about the improved benefits package for colleagues?

Absolutely. It's hard to do it justice in a short paragraph, but there have been two key callouts for me. Our virtual GP service has been a resounding success, facilitating thousands of appointments for colleagues and their families since its launch in July 2023 and giving colleagues the ability to access healthcare advice easily and flexibly when they need it. We were also very proud to one of the first to offer 26 weeks of paid kinship leave to colleagues in the UK who gain permanent custody of a child via a Special Guardianship Order.

Q What are the key priorities for the year ahead?

I'm excited about the momentum we are building. We have a plan that's working and that we can build on and accelerate. For me, it's about really making progress against our strategic priorities and continuing to listen to our customers so that we can deliver for them.

Our market context

Market context.

We make it our mission to understand how our customers are feeling and what is influencing their shopping behaviours. Through the insight we gather, we can then take action to serve our customers, communities and the planet a little better every day.

Spotlight on:

Consumer sentiment.

Market drivers

After a long period of budget hyper-care, consumer confidence is growing, and they find themselves being cautiously optimistic about their personal finances with net concern about inflation now down to 50% (from 70% at the start of the year). As real wages start to recover, consumers are more discerning than ever with what they have to spend and are looking for value in every mission. Value has never been more important, but they also want those joyful moments and are ring-fencing spend to enjoy time with friends and family at key seasonal moments like Easter, Christmas and Halloween.

50%

of the public concerned about the cost of living, down from 70% at the start of the year
(Sources: IGD, Global Data, Kokoro)

How we are responding

- Our unique customer offer combines Aldi Price Match on more than 600 lines, Low Everyday Prices on more than 1,000 lines and around 8,000 exclusive Clubcard Prices deals each week.
- This means we have been the cheapest full-line grocer for 16 consecutive months.

For more information see **pages 4 and 5**

Spotlight on:

Sustainability.

Market context

Sustainability and the issues that surround it such as climate change are regaining focus. Customers want to take personal action citing food waste and recycling as priorities, but with 65% indicating that they are concerned about the impact that climate change will have on food supply, many are now demanding further, faster actions from food manufacturers and grocery retailers.

65%

of people concerned about the impact of climate change on food supply
(Sources: IGD, Mintel)

How we are responding

- 61% reduction in Scope 1 and 2 emissions versus 2015 baseline.
- One of the first companies globally to set validated science-based targets on all greenhouse gas emissions, including those originating from forests, land and agriculture (FLAG) emissions.
- Introducing in-store zones that signpost foods high in fibre, plant-based options and food under 100 calories.
- Removed excess plastic from pocket-tissue multipacks.
- Added clear caps to milk bottles to make them easier to recycle at home.

For more information on our sustainability progress see **page 18**

Spotlight on:

Accelerating tech.

Market context

Businesses are focusing on online, quick and checkout-free commerce. This proliferation has created a need among consumers that didn't exist to the same extent before: for what they want, when and where they want it. 41% of consumers are willing to pay more for a product if they can purchase it more quickly and conveniently. Now that it is an option, consumers continue to expect better, faster, integrated digital retail to make shopping easier.

41%

of consumers willing to pay more for a product if it's quick and convenient
(Sources: PwC, Mintel)

How we are responding

- Our rapid delivery service, Whoosh, has been rolled out to 1,424 stores, with 74% of deliveries arriving within 30 minutes.
- We further strengthened online availability to 98.1% with the number of 'perfect orders' up 20ppts year-on-year.
- We launched new tills at our store in Fulham Reach, giving customers the option to checkout their products without scanning them.

For more information on how Tesco aims to be Easily the most convenient place to shop see **page 15**

Spotlight on:

Diversity.

Market context

As society is projected to become more diverse, the need for representation and recognition is growing. 57% consider diversity and inclusion (D&I) to be of personal importance and agree that inclusion benefits everyone when fairness and equality are at the heart.

Customers believe that major bodies hold the key to unlocking change, with broad influence and the ability to change policy being instrumental. Who you recruit and who you show in advertising are the top indicators that a company is advocating for D&I – actions speak louder than words.

57%

of people consider D&I to be of personal importance
(Source: Kokoro)

How we are responding

- We continue to see the positive impact on both our senior hires and internal appointments: 47% of our new joiners at director level have been women this year, and of the internal promotions we have made to director level roles this year, 63% of them have been women.
- 14% of our new joiners at director level and above have been ethnically diverse.
- This year, for the first time ever, we reported our ethnicity pay gap to allow us to identify opportunities for improvement and increase transparency on this issue.

For more information, read our **Everyone's Welcome report:** https://www.tescoplc.com/media/btxmk3vi/tesco-everyones-welcome-report-2023_final_060324_130pm.pdf

Stronger Starts.

Spotlight on:

Local community.

Market context

The pandemic and cost-of-living crisis have meant that many customers have been spending more time in their local community and noticing how things have changed. The cost-of-living crisis has led to an increase in the number of children requiring help, with 23.8% of all pupils (>2.0 million) now receiving free school meals, representing a 1.3% year-on-year increase.

>2.0 million

school pupils are receiving free school meals
(Source: gov.uk)

How we are responding

- Launched £5.3m Stronger Starts initiative, which has supported c.4,000 projects for children, around health, nutrition and physical activity.
- Donated more than two million meals to support communities as part of our Winter Food Collection.
- Launched Stronger Starts apprenticeships aimed at providing 150 young people from deprived areas with a retail apprenticeship.
- Supported The Sun's Footie For All campaign, providing £150,000 in grants to grassroots football clubs across the UK.

For more information see our **Stronger Starts page:** https://www.tescoplc.com/sustainability/communities/strongerstarts

Our strategic priorities

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 and 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

- Led the way in passing savings on to customers; prices cut on more than 4,000 products by an average of c.12% since the start of the year
- Clubcard Prices on around 8,000 products each week, saving customers up to £360 off the annual cost of their groceries
- Continual process of quality innovation and improvement, with 1,047 new lines introduced during the year
- Booker awarded 2023 Quality Awards Foodservice Operator of the year
- Finest sales now >£2bn, up 15.7% during the year, with volumes up 9.0% and more than 23 million customers buying into our Finest brand
- Further strengthening our non-food offering with the introduction of Paperchase and The Entertainer brands
- Healthy products now 63% of sales volume in the UK and ROI and on track to achieve 2025 target of 65%

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

- Customers benefiting from Clubcard across the Group, with Clubcard sales penetration up in all markets
- World-class Tesco app with 16.3 million users across the Group – 12.7 million in the UK, 1.0 million in ROI and 2.6 million in CE
- Growing reach of digital media with c.2,000 connected screens now installed
- 289 million personalised coupons issued to nearly 7.6 million customers during the year
- Expanding digital offer for customers; more than 17,000 campaigns delivered across all channels

Easily the most convenient

Incremental capital-light growth

Why is it important?
- Serving customers wherever, whenever and however they want to be served
- Supporting growth of our core business
- Continuing strong growth of convenience through capital-light opportunities to maximise return
- Continuing evolution of large stores as the backbone of online grocery business as we maximise our existing assets and developing on-demand services focused on convenience stores that complement the existing online business

Progress during the year
- Online market share remains strong at c.34%. Further strengthened online availability to 98.1%; number of 'perfect orders' up +20ppts year on year
- Opened a further three urban fulfilment centres (UFCs), now at nine UFCs in total
- Tesco Whoosh now in 1,424 stores, making rapid delivery available to 66% of population; with c.74% of deliveries within 30 minutes and larger baskets now available in more than 1,000 stores
- Converted our existing Booker Fareham site into c.120k sq.ft retail hub, unlocking more choice for retail customers and freeing up catering capacity
- Opened 113 stores across the Group (seven superstores, 60 Express and 27 One Stop stores in UK, one superstore and four Express in ROI and 14 new stores in CE); working with 354 net new Booker retail partners
- Nearly doubled our electric customer home delivery vans, now at 571; fleet to be fully electric in the UK by 2030

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
- Exceeded original savings target with £640m of savings in 2023/24 and a total of £1.2bn over the past two years
- Plan to deliver a further £500m of efficiency savings in 2024/25
- Strong delivery across all areas: goods & services not for resale, property, operations and central overheads
- Completed space realignment and optimisation of management structures in over 800 large stores
- End-to-end review of promotional replenishment to strengthen availability and deliver efficiency gains
- Further energy consumption initiatives delivered, including upgraded LED lighting

Performance framework

The framework we will use to guide our actions and track our progress over the coming years.

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 Retail free cash flow each year

Key performance indicators

Our Big 6 KPIs.

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 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 7.2% at constant rates, driven by strong growth across all segments.

Group salesΔ
£61.5bn
(2023: £57.2bn)
↑ **7.2%**[(a)]

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
Adjusted operating profit is the headline measure of the Group's performance.

How we performed
Adjusted operating profit rose 12.7% at constant rates to £2.8bn, reflecting our strong trading performance across the UK & ROI and continued cost savings.

Adjusted operating profitΔ
£2.8bn
(2023: £2.5bn)
↑ **12.7%**[(b)]

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
Retail operating cash flow is the cash generated from continuing operations. It is a measure of the cash generation and working capital efficiency of the retail business, excluding the effects of Tesco Bank's cash flows.

How we performed
We saw strong operating cash generation, including a positive working capital, reflecting the strong sales performance in the year and the impact of input cost inflation, leading to higher trade balances.

Retail operating cash flow[(c)]
£4.7bn
(2023: £4.5bn)
↑ **5.2%**

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)]
19pts
(2023: 15pts)
↑ **4pts**

Colleagues recommend us as a great place to work and shop

Why it is important
When we get things right for our more than 330,000 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
More colleagues are recommending Tesco as a Great Place to Shop and our Great Place to Work score has increased to 84%.

Recommend as a place to shop
46pts
(2023: 40pts)
↑ **6pts**

Great Place to Work[(e)]
84%
(2023: 82%)
↑ **3%**

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

Why it is important
This year, we have added a new measure – reducing our carbon emissions – reflecting the importance we are placing 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
We have achieved a reduction in carbon emissions by switching to renewable electricity, maintaining a consistent focus on driving energy efficiencies and making significant inroads to decarbonising our remaining key hotspots. Carbon emissions have reduced by 13% vs last year.

Carbon emissions (tCO_2e)[(f)]
0.9m
(2023: 1.0m)
↓ **13%**[(e)] vs last year
↓ **61%** cumulative reduction vs baseline

In February 2024 we announced the sale of our banking operation, which has been consequently classified as discontinued. Discontinued operations are excluded from our headline performance metrics.

Comparatives have been restated for the adoption of IFRS 17 'Insurance contracts'.
Δ Alternative performance measures (APMs). Measures with the Δ symbol are defined in the Glossary section on **pages 220 to 225**.
(a) Group sales exclude VAT and fuel. Growth is at constant exchange rates on a comparable days basis.
(b) Growth is at constant exchange rates.
(c) Retail operating cash flow is the same as the statutory measure 'Retail cash generated from operations'. Growth is at actual exchange rates.
(d) Basis Tesco Global Brand tracker on a three-month rolling basis.
(e) The underlying change in Great Place to Work is calculated using figures to one decimal place hence the difference between it and the headline figures variation.
(f) 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 45 and 230**.

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 4,506 stores and a thriving online business covering 99.8% of UK postcodes, 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 helps 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 retail free cash flow enables investment in growth and innovation

Helping to execute our strategy

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

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.

Creating value for all

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

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.

The six pillars of our planet plan

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

Decarbonise 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 and increase biodiversity

In recognition of this critical work, we have brought together our key areas of activity on sustainability in our planet plan. The plan comprises six corresponding pillars of activity, including agendas that sit adjacent to our climate work, reflecting the wide-reaching interdependencies of the food system and the natural environment.

We produce a wide range of sustainability factsheets, covering topics such as climate, communities, diversity, equity and inclusion, farming and sustainable agriculture, and healthy, sustainable diets.

For more information on our factsheets, see **www.tescoplc.com/sustainability-reports**.

Central to this plan is 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. We have a responsibility to minimise our impact on the planet, and the economic longevity of our business relies increasingly on the physical health, resilience and adaptation of our supply chains.

All our stakeholders have growing expectations of the business to demonstrate urgent, credible leadership and industry collaboration in the transition towards net zero.

The pillar strategic overviews below outline the action we are taking across our own operations and supply chain. However, we cannot achieve many of our goals without collaboration with industry and civil society, and support the right regulatory frameworks from governments across our markets – these considerations underpin every pillar of our planet pan.

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%. The transformation needed across the agriculture sector to address not only emissions but rebalance wider aspects of the natural ecosystem requires a whole system approach. We are encouraging the shift to more sustainable agriculture by **requiring all our global produce suppliers that supply into the UK to be LEAF Marque Certified by 2025**.

Deforestation in animal feed supply chains is a key area of work under this pillar, including preparing for timely compliance with the upcoming EU Regulation on Deforestation-free Products legislation (EUDR) and UK due diligence legislation, and our voluntary target as a signatory to the UK Soy Manifesto which excludes conversion from our supply chains by 2025.

Decarbonise transport

Transport comprises around 40% 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, with progress well underway, we are **committed to a fully electric home delivery fleet by 2030**.

Reduce store emissions

To reach our **goal of carbon neutral operations by 2035**, we will replace our store gas boilers with heat pumps and install heat reclaim systems across the Group. Our work to continually improve the energy efficiency of our estate also helps reduce emissions while we roll out lower impact asset replacements.

We also want to manage our increasing power demand and ensure energy security as we shift from fossil fuels to renewable electricity. We have established power purchase agreements (PPA), wind generation and on-site solar, and are going to trial innovations such as on-site battery storage.

Support sustainable consumption

Our diets need to change to sustain a net zero future. It is also critical we incorporate health and sustainability together in that journey. Our ambition is to make Tesco the easiest place for our customers to shop for healthy, affordable and sustainable food.

This means supporting customers to eat more seasonal fruit, vegetables and alternative plant-based protein sources such as legumes, cereals and meat alternatives. We are committed to leading the plant-based market with a competitive and compelling range of plant and dairy alternatives. We are also working to help and inspire customers to eat more sustainably, through our ongoing Better Baskets campaign which offers exciting sustainable recipes and tips to reduce waste and improve nutrition.

Eliminate waste

This pillar covers both food waste and packaging, with a recognition that we must work to minimise both for a sustainable future.

We are targeting a 50% reduction in food loss across the whole supply chain by 2030, aligned with the Courtauld Commitment of which Tesco is a signatory. We are also working hard to achieve our target of halving food waste from our own operations by 2025.

Our approach to packaging is informed by our 4Rs strategy: remove what we can; reduce what we can't; reuse more; and recycle what's left. **We have an ambition to have fully recyclable packaging by 2025.**

Protect nature

The food system is dependent on healthy soils, clean freshwater and thriving pollinator populations. We are working with our suppliers to take a landscape-based approach to transforming our supply chains holistically, achieving lasting environmental benefits for both climate and nature. In the UK, we have co-funded on-farm practices that improve soil health and biodiversity while reducing emissions, including supporting farmers to plant cover crops and herbal leys.

Outside the UK, in our commodity supply chains, we are supporting innovative financial mechanisms and new research to encourage large-scale habitat protection and sustainable farming practices.

Our recently launched nature programme will look to expand our work right across the nature agenda, covering even more regions and supply chains.

Planet plan in action

Projects in support of our planet plan.

An update on three of the initiatives we have launched in support of our planet plan.

Spotlight on:

Low-carbon fertiliser trial.

- In September 2023, we announced the expansion of our award-winning, low-carbon fertiliser trial, the largest of its kind in the UK.
- During the first year of the trial, five of our key field vegetable suppliers cultivated 1,300 hectares of land using eight different low-carbon fertilisers, six of which are manufactured in the UK from materials including: food waste; chicken litter; fire extinguisher waste; and algae. This produced0 70,000 tonnes of produce such as lettuces, carrots and potatoes for Tesco customers. Initial results found they were just as effective as conventional fertilisers and cut emissions by up to 50%.
- We plan to increase the trial to 13,000 hectares this year, paving the way for widespread take up of low-carbon alternatives. As well as our main vegetable suppliers, we plan to roll out the initiative to more of our sustainable farming groups, many of whom manage pasture and forage-based systems for rearing livestock.

1,300ha
During the first year of the trial, five of our key field vegetable suppliers cultivated 1,300 hectares of land using eight different low-carbon fertilisers.

10.5GWh

40 Tesco stores that already have solar panels fitted generated more than 10.5GWh of solar electricity in the last year, equivalent to the amount of electricity needed for 3,800 homes.

Spotlight on:

Solar energy roll out.

- To support our efforts to reduce our emissions, in November 2023 we announced plans to install solar panels on 100 of our large stores across the UK over the next three years – with the potential to generate as much as 20GWh of clean electricity per year.
- The first store to benefit from the solar panels, in Thetford, has been fitted with more than 1,000 solar panels as part of a PPA with renewables investor, Atrato Onsite Energy. More stores will be fitted with solar panels this year.
- The new project builds on the 40 Tesco stores that already have solar panels fitted and generated more than 10.5GWh of solar electricity in the last year, equivalent to the amount of electricity needed for 3,800 homes.
- With initiatives such as air source heat pumps used to replace gas heating boilers, customer EV charge points, and electric home delivery vans, the need for renewable electricity has never been more important.
- Onsite renewables like solar panels take pressure off the wider national grid infrastructure, and the much-needed renewable energy that will be generated by this programme will drive progress towards Tesco's commitment to become carbon neutral across its own operations by 2035.

Spotlight on:

Future farmer programme.

In July 2023, we partnered with Harper Adams University's School of Sustainable Food and Farming (SSFF) to launch our future farmer programme, a major new multi-year initiative which will help up-and-coming British farmers develop their skills in sustainable agriculture.

With recent surveys suggesting younger farmers have identified skills gaps in areas including sustainability and the environment, the programme will provide 75 young farmers with face-to-face and live online training on how to implement sustainable agriculture practices and protect biodiversity.

The nine-month course, which will run each year for the next three years, will also include events and mentoring sessions on business operations and personal development.

As part of the partnership with SSFF, Tesco will also fund research projects aimed at addressing some of the key sustainability challenges affecting agriculture.

Financial review

Group review of performance.

Imran Nawaz, Chief Financial Officer

52 weeks ended 24 February 2024[2,7]	FY 23/24	FY 22/23[3]	Change at actual rates	Change at constant rates
Sales (exc. VAT, exc. fuel)[4]	**£61,477m**	**£57,216m**	**7.4%**	**7.2%**
Fuel	£6,710m	£8,106m	(17.2)%	(17.2)%
Revenue (exc. VAT, inc. fuel)	**£68,187m**	**£65,322m**	**4.4%**	**4.2%**
Adjusted operating profit[5]	**£2,829m**	**£2,509m**	**12.8%**	**12.7%**
Adjusting items	£(8)m	£(1,099)m		
Statutory operating profit	**£2,821m**	**£1,410m**	**100.1%**	
Net finance costs	£(538)m	£(536)m		
Joint ventures and associates	£6m	£8m		
Statutory profit before tax	**£2,289m**	**£882m**	**159.5%**	
Group tax	£(525)m	£(224)m		
Statutory profit after tax	**£1,764m**	**£658m**	**168.1%**	
Adjusted diluted EPS[5]	23.41p	20.53p	14.0%	
Statutory diluted EPS	24.53p	8.81p	178.4%	
Dividend per share	**12.10p**	**10.90p**	**11.0%**	
Net debt[6,7]	**£(9,764)m**	**£(10,493)m**	**6.9%**	
Retail free cash flow[6]	**£2,063m**	**£2,133m**	**(3.3)%**	
Capex[9]	**£1,314m**	**£1,235m**	**6.4%**	

1. Following the announcement in February 2024 that we have reached an agreement to sell our banking operations, the performance of these banking operations has been presented as a discontinued operation with comparatives also restated. Discontinued operations are excluded from our headline performance metrics. The assets and liabilities related to the discontinued operations have been classified as held for sale. Retained business (money services and insurance) has been presented on a continuing operations basis and therefore within headline performance measures. Further details on discontinued operations can be found in **Note 7**, starting on **page 150** and please refer to **Note 2** starting on **page 141**, for the segmental results of the Bank.
2. The Group has defined and outlined the purpose of its alternative performance measures, including its performance highlights, in the Glossary starting on **page 220**.
3. Comparatives have been restated for the adoption of IFRS 17 'Insurance contracts' and to present Banking operations as a discontinued operation. Refer to **Notes 1, 7 and 33** for further details.
4. Group sales exclude VAT and fuel. Sales change is shown on a comparable days basis for Central Europe.
5. Adjusted operating profit and adjusted diluted EPS exclude adjusting items.
6. Net debt and Retail free cash flow exclude Tesco Bank.
7. All measures apart from Net debt and Dividend per share are shown on a continuing operations basis unless otherwise stated. Further information on Net debt can be found in **Note 32**, starting on **page 199**.
8. Like-for-like (LFL) 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).
9. Capex excludes additions arising from business combinations, property buybacks (typically stores) and other store purchases. Refer to **page 224** for further details.

The results of our existing banking operations have been treated as discontinued following the announcement of our proposed sale to Barclays. As such, Tesco Bank results included in the table above, and within the segmental review of performance, refer only to the retained Tesco Bank business, i.e. insurance and money services, unless otherwise stated.

Group sales[4] increased by 7.2% at constant rates, with growth across all segments. The impact of inflation was evident across all markets, although reduced gradually across the year as many global commodity prices fell and we passed savings on to customers by cutting prices across everyday grocery lines. Customer demand was resilient and volume performance improved across the year, supported by our ongoing investments in value, quality and service. Revenue increased by 4.2% at constant rates, including a (17.2)% decline in fuel sales, primarily driven by lower retail prices year-on-year.

Group adjusted operating profit[5] increased by 12.7% at constant rates, including a further c.£640m contribution from Save to Invest in the year. We effectively managed significant cost headwinds, while our ongoing investments in the customer offer drove stronger than expected volumes.

Group statutory operating profit improved by 100.1% year-on-year, primarily due to a £(982)m non-cash net impairment charge in the prior year. The non-cash net impairment release of £28m in the current year reflects an improvement in UK & ROI performance, partially offset by lower property market values.

Net finance costs were broadly flat year-on-year, with stable net interest costs and a £(98)m increase in net pensions finance costs, being largely offset by a £91m movement in fair value remeasurements of financial instruments.

The higher tax charge this year was driven mainly by an increase in UK corporation tax rates effective from April 2023, the impact of higher retail operating profits and a lower tax credit on adjusting items, driven by last year's net impairment charge.

Adjusted diluted EPS[5] increased by 14.0%, due to higher retail adjusted operating profits and the ongoing benefit from our share buyback programme. We have announced a full year dividend of 12.10 pence per ordinary share, up 11.0% year-on-year.

We generated £2,063m of Retail free cash flow[6], including a net £418m working capital inflow. Net debt[6,7] reduced by £729m to £9.8bn, driven by this strong Retail free cash flow and the £250m special dividend from Tesco Bank. This was partially offset by cash returned to shareholders via our ongoing share buyback programme and dividend payments made in the year. The Net debt/EBITDA ratio was 2.2 times, compared to 2.6 times last year, driven by strong cash generation and higher Retail EBITDA.

Further commentary on these metrics can be found below and the Group income statement can be found on **page 129**.

Segmental review of performance:

Sales performance:
(exc. VAT, exc. fuel)[3,4,7]

On a continuing operations basis[1]	Sales £m	LFL sales change[8]	Total sales change: Change at actual rates[3]	Total sales change: Change at constant rates[3]
- UK	44,371	7.7%	8.1%	8.1%
- ROI	2,891	6.8%	9.3%	8.5%
- Booker	9,082	5.4%	4.6%	4.6%
UK & ROI	**56,344**	**7.3%**	**7.6%**	**7.6%**
Central Europe	**4,322**	**0.2%**	**3.1%**	**0.6%**
Retail	**60,666**	**6.8%**	**7.3%**	**7.0%**
Tesco Bank	811		21.7%	21.7%
Group sales	**61,477**		**7.4%**	**7.2%**
Fuel	6,710	(17.3)%	(17.2)%	(17.2)%
Group revenue	**68,187**		**4.4%**	**4.2%**

Further information on sales performance is included in the supplementary information starting on **page 217**.

Adjusted operating profit[3,5,7] 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	2,670	15.7%	15.7%	4.2%	42bps
Central Europe	90	(50.0)%	(50.0)%	2.0%	(208)bps
Retail	**2,760**	**11.0%**	**10.9%**	**4.1%**	**25bps**
Tesco Bank	69	213.6%	213.6%	8.5%	520bps
Group	**2,829**	**12.8%**	**12.7%**	**4.1%**	**31bps**

Further information on operating profit performance is included in **Note 2** starting on **page 141**.

Financial review continued

UK & ROI overview:

In the UK, ROI and Booker, like-for-like sales increased by 7.3%. Inflation fell gradually across the year as we worked hard to cut prices across everyday grocery lines in response to falling global commodity prices. Volumes were stronger than anticipated across the year and returned to growth in the second half.

UK & ROI adjusted operating profit was £2,670m, up 15.7% at constant rates, reflecting the accelerated delivery of our Save to invest programme, effective management of inflationary cost pressures, resilient volumes and a strong contribution from Booker.

Adjusted operating margin was 4.2%, 42bps higher year-on-year, reflecting the cumulative effect of our Save to invest programme. Our current year operating margin is now similar to pre-pandemic levels.

Further information on each of the UK & ROI businesses follows below.

UK – Executing strongly across all areas of the shopping trip, leading to market share gains:

Like-for-like sales grew by 7.7%, driven by a strong performance across all formats and channels. Sales inflation fell across the year, whilst volumes improved as customers responded well to our efforts to cut prices ahead of the market, our investments in service and market-leading availability.

Overall market share grew by +28bps year-on-year to 27.6%, with a particularly strong performance in our large stores. We delivered eight consecutive four-week periods of market share gains and in the latest period (to 17 March 2024), we grew volumes ahead of the market. We have now delivered 12 consecutive four-week periods of switching gains, including continued gains from the premium retailers, supported by ongoing investments in quality. Our Finest range performed well, with volumes up 9.0% and record sales over Christmas.

Food sales grew by 9.3%, with volume growth in the second half supported by market-leading availability, our continued investment in price and our focus on great quality across the range. We launched 1,047 new products and reformulated and improved a further c.2,700, including re-launches across our ‘food for tonight’ customer mission, such as our new Tex Mex Feast range, meat-free Plant Chef ready meals and Finest ‘Dinner for Two’ offer, in addition to category relaunches across chocolate, fish and pasta. Overall brand perception increased by 133bps at the end of the year, driven by a significant step up across all drivers, including satisfaction (+101bps), quality (+96bps) and value (+88bps).

We have been the cheapest of the full-line grocers since November 2022 and our price position strengthened again this year, including a further improvement against the limited-range discounters. Over 4,000 products were cheaper at the end of the year than at the start, with an average reduction of around 12%.

Clubcard Prices continue to offer customers exclusive access to around 8,000 great value promotions each week. We also ran the first double Clubcard points event in over a decade, with more than 10 billion Clubcard points issued across January and February. Clubcard sales penetration grew by a further 3ppts in the year to 82%. The number of customers engaging with the Tesco app reached 12.7 million by the end of the year and has increased by over 40% since we completed the roll-out of Clubcard Prices in March 2022.

Home and Clothing sales, which now account for around 7% of total UK sales, declined by (3.4)% for the full year, reflecting the impact of strategic ranging decisions, including exiting low returning categories such as large electricals. Excluding these impacts, sales were broadly flat. Our clothing sales grew faster than the broader store-based clothing market, with Womenswear a particular highlight, growing 3.7%. We launched the Paperchase brand in 120 stores in time for Christmas, offering more customers access to a range of premium stationery and cards which reflects the heritage of the brand. In January, we announced a new partnership with The Entertainer and we will roll-out a leading range of toy brands to around 750 UK stores across the coming year.

Sales grew across both large and convenience store formats, by 8.2% and 4.5% respectively. In our large stores, we invested across key seasonal events, including increasing the number of colleagues on the shop floor, delivering market-leading availability, leading to an improvement across our customer metrics, including price satisfaction and service. Convenience sales were impacted by trading over exceptionally hot weather in the first half and by some customers switching a greater level of spend to our large stores. Our city-centre stores continue to perform well, growing by 6.0%.

Online sales grew by 10.4%, including a c.2ppts contribution from the roll-out of Tesco Whoosh. Overall online average orders per week were up 5.3% year-on-year to 1.2 million and we further improved the proportion of ‘perfect orders’, meaning more customers received their order on time and at full availability. Customer satisfaction scores improved as a result, with availability up 21ppts and price satisfaction up 9ppts year-on-year. Online sales participation remains stable at c.13% of total UK sales.

Tesco Whoosh, our rapid delivery service, is now available in 1,424 stores, adding a further 424 in the year. The number of active Tesco Whoosh customers more than doubled year-on-year as we expanded the offer to 66% of the population. Customers can access a range of 2,900 products on average, with some of our larger stores offering an even broader range. Customer satisfaction scores continue to improve, including a particularly strong step forward in availability, with 74% of orders delivered within 30 minutes.

We opened three further urban fulfilment centres (UFCs) in the year, in Gallions Reach and King’s Lynn in the first half, followed by Coventry in September, adding a total of one million order capacity per year.

Online performance	FY 23/24	YoY change
Sales inc. VAT	**£6.2bn**	10.4%
Orders per week	**1.20m**	5.3%
Basket size	**£99**	4.2%
Online % of UK total sales	**13.1%**	0.3ppts

ROI – Volume growth driving strong market share gains:

We have now gained market share in ROI for 24 consecutive four-week periods, taking our share to 23.6% at the end of the year, up 73bps year-on-year.

Like-for-like sales grew by 6.8% for the full year, including three consecutive quarters of volume growth. Total sales grew by 8.5% at constant rates, including a 1.7ppts contribution from new stores, driven by the full-year impact of the nine Joyce's stores we acquired in 2022, the opening of a new superstore in Adamstown and four new Tesco Express stores.

Food sales grew by 9.1%, including volume growth in fresh food supported by an extensive refresh in 22 stores, with new and improved produce and bakery areas and innovations in coffee, hot food and food-on-the-go offers. The investments we are making in the overall quality of our products was recognised when we won 45 awards at the 'Blas na hÉireann' ('Taste of Ireland') awards in October, with strong coverage across our range.

We lowered the price of over 800 essential products by an average of c.12%, through our 'Price Cuts' campaign, leading to a gradual decline in inflation across the year. Clubcard sales penetration stepped up by a further 8ppts year-on-year to 85%, supported by exclusive Clubcard Prices deals, including market-leading offers over Christmas.

The reallocation of space towards food through our store refresh programme impacted Home and Clothing sales, which declined by (3.9)%.

BOOKER – Strong growth across core catering and retail; building profitable growth capacity:

	Sales £m	LFL
Retail (excluding tobacco)	3,205	11.0%
Tobacco	1,858	(4.3)%
Catering*	2,501	10.2%
Best Food Logistics	1,518	(0.1)%
Total Booker	**9,082**	**5.4%**

* Includes small businesses sales

Booker delivered overall like-for-like sales growth of 5.4%, with further growth across the two key business streams of catering and retail.

Retail sales (excluding tobacco) grew by 11.0%, supported by a further 211 net new retail partners in the second half and record levels of availability. Our entry level ranges, Euroshopper and Jack's, performed particularly strongly, with sales up 16% year-on-year as we expanded the number of lines within these ranges in response to customer demand. Customer satisfaction improved across the year due to our focus on availability and value. Tobacco sales declined by (4.3)% overall, reflecting an ongoing market volume contraction.

Catering sales increased by 10.2%, with particularly strong growth in our own label 'Chef's Essential' and 'Chef's Larder' ranges. We launched our largest ever Price Lock on over 700 products throughout the festive period, and our 'On-Trade' club now offers almost 9,000 licensed customers access to discounted prices on some of our most popular products, including snacks, drinks and food. We also have 45,000 customers signed up to our 'Fast Food' club, which provides them with access to exclusive deals and discounts. Our investments in quality were recognised when we were awarded 2023 Quality Awards Foodservice Operator of the year.

Best Food Logistics sales declined by (0.1)%, which includes a sales decline of (5.4)% in the second half, driven by our actions to exit unprofitable contracts.

In November, we repurposed a former Makro freehold store in Fareham, converting the site to a c.120k sq.ft. distribution centre which further centralises fulfilment to our retail customers, offering them a broader range, while creating capacity in our branches to grow our catering business. We have plans in place to further enhance our capacity in the current year.

CENTRAL EUROPE – Challenging backdrop across markets; encouraging volume response to value investments:

Like-for-like sales grew by 0.2%, reflecting a challenging trading environment due to ongoing inflationary pressures. Inflation fell sharply across the second half, whilst the volume trajectory improved and we delivered volume growth over the key Christmas trading period, driven by a strong customer response to our value investments, which included a 'Low Price Guarantee' on over 500 lines.

Food sales grew by 1.1%, with growth across both fresh and packaged categories, including volume growth across the fourth quarter. Non-food sales declined by (4.8)%, mainly driven by a reduction in discretionary spending across the markets. We launched a new 'Basics' range in Home and Clothing, offering customers great value and quality at a competitive, entry price point. We recently expanded this range to all of our largest stores in the region. Clubcard penetration is now at 87%, which is 2ppts higher than last year.

Central Europe adjusted operating profit was £90m, a decrease of (50.0)% year-on-year at constant rates, primarily driven by external factors facing our business in Hungary and a challenging trading environment across the region, which was partially offset by a strong Save to invest delivery. In Hungary, local regulatory actions, such as incremental retail taxes, price caps and mandatory promotions on everyday grocery products remained in place and limited our ability to recover the impact of higher operating costs.

Financial review continued

TESCO BANK:

Our existing banking operations (credit cards, loans and savings), which are due to be sold to Barclays Bank UK plc, have been treated as discontinued operations within these results. Our headline performance measures therefore only include those business lines which are treated as continuing operations, i.e. insurance, ATMs, travel money and gift cards.

Full detail on the accounting impacts of the announced sale can be found within **Note 7**, starting on **page 150**. The key impacts are to present banking operations (credit cards, loans and savings) as discontinued, remeasuring assets and liabilities as held for sale on the balance sheet to £7.7bn and £7.1bn, respectively. In doing so, we have recognised a post-tax loss of £(628)m, which includes a £(211)m write-down of goodwill allocated to the banking operations and contributes to an overall loss for the year from discontinued operations of £(572)m after tax.

Subject to usual regulatory approvals, the sale will generate c.£600m of proceeds on completion, and a further c.£100m of cash after the settlement of certain regulatory capital amounts and transaction costs. When combined with this year's £250m special dividend paid by Tesco Bank, the Group will have generated a total of c.£1bn of cash, the majority of which will be returned to shareholders by means of incremental share buybacks.

The breakdown of our overall performance between continuing and discontinued operations is shown in the table below.

	FY 23/24	FY 22/23[3]	YoY change
Revenue	**£1,521m**	**£1,234m**	**23.1%**
Continuing operations	£811m	£666m	21.7%
Discontinued operations	£710m	£568m	24.9%
Adjusted operating profit	**£148m**	**£135m**	**9.6%**
Continuing operations*	£69m	£22m	213.6%
Discontinued operations	£79m	£113m	(30.1)%

* Includes net investment income associated with banking operations which will cease on completion of the proposed sale to Barclays (FY 23/24: £12m, FY 22/23: £(6)m).

Continuing operations revenue grew by 21.7%, primarily driven by strong growth in insurance due to high levels of renewals and new business volumes.

The growth in adjusted operating profit on a continuing operations basis was driven by a strong performance in insurance, gift cards and travel money, in addition to £15m benefit resulting from the up-front recognition of a one-year extension of our pet insurance agreement and £12m of net investment income which will cease following completion of the proposed sale to Barclays. Adjusted operating profit from discontinued operations includes a £(28)m charge relating to customer redress provisions.

We expect the transaction to complete in the second half of this calendar year. Post-completion, the revenue and adjusted operating profit contribution from the retained business will be included within Retail adjusted operating profit. For the 24/25 financial year, we expect a contribution from the retained business of around £80m, which includes a part-year amount of strategic partnership income, based on the expected completion timeline. On an on-going basis, we expect an adjusted operating profit contribution of between £80m to £100m per year.

Adjusting items:

	FY 23/24 £m	FY 22/23 £m
Net impairment release / (charge) on non-current assets	28	(982)
Save to invest restructuring provisions	(50)	(132)
Property transactions	75	91
Amortisation of acquired intangible assets	(74)	(76)
Other*	13	–
Total adjusting items in statutory operating profit (continuing operations)	**(8)**	**(1,099)**
Net finance income	20	27
Tax	68	195
Total adjusting items (continuing operations)	**80**	**(877)**
Adjusting items (discontinued operations)	(628)	(13)
Total adjusting items	**(548)**	**(890)**

* Other includes the disposal of Booker's Ritter-Courivaud Limited subsidiary. See **page 146** for further detail.

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 statutory operating profit from continuing operations resulted in a net charge of £(8)m, compared to a £(1,099)m net charge in the prior year.

In the current year, there was a non-cash net impairment release on non-current assets of £28m, primarily reflecting an improvement in UK & ROI performance, partially offset by a reduction in property fair values due to market factors, and a challenging performance in Central Europe. This compares to a £(982)m non-cash net impairment charge in the prior year as a consequence of higher discount rates, which have remained broadly stable in the current year.

We recognised an adjusting credit of £75m related to property transactions, including £30m generated on exiting a leasehold site in Gateshead and a further £12m from the remeasurement of assets held for sale. In the prior year, we recognised an adjusting credit of £91m related to the disposal of the Middlewich distribution centre in the UK, and 17 mall properties and one retail park in Central Europe.

Amortisation of acquired intangible assets is excluded from our headline performance measures. We incurred a charge of £(74)m in the year, which primarily relates to the intangible assets that were recognised as a result of our merger with Booker in March 2018.

In the current year, we recognised a £(50)m restructuring provision related to our ongoing Save to invest programme. In the prior year, we recognised a provision of £(132)m which included changes made to our store management structures and the closure of our remaining UK counters.

Further detail on adjusting items can be found in **Note 4**, starting on **page 146** and on discontinued operations in **Note 7**, starting on **page 150**.

Net finance costs:

On a continuing operations basis	**FY 23/24 £m**	FY 22/23[3] £m
Net interest costs	(179)	(189)
Net finance expenses from insurance contracts	(6)	(3)
Finance charges payable on lease liabilities	(373)	(371)
Net finance costs before adjusting items	**(558)**	**(563)**
Fair value remeasurements of financial instruments	38	(53)
Net pension finance income / (costs)	(18)	80
Net finance costs	**(538)**	**(536)**

Net finance costs of £(538)m were broadly flat year-on-year. Within adjusting items, fair value remeasurements of financial instruments led to a credit of £38m compared to a £(53)m charge in the prior year, largely driven by non-cash mark-to-market gains on index-linked swaps and other derivatives. This was partially offset by net pension finance costs this year of £(18)m, compared to an income of £80m in the prior year, which reflects the IAS 19 pension deficit at the start of 2023/24, compared to an opening surplus in 2022/23.

Further detail on finance income and costs can be found in **Note 5** on **page 147**, as well as further detail on the adjusting items in **Note 4**, starting on **page 146**.

Group tax:

On a continuing operations basis	**FY 23/24 £m**	FY 22/23[3] £m
Tax on adjusted profit	(593)	(419)
Tax on adjusting items	68	195
Tax on profit	**(525)**	**(224)**

Tax on adjusted Group profit was £(593)m, £(174)m higher than last year, primarily reflecting an increase in the UK corporation tax rate from 19% to 25%, effective from 1 April 2023, as well as stronger retail adjusted operating profit year-on-year.

The £68m credit in tax on adjusting items primarily relates to tax relief on impairment charges on qualifying assets, as well as a settlement related to our exit from the Gain Land associate in China in 2020. In the prior year, the £195m adjusting credit was driven by tax relief relating to the non-cash impairment charge of £(982)m.

The effective tax rate on adjusted Group profit was 26.0%, higher than the current UK statutory rate, primarily due to the depreciation of assets which do not qualify for tax relief. We expect our 2024/25 effective tax rate to be around 27%, reflecting the full-year impact of the increase in the UK statutory rate mentioned above.

Earnings per share:

On a continuing operations basis	**FY 23/24**	FY 22/23[3]	YoY change
Adjusted diluted EPS	23.41p	20.53p	14.0%
Statutory diluted EPS	24.53p	8.81p	178.4%
Statutory basic EPS	24.80p	8.89p	179.0%
On a total basis, including discontinued operations			
Statutory diluted EPS	16.56p	9.85p	68.1%
Statutory basic EPS	16.74p	9.94p	68.4%

Adjusted diluted EPS was 23.41p, 14.0% higher year-on-year, due to an increase in retail operating profit and the benefit from our ongoing share buyback programme, partially offset by a higher tax charge.

Statutory diluted EPS was 24.53p, 178.4% higher year-on-year, due to a significant reduction in adjusting items driven by the £(982)m non-cash net impairment charge in the prior year.

On a total basis, including discontinued operations, statutory diluted EPS was 16.56p, 68.1% higher year-on-year. The adjusted diluted EPS growth described above and the effect of last year's net impairment charge were partially offset by the remeasurement loss related to the planned sale of our banking operations, which was recognised in the year.

Dividend:

We propose to pay a final dividend of 8.25 pence per ordinary share, taking the full year dividend to 12.10 pence per ordinary share. The full year dividend is based on our 50% pay-out policy, applied to total Group earnings per share in the year, including the discontinued operations of Tesco Bank as they were under Group ownership for the entire financial year. This includes the payment of an interim dividend of 3.85 pence per ordinary share in November 2023.

The proposed final dividend was approved by the Board of Directors on 9 April 2024 and is subject to the approval of shareholders at this year's Annual General Meeting. The final dividend will be paid on 28 June 2024 to shareholders who are on the register of members at close of business on 17 May 2024 (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 7 June 2024.

Financial review continued

Summary of Total indebtedness (excludes Tesco Bank):

	Feb-24 £m	Feb-23 £m	Movement £m
Net debt before lease liabilities	(2,144)	(2,775)	631
Lease liabilities	(7,620)	(7,718)	98
Net debt	**(9,764)**	**(10,493)**	**729**
Pension deficit, IAS 19 basis (post-tax)	(493)	(300)	(193)
Total indebtedness	**(10,257)**	**(10,793)**	**536**
Net debt/EBITDA	**2.2x**	**2.6x**	
Total indebtedness ratio	**2.4x**	**2.7x**	

Net debt was £(9,764)m, a reduction of £729m year-on-year, predominantly driven by strong Retail free cash flow generation of £2,063m and the receipt of a £250m special dividend from Tesco Bank, which more than offset a total of £(1.5)bn of shareholder returns, including the £(750)m share buyback and dividend payments of £(778)m. Lease liabilities reduced by £98m year-on-year, driven by the overall reducing nature of our lease liability, partially offset by the impact of rent reviews and new stores.

Total indebtedness was £(10,257)m, a reduction of £536m year-on-year, which was primarily driven by the £729m reduction in Net debt explained above, partially offset by a £(193)m increase in the IAS 19 pension deficit. The IAS 19 pension deficit does not determine the extent of pension contributions and reflects movements in discount rate assumptions mandated by the accounting standard, which can be volatile. The trustees of each pension scheme, including the main Tesco Pension Scheme are required to calculate the net surplus / deficit on the basis of Technical Provisions issued by the Pensions Regulator. On this basis, the main UK scheme continues to be in surplus. The next triennial valuation for this scheme, on a Technical Provisions basis, is scheduled in March 2025.

We had strong levels of liquidity at the year end, including £3.2bn of cash and highly liquid short-term deposits and money market investments. In addition, our £2.5bn committed revolving credit facility remained undrawn throughout the year.

Our Net debt/EBITDA ratio was 2.2 times at the end of the year, down from 2.6 times in the prior year. The year-on-year reduction was driven by an increase in Retail EBITDA and a decrease in Net debt, which includes a £250m benefit from the special dividend paid by Tesco Bank in the first half. The Total indebtedness ratio was 2.4 times compared to 2.7 times last year end.

Fixed charge cover was 3.7 times at the end of the year, an improvement year-on-year, primarily driven by an increase in Retail EBITDA.

Summary of Retail free cash flow:

The following table reconciles Group adjusted operating profit to Retail free cash flow. Further details are included in **Note 2**, starting on **page 141**.

On a continuing operations basis	FY 23/24 £m	FY 22/23[3] £m
Adjusted operating profit	**2,829**	**2,509**
Less: Tesco Bank adjusted operating (profit)	(69)	(22)
Retail adjusted operating profit	**2,760**	**2,487**
Add back: Depreciation and amortisation	1,602	1,570
Other reconciling items	82	61
Pensions	(29)	(23)
Decrease in working capital	418	468
Retail cash generated from operations before adjusting items	**4,833**	**4,563**
Cash capex	(1,289)	(1,143)
Net interest	(560)	(573)
- *Interest related to Net debt before lease liabilities*	*(188)*	*(202)*
- *Interest related to lease liabilities*	*(372)*	*(371)*
Tax paid	(214)	(107)
Dividends received	9	68
Repayments of obligations under leases	(623)	(589)
Own shares purchased for share schemes	(93)	(86)
Retail free cash flow	**2,063**	**2,133**
Memo (not included in Retail free cash flow definition):		
- Special dividend received from Tesco Bank	250	–
- Net acquisitions and disposals	(2)	(281)
- Property buybacks, store purchases and disposal proceeds	(66)	266
- Cash impact of adjusting items	(98)	(61)

We delivered strong Retail free cash flow of £2,063m, significantly ahead of our medium-term target range of between £1.4bn to £1.8bn, driven by higher retail adjusted operating profit and another strong working capital performance. The year-on-year reduction of £(70)m primarily reflects the higher cash capital expenditure (Capex) and tax paid.

Our total working capital inflow was £418m, reflecting the strong sales performance in the year and the impact of input cost inflation, leading to higher trade balances.

Net interest paid was broadly flat year-on-year.

Tax paid was £(107)m higher year-on-year, driven by an increase in the UK statutory tax rate in addition to higher retail profits. We continued to benefit from in-year tax relief of £155m related to the £2.5bn one-off pension contribution made in 2021, which was required to be spread over four years. Moving forward, we will no longer benefit from this relief.

Dividends received of £9m were £(59)m lower year-on-year due to the removal of the annual dividend received from Tesco Bank, following the announcement of the planned sale of our existing banking operations. In the first half of the year, Tesco Bank paid a one-off special dividend of £250m to the Group, reflecting the strength of the Bank's balance sheet and capital ratios. This special dividend is not included within Retail free cash flow.

Within the memo lines shown, the net £(66)m outflow relating to property transactions results from the buyback of three stores and two freehold sites in the UK, partially offset by proceeds generated from held for sale sites in Central Europe, and the exit of a leasehold site in Gateshead. The £266m inflow in the prior year primarily related to the sale of 17 malls and one retail park in Central Europe and our distribution centre in Middlewich in the UK.

The cash impact of adjusting items of £(98)m relates to operational restructuring changes as part of our Save to invest programme which were announced at the end of the prior financial year.

Capital expenditure and space:

On a continuing operations basis	UK & ROI FY 23/24	UK & ROI FY 22/23	Central Europe FY 23/24	Central Europe FY 22/23	Tesco Bank FY 23/24	Tesco Bank FY 22/23	Group FY 23/24	Group FY 22/23
Capex	**£1,171m**	**£1,069m**	**£113m**	**£115m**	**£30m**	**£51m**	**£1,314m**	**£1,235m**
Openings (k sq.ft)	366	318	87	77	–	–	453	395
Closures (k sq.ft)	(204)	(233)	(22)	(25)	–	–	(226)	(258)
Repurposed (k sq.ft)	–	9	(342)	(407)	–	–	(342)	(398)
Net space change (k sq.ft)	**162**	**94**	**(277)**	**(355)**	**–**	**–**	**(115)**	**(261)**

Retail Selling Space 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 starting on **page 217**.

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

We have been pleased with the results of our continued investment in our store estate, including refreshing a total of 389 stores and opening seven superstores, 60 Tesco Express stores and 27 One Stop stores in the UK. We also opened an additional UFC in the second half taking our full year openings to three and our total number of UFCs to nine. In ROI, we opened one superstore in Adamstown in the first half, followed by four Tesco Express stores in the second half. In Central Europe, we opened 14 new convenience stores.

Our total capital expenditure for the year was £1,314m, £79m higher year-on-year. This reflects increased investment in high-returning areas such as Save to invest and our digital platforms, in addition to the impact of inflation. We continue to see attractive opportunities to commit capital to these types of high-returning investments going forward, with next year's overall capital investment expected to total around £1.4bn.

Statutory capital expenditure for the year was £1.5bn.

Further details of current space can be found in the Supplementary information starting on **page 217**.

Property:

	UK & ROI Feb-24	UK & ROI Feb-23	Central Europe Feb-24	Central Europe Feb-23	Group Feb-24	Group Feb-23
Property[1] – fully owned						
- Estimated market value	£15.1bn	£15.4bn	£1.8bn	£1.8bn	£16.9bn	£17.2bn
- NBV	£15.2bn	£15.0bn	£1.5bn	£1.4bn	£16.7bn	£16.4bn
% store selling space owned	58%	58%	68%	68%	60%	60%
% property owned by value[2]	59%	59%	65%	65%	60%	60%

1. Stores, malls, investment property, offices, distribution centres, fixtures and fittings, 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 reduced by £(0.3)bn to £16.9bn due to a small decline in the UK property investment market year-on-year. The market value represents a surplus of £0.2bn over the net book value (NBV).

Our Group freehold property ownership percentage was 60%, flat year-on-year. In January 2024, we obtained control of The Tesco Coral Limited Partnership property joint venture, bringing back two large stores into full ownership with the remaining two stores operating on a leased basis, under full ownership of the previous joint venture partner. We also repurchased two large stores as part of our ongoing buyback strategy, Milton Cambridge and New Oscott Extra, and purchased the freehold to two new large stores in the UK.

In Central Europe, the market value of fully owned property remains flat year-on-year, with small increases in value offset by foreign exchange movements.

Principal risks and uncertainties

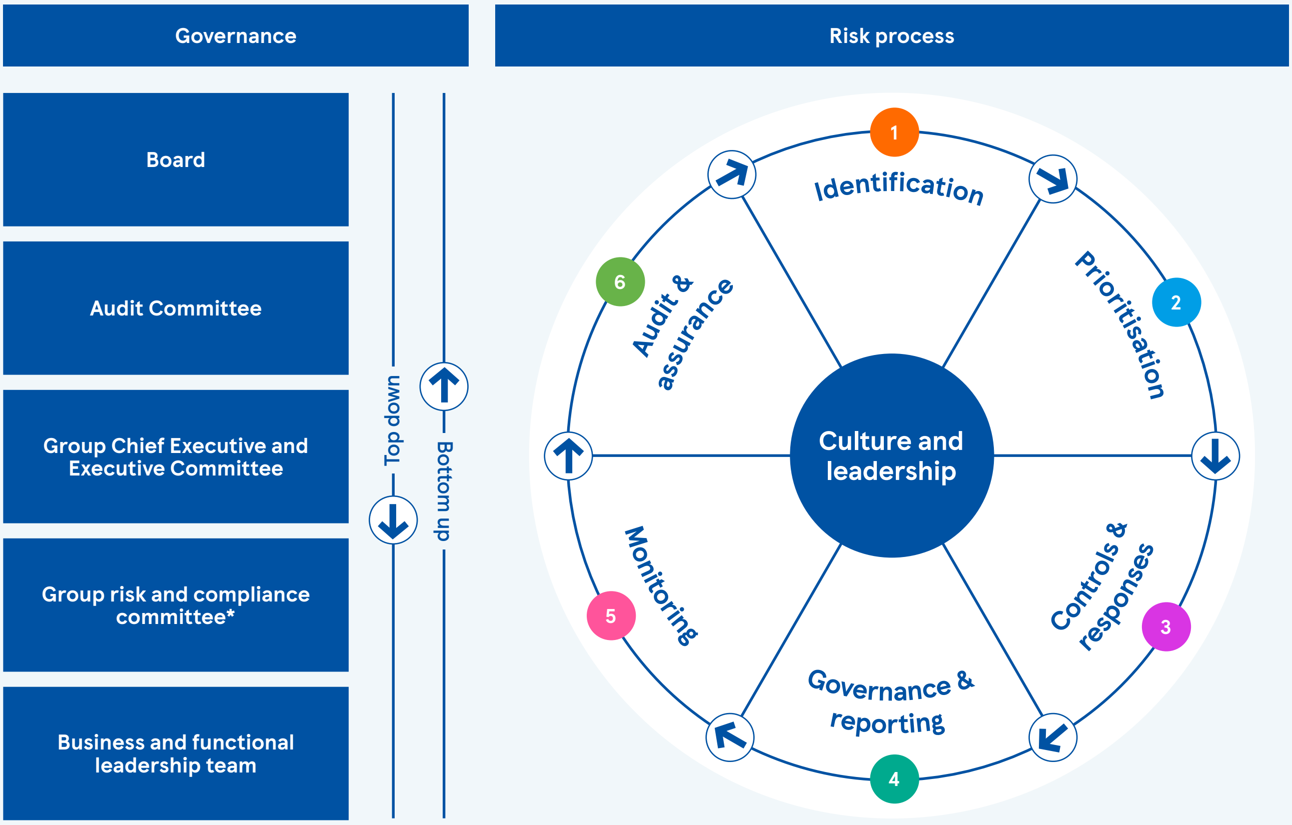
Managing our risks.

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 below 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 32 to 37.

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

We are cognisant of the revised UK Corporate Governance Code requirements set by the FRC and have appropriate plans in place.

Risk identification and prioritisation

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. 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.

Risk controls and responses

For risks where our risk appetite is low, we take a robust approach to determine appropriate risk 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 risk controls and responses are determined on a case-by-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 the approach and adopt consistently. We will continue to improve and strengthen our risk appetite approach on a continuous improvement basis.

Governance, reporting and monitoring

A strong risk culture is at the heart of our RMF 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 Board has overall responsibility for risk management and is actively engaged in risk discussions. The Audit Committee, on behalf of the Board, undertakes an annual effectiveness assessment of the RMF, with regular focus on specific emerging risks and a review across all principal risks, twice a year, which also supports the external reporting process, see **page 87**. The Group risk and compliance committee is responsible for the oversight of key risks on behalf of the Executive Committee. A new Chief Audit and Risk Officer (CARO) was appointed in April 2023.

Audit and 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. Furthermore, 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.

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. Please note, 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, see **pages 46 and 47**.

At present, there continues to be a heightened level of geopolitical uncertainty due to wars and civic unrest, terrorism, elections and government restrictions. We have accordingly expanded the principal risk of pandemics into a wider risk definition of geopolitics and other global events, which includes the risk of future pandemics. 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 geopolitical 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.

Did you know:

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.

Principal risks and uncertainties

Managing our risks 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 | N New risk

† Indicates that the principal risk has been included as part of the longer term viability scenarios detailed on **pages 46 and 47**.

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.	There continues to be a growing level of sophistication and scale of targeted cyber incidents. However, the risk has remained stable as 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.	– As part of our cyber strategy, we operate a layered security defence model consisting of preventative, detective, and responsive technical controls and foundational capabilities. The security model is underpinned by a detailed roadmap which is tracked against set milestones and defined outcomes. – There is regular reporting on the progress and results of the cyber-security programme to governance and oversight committees at both management and Board level. – We continue to implement industry best practice for our vigilance and monitoring related to potential cyber threat. This includes working closely with the National Cyber Security Centre, and our security partners. – We have an experienced team in our security operations centre to detect, report, and respond to security incidents. – We continue to grow our experienced team to ensure we have the right skills and capabilities fit for the future. – We recognise the importance of training and communication to help prevent cyber security incidents. We hold regular induction, awareness, and refresher courses for our colleagues. – We have a third-party supplier assurance programme focusing on third-party, cyber security risks.
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 risk	Risk movement	Key responses and controls
Climate change[†] S O Failure to effectively respond to climate change and influence our value chain towards a net zero emission future, may have an adverse impact on our financial performance, colleagues and reputation and result in loss of licence to operate. 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:** Group 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 Group 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 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 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. — We have aligned our climate-related ambitions with our reward policies and have second sustainability-linked bonds. We also continue to report our climate-related financial disclosures, see TCFD section on **pages 39 to 45**.
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.	Our dependence on technology is growing across the Group given the innovative propositions and initiatives that we are introducing. The hiring of talent within technology continues to remain competitive but we are seeing progress in this space. We consider this risk stable compared to previous year, as we continue to invest in our underlying technology platforms and infrastructure, upskilling our team and attracting new talent.	— We continue to enhance our technology infrastructure and platforms to improve resilience. This involves significant investment in our software, as well as our hosting strategy. We are consolidating and leveraging our cloud providers as well as reinforcing our internal infrastructure, re-engineering some of our legacy retail systems, and building redundancy for key business systems. — Our continued investment in data centre and cloud hosting facilities and connectivity is providing greater resilience and control for our key systems. — We continue to invest in the capabilities of our team to improve our key technology solutions. — We have IT development, change management and lifecycle procedures in place and skilled colleagues to build, operate and maintain our systems. — We have further tested and enhanced our disaster recovery and business continuity plans to minimise disruption in the event of a technology failure. We govern through a structured approach to managing events. — We prioritise, monitor, and manage our tech innovation across Tesco, through an effective governance and oversight process.
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 workers) may result in supply chain disruption, regulatory breaches, and reputational impact. **Oversight:** Group risk and compliance committee, Sustainability 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. Opportunities to enhance the governance, scope and standards alignment have been identified and will be implemented. This risk has therefore not shown any significant movement compared to 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.

Principal risks and uncertainties continued

Principal risk	Risk movement	Key responses and controls
Health and safety C Failure to meet safety standards in relation to our workplace may unfortunately result in death or injury to our customers, colleagues, or third parties, or in 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.	– 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. – The health and safety framework is regularly reviewed and refreshed, to ensure we continue to address any complexities arising due to operational changes. This includes implementing enhanced controls and safety measures to ensure colleague wellbeing e.g. including physical security controls to protect colleagues against the increased threat 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. – 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.
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 changes in the 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 have 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 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. TCC	Market competition for key leadership and specialist talent remains strong within the retail sector and wider UK economy. Furthermore, wage inflation and other macroeconomic conditions also have an impact on the risk. In response, we continue to have mitigations in place to retain and fulfil any gaps in specialised skillsets. We also have specific mechanisms in place to ensure our colleagues receive appropriate compensation as well as a defined career path for progression. On a residual basis, therefore, this risk has remained unchanged.	– Our talent planning and people development processes are established across the Group to monitor, understand and grow the skills required to fulfil strategic objectives of the business. The talent planning process includes succession planning for key roles, identification of any new skillsets and plans to secure these via internal development or external recruitment routes. – 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 Nominations and Governance Committee and the Board. – 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 'how to' and 'when to' speak up programmes across all areas 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, bias, or anything that endangers colleagues, the public or the environment. – We continue to roll out measures to ensure the overall wellbeing of our colleagues including mental, social and financial wellbeing. – Our established Group diversity 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.

Principal risk	Risk movement	Key responses and controls
Financial performance† F S Our financial performance may be adversely impacted by uncertain and volatile macroeconomic conditions that may drive inflationary pressures, unstable energy costs, fluctuations in commodity prices and unpredictable tax exposures due to changes in tax laws and their interpretation. These factors, if not managed appropriately, may impact the Group's ability to meet our external financial commitments. **Oversight:** Executive Committee, Audit Committee, Board.	The risk remains stable as we continue to monitor drivers for macroeconomic changes and implement appropriate response strategies to manage their impact on the Group's performance in areas such as energy costs, commodity prices, taxation and tariffs. This has enabled us to ensure that the risk is managed appropriately in line with any evolution and/or changes to external conditions on an ongoing basis.	— We maintain an infrastructure of systems, policies and reports to ensure discipline and oversight on all financial matters including tax, treasury, financial reporting and performance. The policies are reviewed and annually 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 our principles and policies through regular oversight and governance meetings. — We manage market factors such as cost and wage inflation, commodity prices and currency fluctuations in line with our Group treasury policy. — 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. — We monitor proposed changes in tax legislation and, given the complex nature of tax law, seek professional advice when required. — The Audit Committee maintains regular oversight and governance of key areas, including, liquidity and funding strategy, Group tax obligations, our viability and going concern statements, and Group key financial controls. — Our Group finance team actively scans the external environment for new regulations and/or requirements, developing detailed plans with specific milestones and dedicated oversight to ensure we can demonstrate compliance. — We employ a system of financial controls across our business units. The key financial controls are then subjected to rigorous second-line and third-line testing.
Customer† S The macroeconomic and geopolitical conditions affecting economies in which we operate may impact our customers' budgets and force customers to reappraise the concepts of value and loyalty in a way to which we are unable to respond. **Oversight:** Executive Committee, Audit Committee, Board.	Customers are facing multiple challenges from the continued cost of living which has reduced their disposable income leading to changes in shopping behaviours. However, we have focused response strategies in place, therefore, there have been no significant changes since the previous year.	— 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. — 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. — 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 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.
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 and 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.

Principal risks and uncertainties continued

Principal risk	Risk movement	Key responses and controls
Tesco Bank F C Tesco Bank is exposed to several risks, the most significant of which are operational, regulatory, credit, funding and capital adequacy, liquidity, market and business risk. These risks pose a reputational, financial and legal impact for Tesco PLC should they materialise. **Oversight:** Tesco Bank board, Executive Committee, Audit Committee, Board.	Over the past year, the macroeconomic environment has been challenging for the financial sector due to factors such as inflationary pressures, rising interest rates and cost of living, which has resulted in a difficult year for our customers. However, the Bank has proactively taken action to manage the impact of these, principally through its pricing strategies, product offerings and associated underwriting criteria. Our response strategies are well developed, and as Bank performance remains stable, we have made no change to the overall risk profile. Following the announcement of our long-term strategic partnership with Barclays (to provide customers with Tesco-branded banking products and services), we will continue to review this risk in the normal course of business until regulatory approvals are secured and the transaction is completed.	— The Bank has a formal structure for reporting, monitoring and managing risks, supported by a robust risk management framework. This comprises, at its highest level, the Bank's risk appetite, approved by the Bank risk committee and the Bank board. — The Tesco PLC Board also reviews and approves the Bank's financial risk appetite, which defines the type and amount of risk that the Bank is prepared to accept to meet its strategic objectives. It also forms a link between the day-to-day risk management of the business, its objectives, long-term plan, capital planning and stress testing. We monitor adherence to risk appetite on a monthly basis. — The risk management framework brings together governance, risk appetite, the three lines of defence, the policy framework and risk management tools to support the business in managing risk as part of its day-to-day activities. The framework includes scenario analysis and regular stress-testing of financial resilience. — Bank board risk reporting throughout the year includes updates to the Tesco PLC Audit Committee, provided by the Bank's Chief Financial Officer and Audit Committee Chair. A member of the Tesco PLC Executive Committee is also a member of the Bank's board to enhance visibility and knowledge sharing.
Geopolitics and other global events† S O Failure to respond to geopolitical uncertainty due to wars and civil unrest, terrorism, elections, government restrictions and risk of potential future pandemics, may cause major disruption to our business through restricted access to our products, threat to our employees and operational challenges. **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. We have accordingly expanded the pandemic's principal risk into a wider risk definition of 'geopolitics and other global events'; the approach to which 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. N	— Our teams actively scan the external environment for emerging risks that may lead to business disruptions, developing detailed plans with specific milestones and dedicated oversight to ensure we can demonstrate resilience. Long-term plans are flexed to consider sensitivities and scenario planning that relate to the wider macroeconomic environment. — We closely monitor 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. — We continue to test and enhance our disaster recovery, crisis management and business continuity plans to minimise disruption due to geopolitical and other global events. — The safety and wellbeing of our colleagues and customers has been and continues to be our overriding priority. Our management continues to monitor events closely with regular Board oversight, evaluating the impact of events on colleagues and customers, including the spread of highly infectious diseases, and designing appropriate response strategies. — The learnings from these events are embedded into ongoing business operations where appropriate, for example, learnings from our previous pandemic response have helped us design processes and develop specific action plans, such as: securing supply chain capacity; hygiene protocols; additional store security; and extending support to colleagues, customers and suppliers who could be at increased risk. — 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.

Principal risk	Risk movement	Key responses and controls
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, continue 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.
Competition and markets† S Failure to deliver an effective, coherent and consistent strategy in response to an increasingly complex and fast-evolving competitor landscape, and/or changes in market conditions, may result in a negative impact on our market share, causing damage to our profitability and business performance. **Oversight:** Executive Committee, Audit Committee, Board.	We continue to face the challenges of a changing competitive landscape and inflationary pressures across our business units. The risk is deemed to be unchanged, when compared with the previous year, as our response strategies are well developed and we review them regularly to ensure we remain competitive and informed by competitor and market activity.	— Our Board develops and regularly challenges the strategic direction of our business to enhance our ability to remain competitive on price, range and service. This includes developing our online channels and multiple formats to allow us to compete in different markets. — Our 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. — We are continuously improving 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 continue to improve our Clubcard offerings and have introduced promotions and targeted campaigns to compete with other retailers on price and product quality.

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, environmental and talent. Those emerging themes that have a potential impact and require a response have been considered as part of our risk assessment process described on **pages 30 and 31**.

Nature.

Like all food businesses, Tesco relies 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.

With the food sector also responsible for more than one third of global greenhouse gas (GHG) emissions, it is vital we play our part in protecting nature in at-risk landscapes including forests, fresh-water catchments and marine environments.

At Tesco, protecting nature encompasses action in our supply chains to reduce the impact that 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 and the central role that food production plays in both, we must strive for a nature-led transition to net zero. Nature plays a prominent role across our planet plan, particularly under the protect nature pillar, where we will deliver much of our nature-related work.

To achieve this, we have cross-identified key actions that achieve significant outcomes for both emissions reduction and nature protection. In managing the risk and resilience of our supply chains it is also important to simultaneously consider the risks that climate change and nature loss pose to our supply chain resilience. The work we have carried out through our partnership with WWF and our involvement in initiatives including Science-Based Targets for Nature and the Taskforce on Nature-related Financial Disclosures (TNFD) has helped us assess our dependencies on nature.

A proportion of our work on nature will be delivered through our nature programme which we launched in November 2023. The programme will look at five key areas: protecting nature in key sourcing landscapes; scaling industry leading innovations to support biodiversity; implementing a nature plan across our own estate and operations; leading the industry on research into key challenges facing nature and the food system; and playing a leading role in cross sector engagement.

Nature highlights

- We are working with WWF and other retailers to restore nature in food production as part of the WWF's Retailers' Commitment for Nature, building on the work we initiated with WWF to halve the environmental impact of the average UK shopping basket.
- 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 at the latest. For soy, we are working towards sourcing only from verified zero deforestation and conversion free areas by December 2025 at the latest and through sourcing Roundtable on Sustainable Palm Oil (RSPO) segregated volumes for palm oil to the same target date. As part of this approach, we are preparing to comply with the upcoming EU Regulation on Deforestation-free Products legislation and UK due diligence legislation.
- In November 2023 we announced further, significant multi-year funding for vital water stewardship work 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 will ensure we can continue to deliver nature-related outcomes in catchments across Spain, Kenya, South Africa, Peru and the UK.
- In partnership with Natcap Research, Tesco has comprehensively mapped the metrics and data needs to measure and assess nature risk in our supply chains.
- In partnership with Ground Control, Tesco is undertaking a programme of work across our estate to create nature-friendly stores and spaces, which has included planting 100,000 native trees.

Taskforce for Nature related Financial Disclosures

The TNFD framework aims to provide a framework for organisations to report on risks from biodiversity loss and ecosystem degradation. Our work in relation to TNFD has so far included carrying out a supply chain mapping exercise to understand our nature-related risks, impacts and interdependencies within our fresh supply chains using the WWF Biodiversity and Water Risk Filter. This work included two pilot projects in partnership with Global Canopy and Nature-Based Insights focused on mapping Tesco's soy and palm oil supply chain and identifying priority locations in Indonesia for further analysis on palm.

We intend to make a full TNFD-aligned disclosure once we have completed the process of mapping all our most at risk supply chains. This disclosure will pull together the work that is already underway on our nature-related governance, strategy, risk and impact management and metrics and targets. It will also outline the steps we have taken this year to complete the 'LEAP' process, pioneered by TNFD.

Did you know:

We are working with WWF and other retailers to restore nature in food production as part of the WWF's Retailers' Commitment for Nature, building on the work we initiated with WWF to halve the environmental impact of the average UK shopping basket.

Task Force on Climate-related Financial Disclosures

TCFD.

Climate-related financial disclosures

In addition to this TCFD report, we provide further information on climate change in the principal risks and uncertainties section.

Principal risks and uncertainties section on **page 33**.

Greenhouse gas emissions on **page 45**.

We continue to consider the potential financial impacts of climate change in the cash flow scenario modelling within our viability statement.

Cash flow scenario modelling within our viability statement on **page 46**.

Impairment note on **pages 160 to 163**.

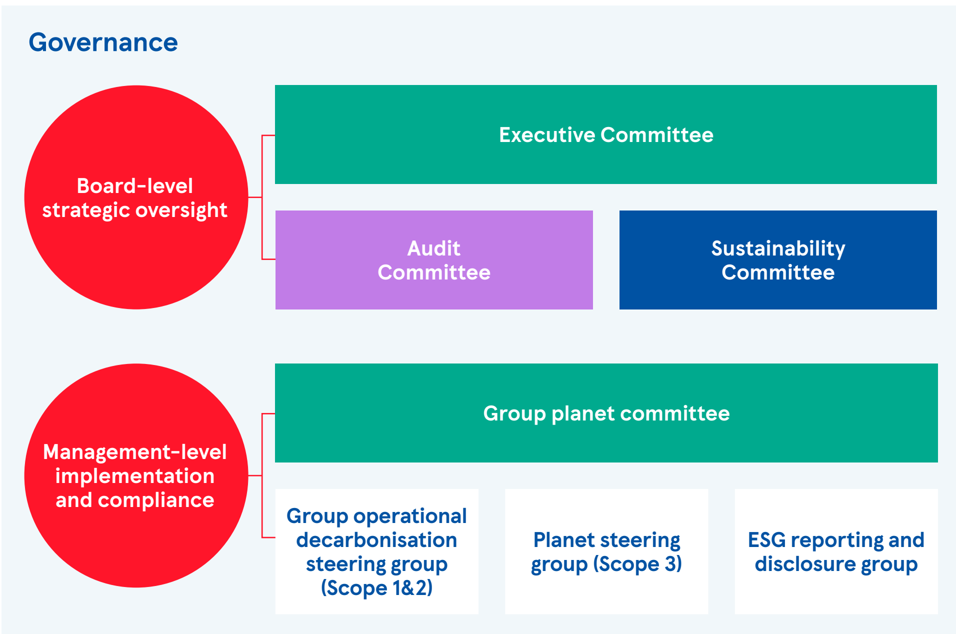
We have been disclosing a TCFD statement since 2019 and have now met the full disclosure requirement for three years consecutively. This year, we provide further detail around the actions underpinning our planet plan, discuss our SBTi approved net zero targets and have continued to develop our climate risk scenario modelling. 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 truly net zero business. In addition to climate, the governance framework also encompasses food waste, sustainable agriculture, nature, healthy sustainable diets and packaging.

The Board is responsible for the long-term success of the Group and has ultimate responsibility for climate-related risks and opportunities, as well as investment required to reach net zero. The Sustainability Committee oversees the Group's social and environmental obligations, including climate-related matters, and is responsible for monitoring progress towards our commitments. The Committee's role is to provide oversight and challenge on any material sustainability matters identified, advising and making recommendations to the Board where appropriate. Our planet plan is based on materiality assessments completed with the help of third parties conducting footprinting or assessment work. The Committee uses our planet plan as a framework to monitor progress against sustainability plans through KPIs and key milestones. The planet plan provides a framework for all areas of the business to align in terms of environmental performance and managing our environmental sustainability commitments. A sustainability dashboard provides a view of the Group's performance, which helps provide strong oversight of progress and drive change. The Sustainability Committee has regular, scheduled deep dives into material issues to oversee and challenge management in the delivery of our sustainability targets. The Sustainability Committee meets four times each year and discusses climate in each session. Further details on the Sustainability Committee can be found on **page 78**.

Furthermore, the Audit Committee monitors climate-related risk management, internal controls and reporting. Climate change is listed as one of the Group's principal risks which is governed through this process on an annual basis, measuring likelihood and level of climate-related impacts on our operations and supply chain. Further details on the Audit Committee can be found on **page 82**.



TCFD continued

Our performance against our targets this year are:

61%
emissions reduction in Scope 1 and 2 versus 2015 baseline

100%
of electricity comes from renewable sources

11%
of dotcom delivery van fleet is now electric

The Executive Committee reviews progress against our climate targets twice a year, typically in June and December. The Executive Committee also reviews the capital investments required to achieve our net zero objectives. These investments are fully integrated into our three-year strategic plan and our annual budget. The strategic plan and the budget are both reviewed and approved by the Board with reference to the capital and associated operating cost investments required to deliver our carbon reduction commitments.

The Group planet committee, chaired by our Chief Commercial Officer who is the executive sponsor for climate, provides strategic oversight and is responsible for ensuring the delivery of all our environmental sustainability targets. These include interim decarbonisation, climate risk management and our climate-related disclosures. The Group planet committee meets quarterly and, alongside the Chair, comprises representatives from significant business functions, which materially influence our ability to achieve our planet-related commitments and regulatory obligations. The meeting minutes are shared with our Corporate Secretariat, who then table further discussions at the Board as required.

Three steering groups underpin the implementation and compliance component of our planet governance structure and feed into the planet committee. The group operational decarbonisation steering group is responsible for delivering initiatives to meet our Scope 1 and 2 targets. The planet steering group is responsible for delivering initiatives in our supply chain to meet our Scope 3 targets. The ESG reporting & disclosure group operates under delegated authority from the Disclosure Committee and supports a shared objective with the planet committee of robust and transparent external reporting. The steering committees are more broadly supported by several cooperative workstreams that each focus on carbon reduction within material emissions hotspots across the business.

Strategy

We understand that our best strategy to mitigate our main physical and transition 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. Therefore, in 2023 Tesco 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 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 61% vs our 2015 baseline. On Scope 3, our target includes a 55% reduction by 2032 from a 2019 baseline on emissions from energy and industrial sources, and absolute Scope 3 emissions from FLAG emissions by 39% by 2032 from a 2019 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 finally drive industry system change. This transpires in the key initiatives described in our strategy below.

Tesco's planet agenda categorises work across six different areas and includes a number of initiatives as it works towards the targets validated by the SBTi. **Pages 18 and 19** 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 40% 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 deployed 571 electric home delivery vans and are on track to be 100% electric by 2030. We continue to trial various models across the UK and Central Europe as well as electrical refrigeration units in our chilled network and bio-CNG trucks.

Reduce store emissions

In 2020, we reached our RE100 commitment to 100% renewable electricity 10 years ahead of our 2030 target. We designed our strategy to ensure we increasingly source our electricity directly via 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 direct power deals supplying 60% of our electricity demand by 2030, and with the partnerships already in place expect to generate around a third of our UK electricity demand within the next 18 months. Addressing remaining store emissions, we are switching away from our depreciated HFC refrigerant systems to recovered CO_2 systems. To replace gas boilers, we are trialling air source heat pumps and heat reclaim systems across the UK and Central Europe.

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.

Decarbonise agriculture

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, we are encouraging the shift to more sustainable agriculture by requiring all produce supplied to our UK stores to be LEAF Marque Certified by 2025, and supporting the adoption of similar standards for our meat suppliers. To help farmers adopt these new standards and commitments, we continue to collaborate and facilitate shared learnings through our Tesco Sustainable Farming Groups and are trialling and scaling innovations on farm to reduce emissions, such as low-carbon fertiliser. 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.

Halting deforestation

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 and UK 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.

Suppliers setting science based targets

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 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.

Working with our suppliers to reduce waste

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 have launched Tesco Exchange, an online marketplace that matches suppliers who have too much of a product, for example crops, by-products, ingredients or packaging, with other Tesco suppliers that need it. All Tesco suppliers have access to the Tesco Exchange. We also manage bumper crops at certain times of the year through great value offers for our customers. For example, in recent heatwaves that generated surplus of warmer climate produce, we sold kilo boxes of strawberries and cherries at a discounted price to customers.

Healthy, sustainable diets

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 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. At Tesco, protecting nature encompasses landscape-level efforts to increase biodiversity, manage water resources responsibly and avoid polluting waterways, protect natural habitats, including peatland, and improve soil health. Find out more about the work we are doing on nature on **page 38**.

While we are confident the above plan will help us transition to net zero, we remain exposed to physical and transition risks driven by the escalating climate crisis. We continue to work with the climate analytics company Risilience to model our climate-related risks and opportunities. Built using the latest scientific research and geopolitical evolutions in five warming scenarios, the Risilience modelling has enabled us to develop a complete picture using a representative sample of Tesco's products and origin countries, as well as locations of Tesco-owned facilities and financial information.

The tables overleaf 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.

The five warming scenarios modelled were for >4°C, 3°C, 2.5°C, 2°C and 1.5°C pathways. These pathways are based on the IPCC's Shared Socioeconomic Pathways and allow Tesco to assess a wide range of climate possibilities. The disclosed impacts are quoted based on a 1.5°C pathway, aligned to the Paris Agreement and Tesco's 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 have quoted the costs or financial value at risk below 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. We continue to review and refine our modelling in line with emerging trends. More details of key assumptions are included for each risk below.

Did you know:

In 2023, Tesco became one of the first companies globally to gain SBTi validation for our net zero targets on all greenhouse gas emissions, including our Forest, Land and Agriculture emissions (FLAG), aligned with a 1.5°C pathway.

TCFD continued

Policy risk

Pathway	Mitigated annual impact five-year outlook	Mitigated annual impact ten-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 wide-spread 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 impact five-year outlook	Unmitigated annual impact ten-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 service becomes mainstream in the market, the purchasing behaviours and associated financial risk seen in the five and ten-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.

We have seen a significant increase in the risk value for the 1.5°C pathway year-on-year. The updated modelling now asserts that a faster, greater increase in sustainable consumer purchasing decisions is required to align to the 1.5°C pathway. We are not currently seeing the change in customer preferences required to meet this pathway, with current consumption patterns much more aligned to the 3°C pathway.

Technology risk

Pathway	Unmitigated annual impact five-year outlook	Unmitigated annual impact ten-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
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 as 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 have been phased out, whereas 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.

Raw materials risk

Pathway	Unmitigated annual impact five-year outlook	Unmitigated annual impact ten-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. This risk was assessed to be immaterial in our prior year disclosure, broadening the commodities modelled during this year has generated a more material output of this risk.

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 are building climate change risk into our resilience planning, informed by our modelling with Risilience and led by our commodities team. We recognise that 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. The next phase of our sustainable agriculture plans is to start embedding sustainability into our product offering for customers, bringing our work to life in stores.

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 has therefore not been disclosed.

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 thus mitigate some of the risks due to consumption habits changing.
- 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.
- Electric vehicle charging offering for customers: Tesco is uniquely placed to be the most 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.

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 2024. Climate is assessed to be one of our most material risks determined by a combination of likelihood and potential financial impact. Further information about our principal risks and uncertainties can be found on **pages 30 to 37**.

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.

Did you know:

In February 2024, our latest windfarm, in partnership with EDF Renewables, West Benhar, located in the Scottish Highlands, started generating renewable electricity. It will generate a substantial 30.1MW, producing enough clean energy to power the equivalent of 18,000 homes per year.

TCFD continued

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 2024 Performance Share Plan (PSP) continues to incorporate sustainability metrics. These include: those for Scope 1 and 2 emission reduction; food waste reduction; and diversity and inclusion targets for our leadership teams. For more information on the sustainability metrics included within our PSP, see **page 95**.

Metrics supporting our Scope 1 and 2 targets include:

Metric	2023/24	2022/23	Target
Emissions reduction in Scope 1 and 2 vs 2015 baseline	**(61)%**	(55)%	(85)% FY 2030, (90)% FY 2035
EV100 – % of delivery van fleet that is electric	**11%**	5%	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	**11%**	13%	45% by 2025 and 60% by 2030

During the year, we invested over £60m into decarbonising our refrigeration systems, £20m into decarbonising our heating via the installation of heat pumps and introduced a further 278 electric customer home delivery vans.

To support the delivery of our decarbonisation plans, we have introduced an internal carbon pricing (ICP) policy. This policy 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	2023/24	2022/23	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	**86%**	86%	Our packaging will be fully recyclable by 2025

Details of the methodologies for the above Scope 3 metrics can be found here: **www.tescoplc.com/sustainability-reports.**

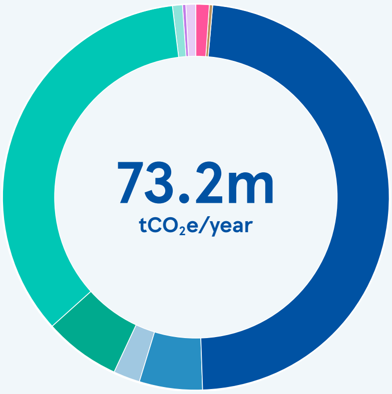
In our strategy on **pages 40 and 41**, we outline the initiatives supporting progress of these metrics and ultimately the delivery of our net zero targets by 2035 on Scopes 1 and 2 and by 2050 on Scope 3.

You can find detailed GHG emissions data, including disclosure across Scopes 1, 2 and selected Scope 3 disclosure on **page 45**, we have reviewed the Group's physical and transition risks and opportunities. The financial values at risk are quantified in the strategy section above and in the principal risks and uncertainties section. We continue to review our targets and metrics and focus on disclosing recognised cross-industry metrics where these align to the risk and opportunities we identify.

Next steps

Our priorities in 2024/25 will include continued efforts to decarbonise Scope 1 and 2 at pace, delivering against our strategic plan as we progress towards our 2025 targets. On Scope 3, we will continue building out supply chain decarbonisation roadmaps for each material product group and improve accurate data measurement throughout our supply chain, while ensuring we minimise and mitigate our impact on nature. We are also contributing closely to the Transition Plan Taskforce as Co-Chair of the Food & Beverage Sector Taskforce as we continue our work internally on our transition planning and stay close to emerging developments in this area.

Our total emissions footprint



Scope 1	
Refrigerants, HVAC, transport (logistics)	1.2%
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)	34.7%
End-of-life treatment of sold products (Cat 12)	0.71%
Investments (Cat 15)	0.39%
Capital goods, waste generated in operations, business travel and employee commuting, and processing use of sold products (Cat 2, 5, 6, 7, 10)	0.72%

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.

Greenhouse gas emissions and energy consumption*

	2023/24	2022/23	2021/22	Base year 2015/16
Scope 1 (tonnes of CO_2e)	**902,830◊**	1,039,346	1,110,098	1,240,871
Scope 2[(a)] Market-based method (tonnes of CO_2e)	**6,259◊**	7,796	16,107	1,095,671
Location-based method (tonnes of CO_2e)	**587,899◊**	575,462	642,337	1,657,316
Total Scope 1 and 2 market-based (tonnes of CO_2e)	**909,089◊**	1,047,142	1,126,205	2,336,542
Scope 1 and 2 carbon intensity (kg CO_2e/sq.ft. of stores and DCs)	**10.33◊**	11.91	12.16	26.29
Selected Scope 3[(b)] (tonnes of CO_2e)	**529,470◊**	567,191	593,405	684,079
Total gross emissions (tonnes of CO_2e)	**1,438,559◊**	1,614,333	1,719,610	3,020,621
CO_2e from renewable energy exported to the National Grid (tonnes of CO_2e)	**194**	281	279	–
Total net emissions (tonnes of CO_2e)	**1,438,365**	1,614,053	1,719,331	3,020,621
Overall net carbon intensity (total net emissions kg CO_2e/sq.ft. of stores and DCs)	**16.34**	18.43	18.56	33.88
Total annual energy consumption (GWh)	**5,511**	6,000	6,263	6,823
UK only total Scope 1 and 2 market-based (tonnes of CO_2e)	**772,944**	888,676	936,257	1,751,572
UK only Scope 1 and 2 carbon intensity (kg CO_2e/per sq.ft. of stores and DCs)	**11.47**	13.88	13.67	26.29
UK only annual energy consumption (GWh)	**4,638**	5,037	5,203	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. Deloitte has issued an unqualified opinion over the selected data. Deloitte's full assurance statement is available at: **www.tescoplc.com/sustainability-reports**

(a) Our method statement can be accessed at **www.tescoplc.com/sustainability-reports**. 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.

(b) Under Scope 3 emissions, we report business travel and emissions from distribution arranged by Tesco but provided by third parties (including secondary distribution globally and emissions from primary distribution in the UK). Scope 3 emissions also include transmission and distribution impacts of electricity and heat supply and well-to-tank embodied impacts of fuel. Further information on our carbon calculations is available at **www.tescoplc.com/sustainability-reports.**

Listing Rule 9.8.6R Compliance Statement

Tesco PLC has complied with all of the requirements of LR 9.8.6R 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 TCFD recommendations.

Deloitte's assurance

Deloitte has provided independent third-party limited assurance in accordance with the International Standard for Assurance Engagements 3000 (ISAE 3000) and Assurance Engagements on Greenhouse Gas Statements (ISAE 3410) issued by the International Auditing and Assurance Standards Board (IAASB) over the TCFD on pages 39 to 45 and the selected metrics highlighted in this report with a ◊. Deloitte's full unqualified assurance opinion, which includes details of the selected metrics assured, can be found at www.tescoplc.com/sustainability-reports.

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 retail 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.

Over the past two years, many of our customers have faced significant disposable income pressures due to the rising cost of living, as overall market inflation rose sharply. Management have focused on supporting customers through this time by continuing to offer 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, insurance, money services and data science.

Refer to the Group Chief Executive's review from **page 9** and the Financial review on **pages 22 to 29** 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 30 to 37**.

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. In this year's assessment, we have combined scenarios considering supply chain and customer impacts to create a more comprehensive scenario which includes the impact these areas have on each other. 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 14** of the financial statements.

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.

Scenario	Associated principal risk	Description
Ongoing geopolitical and global supply issues trigger further inflation, leading to weak consumer confidence and intensified competition	— Geopolitics and other global events — Security of supply — Responsible sourcing — Financial performance — Competition and markets — Customer	Geopolitical events, availability of labour and commodity shortages drive high domestic inflation in the markets in which we operate, which results in significant cost inflation. The Group absorbs 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. Management have applied a downside scenario which assumes the Group absorbs further cost inflation in colleague pay and cost of goods sold. UK interest rates remain higher than currently forecasted as central banks seek to reduce the headline rate of inflation. Consumer confidence worsens, limiting volume growth opportunity as consumers continue to be mindful of discretionary spending. Management have applied a downside scenario which reduces the projected like-for-like sales growth in each of the three years of the Group strategic plan by c.(2)%. Options to offset cost increases through retail prices are constrained and competition within the grocery sector intensifies in a bid for price leadership, requiring incremental price investment.
Data breach	— Cyber security — Political, regulatory and compliance — Customer — 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 have 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 recover 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	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 32** on **page 199 and 200** for further details on our debt profile, including maturity dates. The scenarios above are hypothetical and purposefully severe with the aim of creating outcomes that could threaten the viability of the Group. Certain mitigations have been applied within the scenarios to offset the modelled liquidity impacts, including lower tax and bonus payments and a reduction in planned shareholder returns. In the case of the modelled scenarios arising, additional mitigations 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 01 to 47 and incorporating by reference pages 64 and 65 and pages 70 to 72) has been prepared in accordance with the requirements of the Companies Act 2006, and has been approved and signed on behalf of the Board.

Robert Welch
Group Company Secretary
9 April 2024

Corporate governance report

Governance at a glance.

This corporate governance report demonstrates some key themes that are important to the Board:

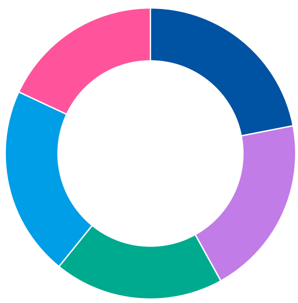
- Living our purpose through our values and behaviours creating a healthy culture.
- Having an effective corporate governance framework supporting the Board in the delivery of the Group's objectives.
- Delivering on our strategy while balancing the interests of our stakeholders.

Contents

Board highlights – key activities in 2023/24

Board succession planning	Appointment of a new Chair, planning for Senior Independent Director succession and Committee succession.
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.
Further development of sustainability strategy	Review of key milestones and operational capital expenditure required to achieve our net zero targets.
Return of capital	Ongoing share buyback programme, building on the ongoing capital return programme launched in October 2021. This is a critical driver of shareholder returns.

Key focus during 2023/24



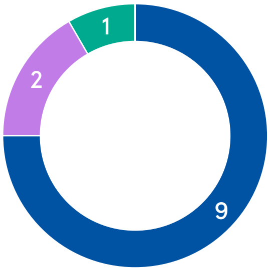
- 22% Purpose and strategy
- 20% Operational performance
- 19% Financial performance, risk management and internal control
- 21% Stakeholders
- 18% Governance and culture

2024 priorities

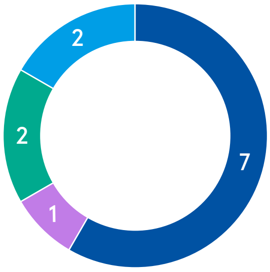
Inflation and the cost of living	Further understand the impact on our customers and other stakeholders, and find ways to support them throughout the year.
Sustainability agenda	Further embed our sustainability objectives to meet our sustainability KPIs and the key milestones of our planet plan.
Delivery of the strategic drivers	Continue progress against the four strategic priorities enabling us to deliver great value, increase customer loyalty and stay competitive while ensuring we remain agile and efficient as a business.

Board at a glance (as at 24 February 2024)

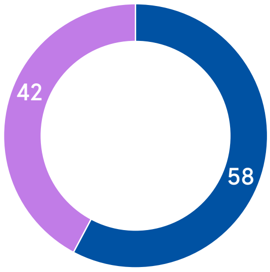
Board composition and independence (number of directors)



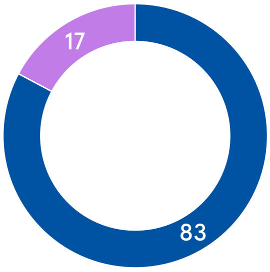
Tenure (number of directors)



Board gender diversity (%)

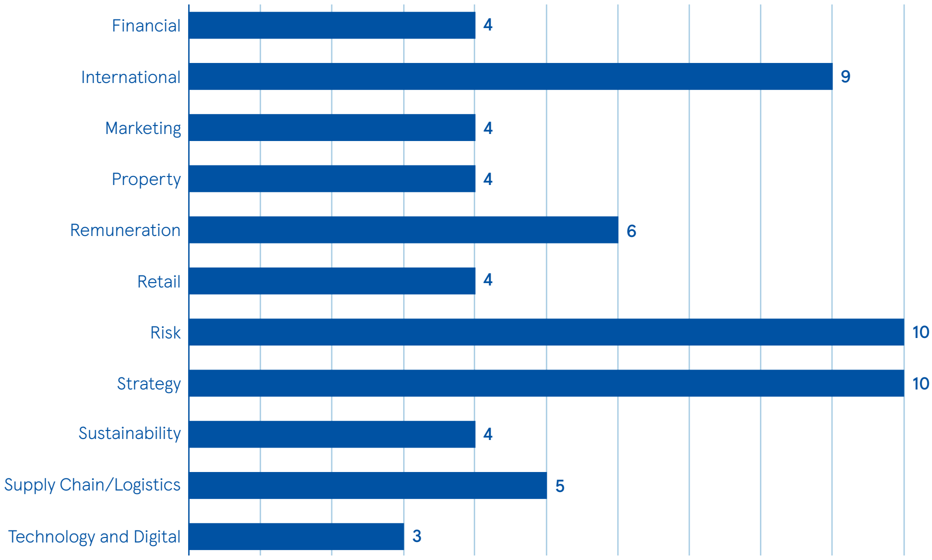


Board ethnicity (%)

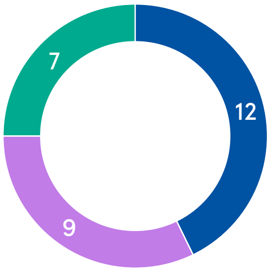


Skills matrix (number of Non-executive Directors)

Having a diverse Board with different perspectives, insights and viewpoints benefits the Group's stakeholders through better business performance. The below graph shows the collective expertise the Non-executive Directors bring to the Board.



Geographical experience (number of directors)



Governance introduction.

Chair's review.

Gerry Murphy, Chair

Further details on Gerry Murphy's appointment can be found on **page 75**.

Tesco's governance framework and how the Board monitor culture can be found on **pages 58 to 63**.

Full details of the Board performance review during 2023/24 can be found on **page 73**.

Further details on the Board's activities can be found on **pages 64 to 69**.

Introduction

Throughout 2023/24, the Board has continued to focus on improving our ability to support the delivery of Tesco's operational, strategic and societal priorities. The Board recognises the importance of positive relationships and strong engagement with all our stakeholders.

Board changes

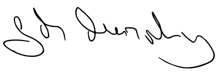
There have been a number of changes to the composition of the Board during the year. In June 2023, John Allan stepped down having served more than eight years on the Board, all of that time as Chair. Lindsey Pownall also stepped down from the Board at the AGM having served more than seven years. Byron Grote will step down as a Director at the conclusion of the 2024 AGM following nine years' service. Carolyn Fairbairn will take the position of Senior Independent Director and Karen Whitworth as Audit Committee Chair to replace Byron.

We are grateful to each of them for their outstanding contributions and commitment to the Board and its Committees.

I am delighted that Carolyn Fairbairn joined the Board as an Independent Non-executive Director and member of the Remuneration and Sustainability Committees in September 2023, at the same time as my own appointment. She is an experienced non-executive director and a highly regarded business leader with a deep understanding of the macroeconomic and political environment and is a real asset to the Board.

I would like to thank the Board, management and all the colleagues I have had the privilege to meet for welcoming me into the Group and for their hard work and dedication in these challenging times.

I feel honoured to have taken on the role of Chair of a well governed and robust organisation supported by exceptional Board and executive colleagues with a wealth of expertise and experience.



Gerry Murphy
Non-executive Chair
9 April 2024

Q&A.

Q&A with Gerry

Q What attracted you to join Tesco and what were your first impressions?

As we saw during the pandemic, Tesco is a really important company because of its scale and because of its central role in the lives of the millions of customers who depend on us for their food shopping and other essentials. It is critical that Tesco is well managed and well governed, and the role of the Board and the Chair is to do just that. As Chair, I am fully committed to deliver on Tesco's simple and compelling purpose of serving our stakeholders and our planet a little better every day, and I am really excited about realising opportunities for growth across the Tesco Group. I have been extremely impressed by the professionalism, energy and excitement I have seen at every level as I have travelled around the Group during my comprehensive induction programme.

Q How important is good governance and a healthy culture to you?

Like any big business, Tesco's success depends on our relentless commitment to high corporate governance standards, as well as a strong and healthy culture in the boardroom and across the business. Embedding the right behaviours guides our conduct and decision-making so that we always do the right thing for our stakeholders. Rewards and incentives must be linked to delivery and performance as well as fostering a culture of inclusivity, where everyone feels welcome, where talent is nurtured and colleagues can achieve their full career potential. The Board and I are fully committed to transparency and we welcome improvements in the corporate governance reporting landscape.

Q Having undertaken your first Board performance review, what were your observations?

As Chair it is my role to provide leadership of the Board, ensure that Directors have sufficient information to carry out their duties and that the Board operates effectively. Since taking on the role of Chair, I regularly review the Board programme to ensure that key topics are brought to the Board in a timely manner, with sufficient time allowed for discussion, debate and challenge.

The Board performance review has demonstrated that throughout the year, the Board, supported by its Committees, has covered a broad range of topics to ensure that we continually review and challenge matters of importance to our stakeholders. The review confirmed there is an effective leadership in place with all Directors adding value through the diversity of their experience, with the Board being collectively engaged and aligned with Tesco's strategic priorities. Having assessed the findings, and based on my own early impressions since joining, I am pleased to confirm that the Board, and each of its Committees, and Directors continues to operate effectively.

Q What do you see as the Board's priorities in 2024 and beyond?

My induction programme has provided the opportunity to have deep dives into many different areas of Tesco, providing a greater understanding of business and governance imperatives for 2024/25 and beyond. I hosted the Board's annual strategy event, supported by the Executive Committee and senior management, with presentations on each of the business areas within the Group. As a Board we are all aligned on Tesco's purpose and the longer-term direction of the Company, the delivery of our strategic imperatives and the key sustainability milestones that we need to reach to achieve our net zero targets.

One of my immediate priorities was to lead the process to find successors to Byron Grote as Senior Independent Director and Audit Committee Chair. I am delighted we have appointed Carolyn Fairbairn as Senior Independent Director, and Karen Whitworth as Chair of the Audit Committee.

Spotlight on:

Induction programme.

Understanding the business
Gerry's induction programme provided a deep insight into the governance and business operations of the Group. The Directors' induction programme is comprehensive and has been developed with the flexibility to be tailored to meet the needs of the role. The programme is run over a six-month period. Gerry was provided with a general overview of the Group, its purpose, values, behaviours and culture, governance, strategy, organisational structure, overview of the financial performance, recent developments and an overview of key challenges and opportunities.

Gerry met with each of the Non-executive Directors both collectively and individually to discuss the Group, their Committee roles and topical matters.

Upon appointment, Gerry had access to a library of reference materials which provided a broad range of information including constitutional documents, key policies and Board papers.

Meeting the management team
Meetings with each of the Executive Committee members provided an overview of their role and responsibilities, the structure of their teams, current challenges and opportunities. This was followed by more in-depth meetings with senior management covering each of the business functions, internal control and risk management, Tesco Mobile, Tesco Bank, dunnhumby, One Stop and Booker.

Director and Committee responsibilities
The Group Company Secretary provided a briefing on Directors' responsibilities and corporate governance.

Gerry was also introduced to the external advisors and met with the corporate brokers, external auditors, lawyers and remuneration consultants.

Site visits
Gerry has undertaken a number of country visits including ROI, Central Europe and India. In addition, Gerry has spent time in the business with management from Tesco Bank, Tesco Mobile, Booker, One Stop and dunnhumby.

To strengthen understanding of colleagues and customers, Gerry completed a shift working in store, which provided an opportunity to meet colleagues and see at first hand the operations of a store. In addition, Gerry met with and visited a number of Tesco suppliers.

Corporate governance report continued

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.

Chair

Dr Gerry Murphy.

Appointed September 2023

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
- CEO: Greencore Group plc, Exel plc, Carlton Communications plc (now ITV plc) and Kingfisher plc

Committee membership

- Nominations and Governance Committee (Chair)

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: Proctor & 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: Mondelez International, Inc, Kraft Foods and Deloitte

Senior Independent Director

Byron Grote.

Appointed May 2015

Skills, experience and competences

Byron brings a wide range of experience and skills including finance, strategy, risk and supply chain logistics through a variety of executive and non-executive roles. His strategic focus and financial experience complement the balance of skills on the Board.

Byron will step down from the Board at the conclusion of the 2024 AGM.

External appointments

Current:

- Vice chairman of the supervisory board: Akzo Nobel N.V.
- Non-executive director: InterContinental Hotels Group PLC and Inchcape plc

Past:

- Chief financial officer: BP PLC
- Senior independent director: Anglo American PLC
- Non-executive director: Unilever PLC and Standard Chartered PLC

Committee membership

- Audit Committee (Chair)
- Nominations and Governance Committee
- Remuneration Committee

Independent Non-executive Director

Melissa Bethell.

Appointed September 2018

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.

External appointments

Current:

- Chair: Ocean Outdoor Limited
- Non-executive director: Diageo PLC and Exor N.V.
- 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

Committee membership

- Audit Committee

Independent Non-executive Director

Bertrand Bodson.

Appointed June 2021

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 PLC

Past:

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

Committee membership

- Sustainability Committee

Independent Non-executive Director

Thierry Garnier.

Appointed April 2021

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

Committee membership

- Remuneration Committee

Independent Non-executive Director

Stewart Gilliland.

Appointed March 2018

Skills, experience and competences

Stewart brings over 20 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: Chapel Down Group plc and Nature's Way Foods Ltd.

Past:

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

Committee membership

- Sustainability Committee (Chair)
- Nominations and Governance Committee
- Remuneration Committee

Corporate governance report continued
Board of Directors continued

Independent Non-executive Director

Dame Carolyn Fairbairn DBE.

Appointed September 2023

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.

Carolyn will be appointed Senior Independent Director at the conclusion of the 2024 AGM.

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, the UK Competition and Markets Authority and the Financial Services Authority
- Senior positions: McKinsey & Company, BBC and ITV plc
- Member: Number 10 Policy Unit

Committee membership
- Remuneration Committee
- Sustainability Committee

Independent Non-executive Director

Alison Platt CMG.

Appointed April 2016

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.

External appointments
Current:
- Chair: Hargreaves Lansdown plc and Ageas (UK) Limited
- Non-executive director: Spectrum Wellness Holdings Limited and Inchcape plc

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

Committee membership
- Nominations and Governance Committee
- Remuneration Committee (Chair)

Independent Non-executive Director

Caroline Silver.

Appointed October 2022

Skills, experience and competences
Caroline brings to the Board a wealth of knowledge and experience across a number of commercial, financial and governance roles, together with extensive investment banking and international experience.

External appointments
Current:
- Chair: Barratt Developments PLC
- Non-executive director: Intercontinental Exchange, Inc and chair of ICE Clear Europe
- Member: International advisory board of Adobe Inc and V&A Foundation
- Senior advisor: Moelis & Company
- Governor: 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

Committee membership
- Audit Committee

Independent Non-executive Director

Karen Whitworth.

Appointed June 2021

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.

Karen will be appointed Chair of the Audit Committee from the conclusion of the 2024 AGM.

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

Past:
- Supervisory board member: GS1 UK Limited
- 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)

Committee membership
- Audit Committee
- Sustainability Committee

Group Company Secretary

Robert Welch.

Appointed August 2016

Skills, experience and competences

Robert has over 25 years' experience as a Company Secretary providing legal and corporate governance advice and support to the Board and the boards of all other legal entities in the Group.

External appointments

Current:

- Executive committee member: Association of General Counsel and Company Secretaries of the FTSE 100 (GC100)
- Member: CGI Company Secretaries Forum and Primary Markets Group of the London Stock Exchange

Past:

- Company secretary: FirstGroup plc and Kazakhmys PLC

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

Director changes during the year

John Allan	**Tenure:** March 2015 – June 2023	Stepped down after more than eight years' service as Chair of the Board.
Lindsey Pownall OBE	**Tenure:** April 2016 – June 2023	Stepped down from the Board after more than seven years' service as a Director on the Board.
Gerry Murphy	**Appointed:** 1 September 2023	Appointed as Chair, independent upon appointment.
Carolyn Fairbairn	**Appointed:** 1 September 2023	Appointed as independent Non-executive Director and member of the Remuneration and Sustainability Committee.

External commitments

During the year, the Board approved the additional external commitments taken on by Alison Platt, Byron Grote and Caroline Silver. 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 their role and commitment to Tesco PLC.

Board and committee attendance table[a]

	Board	Audit	Nominations and Governance	Remuneration	Sustainability[e]
Gerry Murphy[b]	3/3	–	2/2	–	–
Ken Murphy	6/6	–	–	–	–
Imran Nawaz	6/6	–	–	–	–
Byron Grote	6/6	5/5	4/4	5/5	–
Melissa Bethell	6/6	5/5	–	–	–
Bertrand Bodson	6/6	–	–	–	4/4
Carolyn Fairbairn[c]	3/3	–	–	3/3	2/2
Thierry Garnier	6/6	–	–	5/5	–
Stewart Gilliland[d]	6/6	–	4/4	4/4	4/4
Alison Platt	6/6	–	4/4	5/5	–
Caroline Silver	6/6	5/5	–	–	–
Karen Whitworth	6/6	5/5	–	–	4/4

(a) This table shows details of scheduled Board and Committee meetings. John Allan and Lindsey Pownall stood down from the Board and relevant Committees on 16 June 2023.
(b) Gerry Murphy joined the Board as Non-executive Chair and became Chair of the Nominations and Governance Committee on 1 September 2023.
(c) Carolyn Fairbairn joined the Board as an Independent Non-executive Director and a member of the Sustainability and Remuneration Committees on 1 September 2023.
(d) Steward Gilliland joined the Remuneration Committee on 16 June 2023.
(e) The Sustainability Committee changed its name from the Corporate Responsibiity Committee in April 2023.

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. During the year, the Non-executive Directors met with the Chair of the Board without the Executive Directors being present, on several occasions. Since October 2023, Board meetings have commenced with a meeting of the Chair and Non-executive Directors.

In addition, Non-executive Directors take on the role of the workforce engagement Board hosts of 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**.

All Directors have access to the advice of the Group Company Secretary and 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.

Chair	– Provide effective leadership of the Board, set the agenda, ensure effectiveness of the Board and maintain a culture of openness and transparency at Board meetings. – Promote effective communication between Executive and Non-executive Directors. – Ensure all Directors effectively contribute to discussions and feel comfortable to engage in healthy debate and constructive challenge. – Ensure all Directors receive accurate, timely and clear information to assist them to make their decisions. – Available to meet with shareholders. – Identify training and development needs of Directors as required. – Ensure new Directors receive appropriately tailored induction programmes.
Group Chief Executive	– Day-to-day responsibility for the effective management of the Group. – Ensure that Board decisions are implemented. – Devise and review Group strategies for discussion and approval by the Board. – Provide regular operational updates to the Board on all matters of significance relating to the Group's businesses or reputation. – Ensure effective communication with shareholders and other key stakeholders.
Senior Independent Director	– Provide a sounding board for the Chair. – Act as an intermediary for the Non-executive Directors. – Available to shareholders should they have any concerns, where communication through normal channels has not been successful or where such channels are inappropriate. – Meet with the Non-executive Directors at least annually when leading the Non-executive Directors' appraisal of the Chair's performance.
Non-executive Director	– Bring independent insight and experience to the Board. – 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.
Workforce engagement Board host	– 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 CCP representative. – 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.
Group Company Secretary	– Ensure Board procedures are complied with and the Board has the information, time and resources it needs in order to function effectively and efficiently. – Advise the Board on all governance matters. – Facilitate induction programmes for new Directors. – Provide briefings on governance, legal and regulatory matters.

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 Chief Executive is supported by the Executive Committee in carrying out this role. The Executive Committee's key responsibilities include:

- 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.
- 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 at **www.tescoplc.com**.

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.

There are a number of other executive level committees which are established to support the Executive Committee in the delivery of their role. Some of the key executive level committees are detailed, together with their responsibilities, on **page 58**.

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. During the year, Alessandra Bellini left the business and the role of Chief Customer Officer was amalgamated with the role of Chief Product Officer, creating the newly established role of Chief Commercial Officer. Jason Tarry, UK CEO, left the business in March 2024 and was succeeded by Matthew Barnes, who brings extensive retail experience, a competitive spirit and a challenger mindset to the business.

Ken Murphy
Group Chief Executive

Member since October 2020

Guus Dekkers
Chief Technology Officer

Member since May 2021

Adrian Morris
Group General Counsel

Member since September 2012

Matthew Simister
CEO, Central Europe

Member since April 2017

Imran Nawaz
Chief Financial Officer

Member since May 2021

Christine Heffernan
Group Communications Director

Member since March 2019

Ashwin Prasad
Chief Commercial Officer

Member since September 2020

Emma Taylor
Chief People Officer

Member since March 2022

Natasha Adams
CEO, Ireland and Northern Ireland

Member since June 2018

Gerry Mallon
Chief Executive, Tesco Bank

Member since August 2018

Matthew Barnes
CEO, UK

Member since March 2024

Andrew Yaxley
CEO, Booker

Member since July 2018

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.

Governance framework.

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

Board of Directors

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.

Board biographies can be found on **pages 52 to 54**.

Board insight can be found on **pages 64 to 69**.

A summary of matters reserved for the board can be found on **page 60**.

Board Committees

Audit

Chair: Byron Grote

Provides independent assessment and oversight of financial reporting processes including internal controls, risk management and compliance. It also oversees the effectiveness of the internal and external audit functions.

Nominations and Governance

Chair: Gerry Murphy

Reviews the size, composition, tenure and skills of the Board. Leads the process for new appointments, monitors Board and senior management succession planning. Considers independence, diversity, equity and inclusion and governance-related matters.

Remuneration

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.

Sustainability

Chair: Stewart Gilliland

Provides oversight 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.

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

Details of Board Committee membership and activity during the year is set out in the Committee reports on **pages 74 to 114**.

Disclosure Committee

Responsible for considering timely and accurate disclosure of sensitive information.

Group Chief Executive

Manages the day-to-day operations of the Group, prioritising and allocating resources. He is supported by the Executive Committee. A number of other executive level committees support the Group Chief Executive.

Group Chief Executive role profile can be found on **page 56.**

Details of the role of the Executive Committee together with members can be found on **page 57.**

Other key executive level committees

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 Audit Committee.

Group planet

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.

Cyber

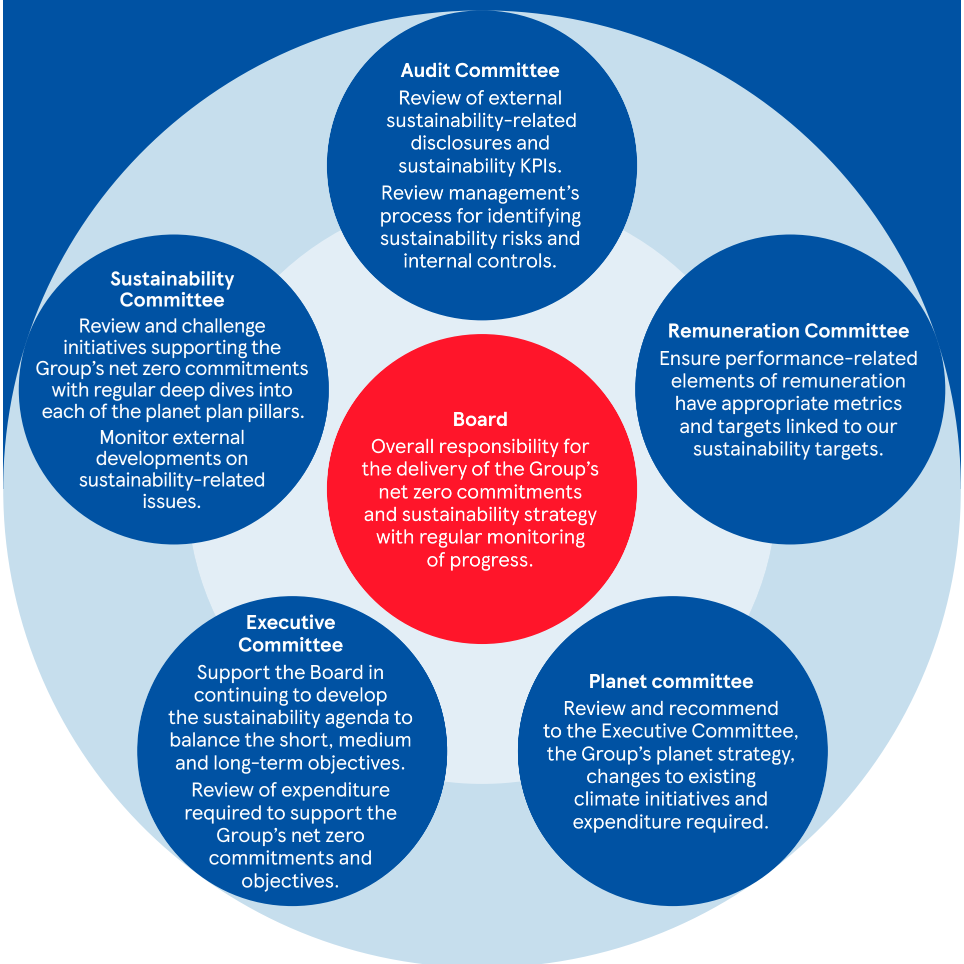
Responsible for ensuring a comprehensive understanding of the potential cyber exposure of the Group and the effective oversight and governance of cyber risk management plans. A dedicated cyber security programme has been developed with clearly defined governance, oversight and structured training processes.

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

Spotlight on:

Governance of sustainability-related matters.

The Board has approved a planet strategy which focuses on the key areas of the Group's footprint and commitments to be carbon neutral across Group operations by 2035 and hitting net zero by 2050 aligned to 1.5°C. In support of this planet strategy, a planet plan has been developed to bring together all the work being undertaken to deliver on the key commitments of Scope 1 and 2 across our direct operations, and Scope 3, upstream and downstream emissions outside of our direct operations, tracking progress against key milestones. While the Board has overall responsibility for ensuring the Group meets its targets, a thorough review of responsibilities under the governance framework was undertaken to ensure the right level of oversight and challenge is achieved within the correct forum with the necessary expertise. Highlights of each of the Committees' responsibilities in relation to sustainability-related matters are set out below.



Sustainability is built into our purpose, strategy and business plans. The Group is committed to operating in a responsible and sustainable way which reflects our values.

More details on the planet plan pillars can be found on **pages 18 to 21**

Corporate governance report continued

Governance framework continued

Role of the Board

The Board is committed to maintaining the highest standards of corporate governance in the management of its affairs. The Board is supported by the activities of its Committees, which ensure specific matters receive the right level of attention and consideration, as demonstrated in the governance framework on **page 58**. 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 Committee activities. Cross-Committee membership provides visibility and awareness of matters relevant across the Committees. The Board recognises that it is accountable to all stakeholders for ensuring that the Group is appropriately managed and achieves its objectives in a way that is supported by the right culture and behaviours.

The Board is collectively responsible for setting the overall strategy of the Group ensuring that value is created over the long term and ensuring that it operates within a framework of effective controls. The Board 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.

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. The Board reviews these on at least an annual basis and undertakes a robust assessment of the Company's principal risks and emerging risk themes. 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 Board has ultimate responsibility for ensuring adequate resource is available to meet agreed objectives and strategy. It ensures such resources are responsibly and effectively deployed. 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. The Group's delegation of authority, matters reserved for the Board and Committee terms of reference provide a clear direction on oversight and decision making.

Board and Committee meetings

The Board held six scheduled meetings during the year and an additional strategy day at which senior managers present on each of our business areas. In addition to scheduled meetings, Directors met to consider matters of a time-sensitive nature including the Chair's succession and the approval of the sale of our banking operations and the long-term strategic partnership with Barclays.

The table on **page 55** shows the attendance at the scheduled Board and Committee meetings. 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 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.

Information flow

The Board has adopted a formal schedule of matters reserved for its attention, detailing matters that are considered of significance to the Group owing to their strategic, financial or reputational importance or consequences. 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. Through a regular review of the forward planners, the Chair of the Board, or relevant Committee, ensures that sufficient time is allowed for discussion and debate on the topics scheduled and they encourage constructive discussion and challenge during meetings. Standard paper templates, which are reviewed on a regular basis, are used to ensure Directors receive high-quality, clear and timely information to support their oversight, challenge and decision making.

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 2023/24.

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**.

Compliance with the UK Corporate Governance Code

During the year the Company was in full compliance with all applicable principles and provisions set out in the UK Corporate Governance Code 2018 (the Code). **Pages 48 to 116 and 228 to 231** of this report form our corporate governance statement.

Details of how the principles of the Code have been applied can be found throughout this Corporate governance report, the Strategic report and Committee reports as signposted below. 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.

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. The Board has carried out an assessment of any changes required in reporting requirements.

Principles	Pages
Board leadership and Company purpose	
Promoting the long-term, sustainable success of the Company	2 to 47 and 64 to 73
Purpose, values and culture	62 to 63
Resources and controls	30 to 37 and 82 to 89
Stakeholder engagement	4 to 5 and 70 to 72
Workforce engagement	69
Division of responsibilities	
Role of Chair, Non-executive Directors and Group Company Secretary	56
Board composition	49, 52 to 55 and 74 to 77
Composition, succession and evaluation	
Appointments to the Board and succession planning	52 to 55 and 74 to 77
Balanced Board	49, 52 to 55 and 74 to 77
Board performance	73
Audit, risk and internal control	
Audit Committee report	82 to 89
Principal risks and uncertainties	30 to 37
Remuneration	
Directors' remuneration report	90 to 114

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**.

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 2024 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 2024, 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 2024 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 116** and is supported by the Independent Auditor's report on **pages 117 to 128** outlining their reporting responsibilities.

Corporate governance report continued

Purpose, values and culture.

The Board has overall responsibility for establishing and monitoring the Company's purpose, values and behaviours. The culture in which we operate supports the delivery of our strategy and our long-term sustainable success, while generating value for shareholders. More detail on how the Board monitors the culture in which we operate is detailed below.

Our purpose and values are embedded in the Group's culture and are integral to the way we behave and do business. Our values and leadership behaviours ensure that the Tesco culture is embedded throughout the organisation. They ensure that all colleagues understand what is important, how we work together as a team, the choices we make across the Group, and why customers, the community and planet are at the centre of everything we do. With the skills, expertise and dedication of colleagues worldwide, we have a culture which is well placed to support the needs of our stakeholders.

Our purpose:

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

Customers:
By understanding our customers, we can anticipate and respond to their needs and expectations.

Communities:
We play a vital role in our communities, including: creation of jobs, supporting local suppliers and producers, and helping local causes through our community programmes.

Planet:
Our commitment to sustainability is core to our business.

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 our customers

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

2. We treat people how they want to be treated

Looking after our colleagues in a culture of trust and respect means we can all be at our best.

3. Every little help makes a big difference

When we add up all the small things we do, Tesco can make a difference to the issues our customers, colleagues and communities care about.

Our leadership behaviours underpin our values:

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.

How the Board monitors 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. The Board recognises that treating colleagues with respect and compassion is essential to building a culture of trust. Culture is evidenced by the feedback received through the various channels detailed below:

Board and Committee management reporting and site visits

People updates provide oversight of the culture we operate in, and metrics and KPIs to assess our progress so we can respond accordingly.

Nominations and Governance Committee: reviews culture, succession, talent management and diversity, equity and inclusion.

Remuneration Committee: assesses executive performance to ensure it is aligned to the strategic drivers, KPIs and leadership behaviours.

Site visits: Directors, individually and collectively, undertake visits to offices, stores, distribution centres and customer fulfilment centres to meet with colleagues in the business for a true understanding of the operations.

More details on the Board's and its Committee's activities can be found on **pages 64 to 69 and 73 to 114**.

Delivery of diversity, equity and inclusion strategy

Monitoring progress on the key themes of:

- Lead and role model inclusion.
- Embed inclusion in everything we do.
- Listen, learn and act.

The Board, Nominations and Governance Committee, Remuneration Committee and Executive Committee receive regular updates on the progress of the Group's diversity, equity and inclusion strategy.

More details on diversity, equity and inclusion can be found on **pages 76 and 77**.

Your Contribution

Your Contribution is the way we measure the performance of our colleagues and drive the culture we want to see. Your Contribution incorporates the 'what' and the 'how' of someone's performance. Within the 'how' we encourage a conversation on the impact each colleague has on others, specifically calling out how they play their part in ensuring Everyone's Welcome and living our Values and Win Together Behaviours.

For line managers there is an additional layer to the conversation to review how they lead and manage their team in an inclusive way.

The 'how' makes up 50% of a colleague's performance rating signalling the importance we place on it.

The Board and Remuneration Committee monitors the outturns of Your Contribution for Executive Committee members and senior management.

Every Voice Matters

Supported by the Executive Committee, the results of the colleague survey are analysed and an action plan is developed to address any issues. Themes include:

- Colleague engagement – diversity, equity and inclusion.
- Purpose – link between colleagues' work and purpose.
- Culture – monitored through behaviour experienced, both positively and negatively.
- Wellbeing – mental, physical and financial.
- Safety.
- Manager relationships – link to behaviours.
- Career development and retention – reward and recognition.

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. Results are reported to the Audit Committee.

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

Workforce engagement forums

The Board established Colleague Contribution Panels in 2019, which represent the workforce across all business areas of the Group. Each forum meets twice during the year, hosted by an Independent Non-executive Director. The Board receives feedback following each meeting.

More details on our Colleague Contribution Panels held in 2023/24 can be found on **page 69**.

Supplier engagement survey

The results of supplier engagement surveys are analysed and reviewed by the Board and Executive Committee. An action plan is developed for improvements required.

Whistleblowing policy and 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.

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, and these are taken into consideration by the Board when making decisions.

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 70 to 72**.

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 the 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 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.

How the Board had regard for the matters set out in Section 172(1) (a)–(f) of the Companies Act 2006

Directors have acted in a way they consider, in good faith and to be most likely to promote the long-term success of the Company. The table below provides references to demonstrate how the Board have considered these factors.

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	6 and 7, and 9 to 11
	Market context and Strategic priorities	12 to 15
	Key performance indicators and Our business model	16 and 17
	Section 172 statement and Board activity	64 to 69
B. Interests of the employees	Key performance indicators	17
	Understanding our stakeholders	70 to 72
	Nominations and Governance Committee	74 to 77
	Directors' remuneration report	90 to 114
	Directors' report	115 and 116, 228 to 231
C. Foster business relationships with suppliers, customers and others	Chair's statement and Group Chief Executive's review	6 and 7, and 9 to 11
	Market context and Strategic priorities	12 to 15
	Key performance indicators and Our business model	16 to 17
	Principal risks and uncertainties	30 to 37
	Understanding our stakeholders	70 to 72
D. Impact of our operations on the community and environment	Market context	12 and 13
	Planet plan, Nature and TCFD	18 to 21, and 38 to 45
	Understanding our stakeholders	70 to 72
	Section 172 statement and Board activity	64 to 69
	Sustainability Committee report	78 to 81
E. Maintain a reputation for high standards of business conduct	Purpose framework and Our business model	8 and 17
	Governance framework	58 to 60
	Purpose, values and culture and How the Board monitors culture	62 and 63
	Section 172 statement and Board activity	64 to 69
F. Acting fairly between members of the Company	Strategic priorities and Key performance indicators	14 to 16
	Section 172 statement and Board activity	64 to 67
	Understanding our stakeholders	70 to 72

Further details on how we engage with our stakeholders can be found on **pages 70 to 72**.

Key strategic decisions

Chair's succession

On 3 July 2023, the Board announced the appointment of Gerry Murphy as Chair of the Board. This followed an extensive search for a new Chair which was led by Byron Grote, Senior Independent Director. The selection process took approximately six months with the support of Lygon Group.

The Board unanimously agreed that Gerry was the best candidate to help deliver on the Group's strategic priorities and objectives. Gerry was appointed with effect from 1 September 2023. The rigorous selection process involved consideration of the long and short-term objectives, with all Directors interviewing the final candidates.

The Board recognises that having a diverse Board with different perspectives, insights and viewpoints benefits the Group's stakeholders through better decision making and business performance and is essential for the delivery of the Group's strategy. Consideration was given to the gender and ethnic diversity of the Board. Following the 2024 AGM, the Board will comprise 45% women, one senior position being female and two persons of colour.

Gerry has undertaken a detailed induction programme. More details can be found on **page 51**.

More details on the Chair's succession and process for recruitment can be found on **page 75**.

Planet strategy to achieve net zero by 2050

As a Board, we are committed to achieving our target of net zero by 2050. This will require us to transform the way we run our business, how we work with our suppliers and how we encourage our customers to make healthy and sustainable choices.

In August 2023, we outlined our ambitious plan for emission reductions across our own operations and value chain, as Tesco became one of the first companies globally to set validated science-based targets on all greenhouse gas emissions, including those originating from forests, land and agriculture (FLAG) emissions. Our net zero science-based targets have been validated by the Science Based Targets Initiative (SBTi), the body that validates our climate targets.

Through the development of a glidepath, the Board has agreed certain targets to deliver on our key net zero commitments. With the support of the Sustainability Committee, Executive Committee and planet committee there is a defined governance path to track the progress of the activities required to achieve our targets.

Market conditions, trends and stakeholder views are regularly discussed by the Board and its Committees, with them receiving regular updates on progress, enabling them to monitor the risks associated.

More detail on our planet plan and climate disclosures can be found on **pages 18 to 21 and 38 to 45**.

Strategic partnership with Barclays and sale of banking operations

On 9 February 2024, the Board announced a long-term strategic partnership with Barclays and agreed to sell our banking operations in credit cards, loans and savings (the Sale), to Barclays, retaining all other existing activities of Tesco Bank including insurance, ATMs, travel money and gift cards. Tesco will receive annual income for the use of the Tesco brand, for growing the customer-base through Tesco channels and as a result of Barclay's participation in the Tesco Clubcard programme.

When considering the strategic partnership and Sale, the Board discussed a number of factors including those affecting our stakeholders:

Customers – the exclusive partnership will, for the initial 10-year period, combine Tesco's market-leading brand, physical and digital reach and relentless customer focus with Barclays' deep financial services capability and expertise in commercial partnerships. It allows us to offer customers Tesco-branded banking products and services, while benefiting from the Tesco Clubcard, and exploring other opportunities that offer value to Tesco and Barclays customers.

Colleagues – the Sale will impact around 2,800 Tesco Bank colleagues whose roles will transfer to Barclays, one of the UK's leading banks, to continue to offer the same outstanding service. Tesco will work closely with Barclays to support colleagues through the transition.

Shareholders – the Sale for c.£600m removes £7.7bn of capital-intensive assets and £6.7bn of financial liabilities from the Tesco balance sheet. This, together with the previously announced special dividend of £250m by Tesco Bank, will result in a total cash amount of around £1bn. The majority of this will be returned to shareholders in the form of an incremental share buyback.

Details of the Board's activities during the year can be found on **pages 66 to 69**.

Corporate governance report continued

Board activity.

Key KPIs:
1 Grow sales
2 Deliver profit
3 Improve operating cash flow
4 Customers recommend
5 Colleagues recommend
6 Reduction of climate emissions

The Board is responsible for ensuring that management actions are aligned to strategy, and that stakeholder interests are taken into consideration. During discussions at Board meetings, the views of our stakeholders form an integral part of the Board's decision making. The table below sets out the key topics the Board reviewed, discussed and debated during the year, to support Directors in their oversight and provide the opportunity to challenge executive management.

Information flow	Outcomes, benefits and considerations	Link to KPIs	Cross-reference
Purpose and strategy			
Review and monitoring of strategy and the progress against each of the strategic priorities throughout the year.	The Board has spent time reviewing the longer-term strategy. Strategy Board days focused on each of our business areas, providing oversight and challenge of growth opportunities, customer behaviours, stakeholder engagement and market trends. 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.	1, 2, 3, 4, 5, 6	12 to 21
Review of planet strategy and monitoring progress against key sustainability milestones to meet our net zero commitments.	The development of our planet plan brought together all of the work we are doing to deliver our key commitments of reducing Scope 1, 2 and 3 emissions. The updates received on the progress against each of the pillars of the plan, supports the Board in reviewing progress against our key milestones and enhances its understanding of how activities at an operational level ladder up to meet our net zero commitments. Deep dives into these initiatives brought these commitments to life.	6	18 to 21 38 to 45
Technology updates providing an overview of operational stability, technical capability, transformation, cyber security and the use of AI in our business. Participation in a cyber crisis management event.	We continue to operate our environments with high operational stability. Updates provide the Board with oversight of the risks and opportunities available. Improved technology will support the delivery of our strategic priorities. We continue to embed AI into our business. AI is an innovative area of technological change that Tesco uses to optimise its operations and better serve its customers, community and planet. As new techniques and uses emerge, we are exploring how they could be adopted to deliver on our purpose. We have developed an AI governance framework to 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 in this space. Our dedicated cyber security programme has clearly defined governance, oversight and structured training processes.	1, 2, 3, 4, 5, 6	32 and 37 68 to 69 82 to 89
Review of product innovation.	The Board regularly receives updates on customer behaviours. Innovation in customer research is a pivotal part of understanding customer behaviour, development of our Own Brand products and creating competitive advantage. It is essential that we keep innovating for the future. Innovative projects help deliver the strategy to drive business forward to meet the changing needs of our customers, the environment we operate in and the delivery of our net zero commitments.	1, 2, 3, 4, 5, 6	18 and 19 71 and 72 78 to 80
Operational performance			
Regular updates from the Group Chief Executive, our businesses in the UK, ROI and Central Europe, and deep dives into each of our business areas.	Business updates from UK, ROI, Central Europe, Tesco Bank, 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.	1, 2, 3, 4, 5, 6	2 to 46 70 to 72
Health and safety updates focusing on people safety and safety framework.	The Board receives regular updates on health and safety matters looking at our health and safety strategy, progress against the priorities, ways for improvement, the volume and severity of injuries and cost of injury claims compared to previous years, across all businesses.	4, 5	34
Trading updates focus on managing capacity through peak trading, stock management and resourcing.	Understanding our trading performance through the various channels supports in the identification of growth opportunities and the delivery of our strategic drivers, in particular Easily the most convenient. As an example, the Board reviewed the UK Christmas plan which covered our robust operational plans to cover product innovation for Christmas, safety, security, space planning, recruitment, crisis management and our customer and colleague communications plan.	1, 2, 3, 4, 5	2 to 17 32 to 37

Information flow	Outcomes, benefits and considerations	Link to KPIs	Cross-reference
Financial performance, risk management and internal controls			
Regular updates through the Chief Financial Officer's report provide an overview of the financial position, balance sheet, going concern and viability of the Group.	The Board regularly reviews progress against the budget and the long term plan, which represents a strong three-year plan delivering growth and strong value for stakeholders. Through these financial updates, the Board receives a detailed overview of each of the business areas including performance against budget, sales, profit, cash flow, capital expenditure, cost inflation and Save to invest. Updates provide the Board with oversight of the progress of the Big 6 and the key performance indicators across the Group.	1, 2, 3, 4, 5, 6	22 to 29
Review of risk management framework, principal and emerging risks and oversight of the internal control framework.	The Board reviews the most significant or principal risks facing the Group. Strengthening the risk and internal control environment is 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.	2, 4, 5, 6	30 to 37 82 to 89
Review of property portfolio, property strategy and capital expenditure.	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 provides oversight of the property portfolio ensuring the portfolio is properly managed and accounted for.	2, 3	22 to 29
Review and approval of capital allocation framework, funding and liquidity plans.	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.	1, 2. 3	22 to 29 30 to 37
Stakeholder engagement			
Understanding stakeholder expectation, review of: – Customer insight – Colleague updates: Talent, succession and development, colleague communication and feedback – Supplier engagement and sourcing – Investor views and key market issues – Planet plan – Government and regulatory developments.	With continued pressures and uncertainty across the economy, we strive to manage the impact of cost-of-living pressures and focus on delivering value for our customers. Through the use of multiple data sources, including trends influencing consumer spending and habits globally, we have an understanding of our customers' needs to develop products and propositions for now and the future. Colleague engagement is key to the success of our business. The Board receives frequent updates on colleague matters at Board and committee meetings to understand the views of our workforce. These are typically through: our CCPs; Every Voice Matters surveys; talent, succession and development updates; as well as the news and views communications platform. Our Product teams are working hard with suppliers and other stakeholders and industry bodies to address issues we cannot solve alone in an efficient and targeted way, keeping things simple. Providing the Board with this oversight, ensures an understanding of the challenges we face and the support we can provide. The Board reviews the results, management action plans and areas for improvement based on customer, colleague and supplier surveys. Updates from Investor Relations provide the Board with feedback on investor views and expectations, visibility of market conditions, share price performance and the future outlook. Feedback on specific investor meetings is provided.	1, 2, 4, 5, 6	2 to 47 68 to 72
Review of our community strategy and supporting initiatives.	The importance of having a strong community programme has never been greater to ensure we deliver on our purpose for all of our stakeholders. Understanding the initiatives and positive impact we have on local communities is a key part of the Board's oversight. Our community programmes include Stronger Starts, a community investment in UK schools supporting food and health-related activities, food collections and continued support to our charity partners.	4, 5	13 70 to 72 78 to 81
Governance and culture			
Updates on colleague matters which cover a range of topics demonstrating the culture we operate in.	The Board's oversight of diversity, equity and inclusion, management succession plans and talent management, ensures a continuous level of quality in management. We are committed to promoting diversity within the Group and ensuring any barriers identified are removed. This remains a key consideration in our succession planning at both Board and senior management level.	5	74 to 77
Regular reports from the Group Company Secretary update the Board on governance-related matters.	Governance-related matters are discussed at each meeting, over the year this has included topics such as: regulatory changes; share buyback programme; non-executive director fees; share forfeiture programme; modern slavery; litigation; delegation of authority framework; review and approval of statutory reporting and shareholder documentation; and the annual renewal of directors' and officers' insurance. Additionally, the Board reviewed and approved entry into material contracts taking into consideration the associated operational and financial benefits, risks and opportunities, and consideration of the impact on all stakeholders.	1, 5	58 to 60

Board leadership in action.

Strategy meeting

Over the year, updates are scheduled from 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. To support the development and oversight of the strategy, each year the Board hosts a two-day strategy meeting, with the aim of gaining a better understanding of market trends, technology developments, innovation and people strategies. It also explores the culture, diversity and inclusion supporting the long-term planning and strategic direction of the Group.

The Board regularly reviews the progress of our strategic drivers and our long term plan (LTP), which represents a strong three-year plan delivering growth and sustainable value for stakeholders. This is reviewed in detail during the strategy meeting. We set out our strategy two years ago and our strategic drivers are serving us well. However, since we set out our strategy, we have experienced a volatile and uncertain environment which has presented both challenges and opportunities. In July, the Board had an additional session with the Executive Committee to discuss the ambitions and initial thinking on incremental growth opportunities. The session focused on two areas:

- how to accelerate our current plans; and
- new sources of growth.

Initiatives explored included: media monetisation; building on our core product strategy; and growing our market shares. These initiatives were discussed further at the November strategy session alongside the LTP.

Strategic drivers

Magnetic value for customers

Easily the most convenient

I love my Tesco Clubcard

Save to invest

Spotlight on:

Board development: cyber training.

In July 2023, members of the Board and Executive Committee were part of a cyber crisis management exercise, facilitated by PwC. The exercise was a simulated ransomware attack, targeting the operation of business-critical systems, including our tills not being operational. The objectives of the crisis management exercise were to:

- see how the executive team and Board responded to a cyber crisis. Were the right questions asked and were the right decisions made at the appropriate time
- raise awareness of the scale of impacts following a complex cyber incident at Group level
- explore the strategic challenges and decisions posed by a catastrophic cyber incident

The PwC Crisis Management consultancy team concluded that the executive team and the Board were highly effective in managing the simulated ransomware event, maintaining a strategic focus throughout and proactively planning for worst case scenarios with participants understanding their roles effectively and listening to the expertise within the room. PwC also highlighted opportunities for improvement in future crisis response scenarios which included the development of crisis communication plans specific to cyber incidents, and future test and learn exercises, testing multiple layers of our crisis management framework concurrently.

Board visits

Directors have spent time individually and collectively exploring specific operational activities in detail 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.

A series of visits to distribution and fulfilment centres were undertaken during the year, including visits to:

- Daventry Grocery, which included a tour of the: rail head, where Tesco operate trains to Scotland, the North East, Wales and the South East, a tour around the distribution centre which included examples of automation; and the security hub which monitors our stores and distribution centres making sure they are safe and secure;
- Bar Hill, Reading and Lakeside urban fulfilment centres with a tour to see how UFCs operate, and held discussions about the network and distribution strategy; and
- Peterborough Fresh distribution centre which included: a demonstration of the autonomous robot trial proof of concept which enables the picking of fresh products more efficiently; an overview of Tesco's simpler transport operations; and sustainability trials, which included electric hook up, solar powered refrigeration trailers and electric trucks.

Central Europe visit

During 2023, the Board undertook a three-day visit to Bratislava to have a deep dive into the operations of the Central Europe business. Directors met with the Central Europe leadership team, senior management and store colleagues which provided an overview of the Central Europe market. Presentations provided insight into the financial and operational performance of the business, explored opportunities and challenges, and helped the Board understand brand perception within the market. The Board visited a number of Tesco stores in Slovakia and Hungary, as well as some competitor stores. These visits provided detailed insight into the business, enabling the Directors to share their own experiences as well as challenge and support the business directly.

2023/24 Colleague Contribution Panels (CCP)

UK & ROI CCP Host: Byron Grote	UK subsidiaries CCP Host: Byron Grote	Central Europe CCP Host: Alison Platt
Attended by representatives from Tesco stores, Fulfilment, Distribution, Head office, Customer engagement centre and Republic of Ireland	Attended by representatives from Booker, Tesco Café, One Stop, dunnhumby, Tesco Maintenance, Oakwood Distribution, Tesco Bank and Tesco Business Services Bengaluru	Attended by representatives from the Czech Republic, Hungary and Slovakia

CCP benefits:

- Having a designated Non-executive Director for each region allows a deeper understanding of specific workforce-related matters.
- Supports colleagues to develop a better awareness of Board matters and business priorities.
- Provides 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.
- The Board receives updates directly from each Non-executive Director, allowing for more informed decisions to be made in the long-term interests of the Company and its stakeholders.

The aim of the CCPs is to enable elected colleague representatives to meet a member of the Board to strengthen the colleague voice in the boardroom. During each CCP meeting, there is an open 'what's on your mind' session allowing representatives to raise any matters of concern. The representatives receive a progress update on identified actions from their previous meeting and provide feedback to colleagues within their business units.

During 2023/24, six CCPs were held to discuss topical issues and matters of importance, with a focus on our strategic priority, I love my Tesco Clubcard. Alison Platt and Byron Grote provided highlights of the Board's activities, which included Board composition changes, an overview of the growth strategy, delivery against our planet plan, community initiatives, Board visits undertaken and a focus on the future. In addition, management went through some of the key elements of the Every Voice Matters colleague engagement survey.

Themes raised by representatives included: pay and benefits; support for part-time colleagues and shift leaders in rural areas; diversity, equity and inclusion targets; packaging waste; and Whoosh and community initiatives. As a result of feedback from these panels, we have taken decisions such as extending the provision of free food in colleague rooms, increasing the cap on the Colleague Clubcard to encourage colleagues to share their second card with family members and the provision of better online tools for colleagues in Booker.

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, including contractors from Tesco Stores and subsidiary businesses. 80% of contractors answering the survey agreed that Tesco is committed to supporting the wellbeing of colleagues and 94% agreed with the statement 'At Tesco people are listened to'. Where there are specific points of feedback, these are raised for further consideration by senior management, the Executive Committee and Board as appropriate.

Our Executive Committee and senior leaders also regularly engage with the workforce through functional meetings, conferences and store visits. In addition, the Group Chief Executive and Chief Financial Officer host webinars following our quarterly results which allow colleagues to ask questions.

Sustainability store visit

In September 2023, Sustainability Committee members undertook a store visit which focused on key activities that support the planet plan across the food and wider store operations, including:

- store trials incentivising customer behaviour, with a focus on packaging removal and food waste;
- LEAF (Linking Environment and Farming) Marque roll out on products;
- Room to Roam chicken;
- Tesco Sustainable Dairy Group (TSDG) fair price for farmers and carbon reduction;
- a case study on non-food category approach to reducing waste;
- store operations, with a review of LED lighting, fridges and heat systems; and
- community initiatives, including meeting with the local instore Community Champion.

Sustainability Committee members were impressed with the progress being made and suggested ways to bring this to life and leverage initiatives across the whole estate.

Spotlight on:

Directors' visit to India.

As part of Gerry Murphy's induction, he visited our business operations in India with Caroline Silver. They spent a day with senior management within each of the functions including Finance, Technology, Property, People, Product and the customer engagement centre. They hosted a town hall meeting with colleagues, which included a question and answer session.

The next couple of days were spent visiting Star Bazaar stores in Bengaluru and Mumbai with Booker CEO, Andrew Yaxley, and they also met with our Indian joint venture partner, Trent and Tata Investment Corporation.

More detail on Gerry Murphy's induction programme can be found on **page 51.**

Corporate governance report continued

Understanding our stakeholders.

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.

Colleagues

84%
of colleagues recommend Tesco as a great place to work (up 3% on 2022/23)

46pts
recommend Tesco as a great place to shop (up 6pts on 2022/23)

86%
of colleagues agree that there is an inclusive culture at Tesco (up 2% on 2022/23)

More detail on our colleague policies, reward and benefits can be found on **pages 101 to 105 and 229.**

More detail on diversity, equity and inclusion can be found on **pages 76 and 77.**

More detail on our Colleague Contribution Panels 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. Our clear diversity, equity and inclusion strategy strives 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 and views communications platform is enhancing colleague engagement. Through our Colleague Contribution Panels 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.

Outcomes and highlights in 2023/24

Tesco announced the biggest ever single investment in store colleague pay, bringing the hourly rate up to £12.02 per hour. The new rate will come into effect from April 2024 representing a 9.1% rise in base pay and a record investment of more than £300m in hourly colleague pay.

We have launched a number of family friendly policies for colleagues which include 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 have rolled out a number of measures to protect colleagues, including body cameras across our stores and new protective screens at hundreds of Express stores and petrol station kiosks.

We are investing in our colleagues' skills to equip them for the present and future. Our store colleagues have become more skilled and flexible, and our managers have improved their abilities. In the UK, more than 50,000 store colleagues completed Serve, Pick and Fill training, enabling them to work across departments which has enabled colleagues to book 2.9 million extra shifts.

Spotlight on:

Kinship leave.

Tesco became the first UK supermarket to give kinship carers the same support as adoptive parents. We granted colleagues who have a Special Guardianship Order to care for relatives' children equal rights with colleagues who adopt – giving them both 26 weeks' leave on full pay. The kinship leave, which applies to grandparents or other relatives who take on a child of a family member, is intended to help kinship carers to be able to stay in the workforce, while managing their extra responsibilities. The policy is among a raft of family-friendly policies Tesco introduced this year.

Customers

19
NPS

No.1
voted Britain's favourite supermarket by customers

More detail on how we support our customers can be found on **pages 2 to 5.**

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.

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 2023/24

The work we have done on value can be seen in detail on **pages 4 and 5**. In the UK, our unique customer offer combines Aldi Price Match on more than 600 lines, Low Everyday Prices on more than 1,000 lines and around 8,000 exclusive Clubcard Prices deals each week. We have also reduced the prices of more than 4,000 products by an average of 12%. All of this has helped our position as the UK's cheapest full line grocer for 16 consecutive months.

During the year, we also ran: double Clubcard points event for seven weeks; covered the cost of VAT on period pants and sun care; and made the range we stock in Express stores even more affordable.

Through our Kids Eat Free at Cafés initiative, we have given away more than 450,000 children's meals; we have also introduced in-store zones that signpost foods high in fibre, plant-based options and food under 100 calories.

Overall, we have improved our Customer NPS score by four points and once again been named Britain's Favourite Supermarket by customers (The Grocer Gold Awards).

Suppliers

87.2%
Supplier satisfaction

88.3%
agree that Tesco treats me fairly (based on Viewpoint Survey)

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 2023/24

We are delighted to have achieved the number one position in the Advantage supplier survey for the eighth 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.

We continue to invest in sustainable feed cost models, ensuring fair and transparent pricing for our Own Brand egg and poultry suppliers, in recognition that feed represents more than 70% of their cost of production. We provided the UK egg sector with £10m of additional support in 2023/24, following our investment of £27.5m over the course of 2022/23.

We recognised that many UK vegetable growers were hit by storms and flooding over the winter. As a temporary measure, we accepted smaller brussels sprouts, cauliflowers, cabbages and leeks to help UK farmers struggling with the devastating weather conditions that had affected their livelihoods. This also helped us to keep British produce on shelves for customers and reduce the risk of shortages.

Tesco partnered with Harper Adams University's School of Sustainable Food and Farming to launch a new multi-year programme which helps up-and-coming British farmers develop their skills in sustainable agriculture. The nine-month course will also include events and mentoring sessions on business operations and personal development.

We completed the roll out of LEAF Marque certification with our British fruit and vegetable growers at the start of 2023. We are now working with our international grower supply base to complete the global roll out of LEAF by 2025.

The winners of the 2022 WWF Tesco Innovation Connections Programme shared how working with major Tesco suppliers had helped to accelerate research, develop, test and scale their innovations.

Corporate governance report continued

Understanding our stakeholders continued

Shareholders

£1.4–1.8bn
Retail free cash flow

12.10p
Full year dividend

More detail can be found in the Financial review on **pages 22 to 29.**

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 LTP 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 2023/24

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. Over the next 12 months we plan to buy back £1.0bn worth of shares, including £250m funded by the special dividend paid by Tesco Bank in August 2023.

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.

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. We welcome engagement with private shareholders at our Annual General Meeting.

Communities

80m
equivalent meals donated across the Group

£5.3m
available through Stronger Starts programme

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 to 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. Food banks and frontline charities are facing record levels of needs as the rising cost of living pushes more and more families into food uncertainty.

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 the Trussell Trust. Tesco also provides financial support to further 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 2023/24

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 200 million 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 £5.3m 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.

We joined forces with the British Red Cross to provide vital assistance to people affected by the devastating earthquake in Morocco and sudden flooding in Libya. The £250,000 donation from the Tesco Group was critical to the charity's Disaster Fund Appeal. We also provided the opportunity for UK customers to support the British Red Cross by giving donations via text.

Planet

61%
reduction in emissions of own operations since 2015

96.9 billion
calories removed from our Own Brand ranges through reformulation

More information on the planet initiatives can be found on **pages 18 to 21 and 38 to 45.**

Why is it 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 2023/24

In November 2023, we launched Tesco's nature programme, which focuses on five key areas of action: protecting nature in key sourcing landscapes; 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. The programme will build on the ground-breaking work of the Tesco WWF Partnership.

We also announced in November 2023, our ambition to install solar panels on 100 stores over the next three years. This initiative could generate as much as 20GWh of electricity, enough to charge the equivalent of 300,000 Tesco electric home delivery vans.

Tesco became one of the first companies globally to set validated science-based targets on all greenhouse gas emissions, including those originating from forest, land and agriculture (FLAG). Our net zero science-based targets have been validated by the Science Based Targets initiative (SBTi), the body that validates our climate targets.

Board performance.

Progress against actions identified through the 2022/23 internal performance review

Action identified	Progress against action
Greater focus on the longer-term strategy and sustainability objectives.	Development of strategy over the longer term was discussed throughout the year. Development of the planet plan has been embedded in the governance framework to support the delivery of our sustainability objectives. More details can be found on **page 59**.
Continue to assess the Board composition, expertise and skills required to deliver our strategic priorities, with a focus on the Chair and Senior Independent Director (SID) succession process and ongoing diverse talent management plans.	The Board and Nominations and Governance Committee reviewed succession plans for the Board and senior management throughout the year to strengthen our diverse talent pipeline. Gerry Murphy was appointed as Chair in July 2023 following a thorough search process led by the SID. The Chair has led the succession process for the SID. The Board approved that Carolyn Fairbairn would become SID at the conclusion of the AGM. More detail on the Chair's succession process can be found on **page 75**.
Additional focus be given to customer insight and supplier engagement.	Business updates through the year have had a focus on customer insight and supplier engagement. Dedicated sessions on customers, innovation and communities are included on the Board forward planners.
Directors to spend more time in the business, through individual site visits and meetings with management.	Throughout the year the Board have taken part collectively and individually in site visits and deep dives with management. Highlights are included in our Board leadership in action on **page 68 and 69**.

The Board sets annual objectives for the business, in line with Group strategy, and monitors its performance through an annual assessment to ensure the Board remains effective. The review assesses the performance of the Board, its Committees and Directors. The review is externally facilitated every three years with the last external review undertaken by Boardroom Review during 2021/22. The next external review will be in respect of the 2024/25 financial year. The Chair and the Board continually work to strengthen and enhance the performance, skills and experience of the Board to align with Group strategy.

Internal Board performance review process for 2023/24

Board and Committee questionnaires
Developed with the Chair and Group Company Secretary. Questionnaires included scored and free text questions. Completed by each Director in December 2023.

Analysis
Results were collated for discussion at Board and Committee meetings.

Discussion
The Board and each Committee discussed results of the review at meetings held in February 2024.

The Chair discussed individual feedback with each of the Directors separately.

Action plan
Conclusions of the performance review were reached and an action plan developed based on discussions. This will be reviewed by the Nominations and Governance Committee throughout the year to track progress.

The performance review was carefully structured to encourage debate on issues that were relevant, which included the oversight of matters by the Board and Committees, specific topical issues, a review of progress against matters previously identified in the 2022/23 survey and identifying potential for improvement. Given Gerry Murphy became Chair on 1 September 2023, it was agreed that the review of his performance would be postponed and conducted in March 2024, allowing him to be in his role for six months. The Chair's review was led by the Senior Independent Director. Views from each Director on the performance of the Chair were obtained using a questionnaire. The Board, excluding the Chair, discussed the findings at its meeting in April 2024 which concluded that he had made a strong start, with a good focus on the longer-term strategy of the Group.

Actions identified during 2023/24 internal performance review

The results of the internal performance review were presented to the Board in February 2024 and concluded that the Board was operating effectively. Many areas were rated highly with a few key focus areas identified for the forthcoming year:

- 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;
- 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;
- continue to review Group performance in a changing market and the changing needs of our customers; and
- continue to develop and test risk appetite.

An action plan has been developed and will be reviewed to track progress throughout the 2024/25 year.

Nominations and Governance Committee.

Tesco PLC Chair and Committee Chair

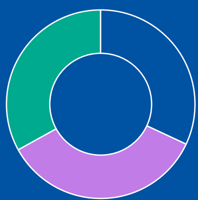
Gerry Murphy.

Committee membership and tenure

Director	Member since
Gerry Murphy, Committee Chair	September 2023
Stewart Gilliland	April 2019
Byron Grote	December 2015
Alison Platt	April 2019

Details of attendance at Committee meetings is set out on **page 55**.

Committee activity



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

Key activities in 2023/24

- Board and senior management succession planning and recommendation of Board appointments.
- Diversity, equity and inclusion strategy and progress.
- Board and Committee composition: skills and experience matrix.
- Board governance: Board effectiveness review, time commitments and independence.

2023/24 evaluation of Nominations and Governance Committee

An internal review of the Committee effectiveness was conducted during the year. The questionnaire covered five key areas: composition, management and information; training and support; review and assessment of key areas; causes for concern; and overall performance and suggestions for improvement. Its findings concluded that the Committee's activities were rated highly and remained effective. A number of priorities were identified.

Priorities identified

- Senior Independent Director and Audit Chair succession.
- Continued focus on succession plans for the Board, Executive Committee and senior management to ensure the Group has the right skills and experience to deliver its strategy.
- Continued focus on diversity, equity and inclusion reporting and objectives to ensure we continue to build an inclusive culture, where everyone feels welcome.

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 with 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 revised UK Corporate Governance Code.

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

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 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 evaluation process. The Committee reviewed the progress of the actions identified through the 2022/23 evaluation and discussed whether any further actions were needed. In addition, the Committee reviewed the proposed approach to the internal 2023/24 evaluation of the Board, Committees and Directors, considering the key themes and focus of the review.

Details of the 2023/24 Board performance can be found on **page 73**.

Board composition, expertise and succession planning

The Committee keeps under review the size and composition of the Board and its Committees, and the need to refresh membership so that there is an appropriate balance of skills, knowledge, experience and diversity in its widest sense. 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.

To support the succession planning process, a skills matrix is regularly reviewed to ensure the Board has and maintains the skills required to deliver the strategy and objectives in the longer term. This also identifies the skills and experience that may potentially be lost with a retiring non-executive director. Our Non-executive Directors are drawn from a wide range of industries and backgrounds and have a wealth of experience in complex organisations with global reach. The matrix shown on **page 49** demonstrates the broad diversity and experience of the Board.

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 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. At the 2023 AGM, John Allan stepped down from his role as Chair and Director of the Company. John made a significant contribution during his eight years in the business and the Committee would like to thank him for his strong stewardship. John Allan was appointed in 2015 and his tenure as Chair was due to end in early 2024. A succession process had started in early 2023 to identify his successor and the appointment of Gerry Murphy as Chair was announced on 3 July 2023. John Allan had no involvement in the appointment of his successor. Lindsey Pownall also stood down from the Board at the 2023 AGM. Lindsey had served more than seven years on the Board and had advised of her intention to retire in February 2023.

In September 2023, the Board welcomed Gerry Murphy as Chair of the Board. This followed an in-depth selection process, assisted by Lygon Group, who has no connection to Tesco or any of its directors. A succession committee was established by the Board in February 2023, led by the Senior Independent Director and members of the Committee, supported by the Group Company Secretary and Chief People Officer. Open advertising was not used.

Monthly progress updates to the Board, led by Byron Grote, were provided throughout the process without the Chair being present. The Committee made a unanimous decision in July 2023 to recommend to the Board the appointment of Gerry Murphy. The Board and Committee believed that his significant business and board level experience and deep understanding of corporate governance, enabled him to provide the Board with valuable leadership in the delivery of the Group's strategic objectives. A timeline of the selection process undertaken is set out as follows.

Succession planning timeline for new Chair

Jan	Briefing of Lygon Group by the Senior Independent Director and Group Company Secretary.
Feb	Establishment of succession committee by the Board, with the Senior Independent Director as Chair. Lygon Group met with key stakeholders within the business to develop a detailed role profile.
Mar	Comprehensive evaluation of candidate pool, in conjunction with Lygon Group. Review of long list with succession committee and Group Chief Executive.
Apr–May	Short list of four candidates interviewed by Lygon Group, succession committee and Group Chief Executive.
May–Jun	Interview of two final candidates by remainder of the Board.
Jun	Board meeting to discuss candidates.
Jul	Approve appointment of Chair and announcement of Gerry Murphy as the new Chair.

As reported last year, with the support of Lygon Group, the Committee recommended the appointment of Carolyn Fairbairn, who joined the Board on 1 September 2023 bringing significant experience across the media, government and finance sectors. 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.

The Committee reviewed the tailored induction plans proposed for Gerry Murphy and Carolyn Fairbairn. Directors' feedback was that the comprehensive programme provided great insight into the business operations, governance and controls, with an opportunity to meet colleagues across the business.

Byron Grote will retire from the Board at the forthcoming AGM. Carolyn Fairbairn will succeed him as Senior Independent Director and Karen Whitworth will take on the role of Audit Committee Chair. I would like to thank Byron for his contribution and dedication during his time as a Director.

Spotlight on:

Directors' induction programme.

The 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. For example, an individual to be appointed to the Remuneration Committee would have additional meetings with senior members of the Reward team and the remuneration advisors; those joining the Audit Committee, would have a more detailed finance and audit programme and a non-executive director joining Sustainability Committee, would have additional meetings with the Product, Environment and Group Communications teams. The programme has evolved over time, culminating in a combination of senior management and advisor meetings, site visits and a library of documents, over a six-month period.

Since joining the Board of Tesco PLC, I have had the opportunity, through a comprehensive and tailored induction programme, to meet members of the Executive Committee and senior management across the business and have undertaken a number of site visits across the different store formats, urban fulfilment centres and distribution centres. This has provided me with insight to understand Tesco's operations and the strengths, risks, opportunities and challenges we face as a Group, and enabling me to engage quickly with the business and provide challenge in my role as an Independent Non-executive Director."

Carolyn Fairbairn
Independent Non-executive Director

Corporate governance report continued

Nominations and Governance Committee continued

Review of Non-executive Directors' time commitments independence and conflicts

The Board recognises that it is important for all Non-executive Directors to commit sufficient time to understand, oversee and challenge the business. Upon appointment, Non-executive Director 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 other time commitments of Directors to ensure that each Non-executive Director continues to have sufficient time to devote to their role. This assessment takes into account the number and nature of the external commitments each Director has. It 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. Where cross-directorships exist, this does not affect the assessment on independence. Each Director completes a self-assessment of the time spent on their external commitments which supports the Committee in their assessment. All Directors make themselves freely available as required, even at short notice, in order to meet the needs of the business. 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.

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 UK Corporate Governance Code 2018.

In accordance with the Companies Act 2006 and the Company's Articles of Association, 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. 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.

The Committee also carries out a rigorous review of performance when a Non-executive Director reaches three-years' and six-years' service taking into account the Director's commitment, contribution and effectiveness. During the year, a review of Stewart Gilliland, who reached his six-years' service in March 2024, was undertaken. Following a robust assessment, the Committee determined that Stewart should continue as a Director.

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 2024 AGM, with the exception of Byron Grote who will retire at the conclusion of the 2024 AGM.

Non-executive Director external appointments are detailed on **pages 52 to 54**.

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, diversity, equity and inclusion. The Committee strongly believes that diversity and providing an inclusive culture is a key driver of business success and the Committee is committed to having a diverse and inclusive 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. 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 diversity, equity and inclusion.

Diversity, equity and inclusion

The Board has a duty to ensure that any barriers are removed which might prevent a fair and equal workplace. Equity ensures that everyone is treated fairly. All colleagues should feel comfortable to attend work as their authentic self. We have a clear diversity, equity and inclusion strategy in place to ensure that at Tesco, everyone's welcome. Our diversity, equity and inclusion strategy is built on three core pillars:

We lead and role-model inclusion	We embed inclusion in everything we do	We listen, learn and act

The Committee reviews progress against the diversity, equity and inclusion strategy twice a year. Key priorities include continued focus on diverse representation of our top global leaders, Groupwide disability confident roadmap and continued focus on This is Me as our primary strategic data source for diversity, equity and inclusion matters. Our colleague networks continue to underpin our strategy, supporting colleagues to connect and amplify their voices, while proactively consulting with the business on key priorities. Our UK colleague networks are Armed Forces, Disability, LGBTQ+, Parents and Carers, Race and Ethnicity and Gender Equality. Other markets have variations of these networks.

The Board's diversity, equity and inclusion policy sits alongside various other policies that support the Group's wider commitment to building an increasingly diverse business where all colleagues are given equal opportunities through recruitment, learning and development. The Committee reviews the policy in detail each year and monitors progress against it. During the year, the policy was updated to reflect the new recommendations set out in the Parker Review to set ethnicity targets at senior management level. In addition, the policy now reflects the current practice of the Committee reviewing the diversity, equity and inclusion strategy to ensure the ambitions set are being realised and that the Group is promoting an inclusive workplace through inclusive people policies.

Board diversity, equity and inclusion policy

Policy objectives	Implementation	Progress against objectives
Commitment to achieve a minimum of 40% female representation on the Board and senior management on the Executive Committee and direct reports.	Regular succession planning sessions are undertaken to review Board and Committee composition throughout the year to ensure that the appropriate balance of diversity, skills and experiences required to deliver on the strategic objectives are in place over the short, medium and long term. Scheduled updates to the Board, Nominations and Governance Committee and Executive Committee are provided. These cover talent management, succession planning and diversity, equity and inclusion to support the development of a diverse pipeline of high-potential and high-performing candidates in senior management roles.	We currently have 42% female representation on the Board and 34.7%* female representation of the combined Executive Committee and their direct reports. The Executive Committee was reduced from 13 to 12 during the year. Our Chief Customer Officer left the business in October 2023. This role was occupied by a female colleague. A new role has been created, Chief Commercial Officer, amalgamating the Chief Customer Officer role with the Chief Product Officer role. This role is currently occupied by a male colleague. Through our Groupwide gender equity plan that we introduced this year, we are prioritising improving our senior management representation through developing strong talent pipelines and ensuring we are building a culture where everyone can thrive. * Data as submitted to the FTSE 350 women leaders report on 31 October 2023.
Commitment to have at least one woman in the role of a senior member of the Board, being the Chair, CEO, CFO or Senior Independent Director, by the end of 2024.	Consideration is given to this as part of the succession planning process. The Committee continues to challenge the external search consultants where necessary, to ensure that diversity is always considered when drawing up candidate shortlists.	The Board approved the appointment of Carolyn Fairbairn as the Senior Independent Director to succeed Byron Grote at the conclusion of the 2024 AGM.
The Board supports and monitors Tesco's diversity, equity and inclusion strategy and management's efforts to ensure that the diversity of Tesco's top global leaders is continuously enhanced.	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.	We are committed to promoting diversity and have set a target of achieving 37% female and 17% ethnically diverse representation of our top global leaders by 2026. Diversity of this population is currently 30% female and 14% ethnically diverse. Through our gender equity plan, we are prioritising improving our senior management representation through building strong talent pipelines.
Maintain at least one Director from an ethnic minority background and support the Parker Review recommendations to set ethnicity senior management targets.	Diversity, equity and inclusion at Board and senior management level is considered as part of the talent management and succession planning processes.	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. In line with the new Parker Review recommendations, we have already set an ethnicity target of 17% for our top global leaders by 2026 and will be setting a target for 2027.

Below is the diversity, equity and inclusion schedule in accordance with Listing Rule 9.8.6(10). Gender 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 which aligns to the voluntary diversity questionnaire – This is Me.

Data as at 24 February 2024	Number of Board members	Percentage of the Board	Number of senior members on the Board[1]	Number of Executive Committee	Percentage of Executive Committee	Number of top global leaders[2]	Percentage of top global leaders[2]	Number of employees	Percentage of employees
Men	7	58%	4	9	75%	197	70%	162,549	48%
Women	5	42%	0	3	25%	84	30%	174,163	52%

Data as at 24 February 2024	Number of Board members	Percentage of the Board	Number of senior members on the Board	Number of Executive Committee	Percentage of Executive Committee
White British or other White (including minority-white groups)	10	83%	3	9	75%
Mixed/multiple ethnic groups	0	0%	0	0	0%
Asian/Asian British	2	17%	1	2	17%
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	1	8%

1. The Board has approved the appointment of Carolyn Fairbairn as Senior Independent Director to succeed Byron Grote at the conclusion of the 2024 AGM. There will then be one female fulfilling the role of a senior member of the Board.
2. Definition of top global leaders: work levels 4 to 6.

Corporate governance report continued

Sustainability Committee.

Committee Chair

Stewart Gilliland.

Committee membership and tenure

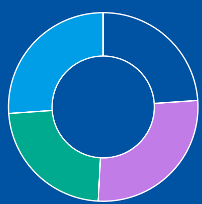
Director	Member since
Stewart Gilliland, Committee Chair	June 2021
Bertrand Bodson	June 2021
Carolyn Fairbairn	September 2023
Karen Whitworth	June 2021

Details of attendance at Committee meetings is set out on **page 55**.

Details of the time spent on key areas of responsibility during 2023/24 are set out below.

Committee activity

- **24%** Sustainability strategy
- **27%** Planet plan pillars
- **23%** Current issues
- **26%** Stakeholders and governance



Key activities in 2023/24

- 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 2023/24 on decarbonisation, healthy sustainable diets, sustainable agriculture, nature and waste.
- Oversight of human rights and community initiatives
- Sustainability-related site visits and events.

2023/24 evaluation of Sustainability Committee

An internal review of Committee effectiveness was conducted during the year. Its findings concluded that the Committee remained effective in the assessment of key areas of the Group's sustainability programme with an appropriate level of challenge, identifying additional areas for deep dives and further clarification where required.

Priorities identified

- Transition plan.
- Monitoring path to net zero.
- Nature.
- Modern Slavery.

Key responsibilities

Sustainability strategy

- Support and advise the Board on matters relating to the planet plan, human rights and our communities.
- Review and challenge initiatives supporting the Group's net zero commitments.
- Oversee 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.
- Monitor external developments on sustainability.

Planet plan

- Progress updates and deep dives on initiatives supporting each of the six 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 approval of sustainability-related corporate reporting.
- 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**.

I am pleased to present my first Sustainability Committee report as Chair of the Sustainability Committee, having taken over the role from Lindsey Pownall in June 2023. I would like to take this opportunity to thank Lindsey on behalf of the Committee for her excellent work as Chair and her support to me personally during the transition of roles.

As Chair of the Sustainability Committee, I have been impressed with the innovative thinking and perseverance of Tesco's leadership in striving to achieve its sustainability goals and objectives and ensuring Tesco's ongoing leadership across so many areas of the sustainability agenda. I have also been impressed by the relentless efforts and generosity of our colleagues – from organising food donation events in stores across the Group, to providing meals to our charity partners, to the passion of our Community Champions in ensuring the success of our new Stronger Starts grants programme and supporting our communities.

The purpose of this report is to explain the work of the Committee during the year, alongside the progress that has been made in relation to the planet and our communities. The Committee's key responsibility is to assist the Board in its oversight of sustainability governance, through a range of environmental and community initiatives, ensuring that sustainability is integrated throughout the Group and that our stakeholders, communities and planet are at the heart of everything we do.

As a Board and a Committee we have built sustainability into our purpose, strategy and business plans. Our commitment to operating in a responsible and sustainable way reflects our beliefs and values. We know that our business depends on the world around us and as a major retailer, we know we can make a big difference, transforming our own operations and working with suppliers, partners and stakeholders to decarbonise our supply chain.

Committee site visits were conducted during the year to support the oversight of Tesco's sustainability activities. These allowed us to see the impact that our sustainability initiatives have on our colleagues, customers and communities, alongside opportunities to further drive change.

Details of the Committee's store visit, which focused on the key activities that support the planet plan pillars across food and wider store operations, can be found on **page 69**.

The Committee's Groundwork visit to a community project is detailed on **page 80**.

In August 2023, Tesco became one of the first companies globally to set validated science-based targets on all greenhouse gas emissions, including those originating from forests, land and agriculture (FLAG) emissions. Our net zero science-based targets have been validated by the Science-Based Targets initiative (SBTi), the body that validates our climate targets. The validated targets will see us work towards our commitment to become carbon neutral across our own operations by 2035, and through the value chain by 2050, in line with the Paris Agreement's aim of limiting global temperature rise to 1.5°C.

How the Committee has discharged its responsibilities

During the year, the Committee's principal activities were as follows:

Sustainability strategy

During the year, our planet plan has provided a clear path on the oversight of the important initiatives to deliver our climate goals, with activities grouped into six pillars as set out on **pages 18 and 19**.

The Committee takes regular deep dives into each pillar to better understand the opportunities and challenges to achieve our targets. These provide an opportunity to monitor the progress made against targets, consider key areas of focus and address risks. The Committee's discussions are informed by the knowledge and experience of senior leaders and experts within the business who are accountable for the delivery of the initiatives.

The Committee feeds back to the wider Board on matters discussed at meetings and helps to ensure that delivery of the sustainability strategy is embedded into the overall Group strategy.

With cross-committee membership and defined and focused responsibilities across each Board Committee, it enables collaboration and consistency across our governance framework.

Spotlight on the governance of sustainability-related matters is detailed on **page 59**.

Planet plan

To achieve our purpose of serving our customers, communities and planet a little better every day, the Group's strategic drivers seek to simultaneously create value for both shareholders and society as a whole. The framework we use to achieve our planet commitments is through our planet plan which is designed to provide a clear and easy-to-use framework to align environmental performance across the Group. The planet plan follows the steps along the Tesco value chain – from improving the products we sell to eliminating packaging and food waste. The actions we take play a role in helping us to decarbonise our business and supply chains. The planet plan's goals and objectives will support the delivery of our net zero commitments.

At each meeting a planet plan dashboard and glidepath are reviewed, which set out the key initiatives to deliver our net zero commitments, providing the Committee with timely updates to monitor progress, KPIs and key milestones, alongside the opportunity to challenge and request deep dives into specific topics and issues.

Further information can be found in the Task Force on Climate-related Financial Disclosures on **pages 39 to 45**.

The Committee has undertaken deep dives into a number of areas which are aligned to our Scope 1, 2 and 3 glidepath. These provided the Committee with the opportunity to develop a detailed understanding of the key deliverables required for our net zero commitments and the opportunities and challenges they create for the Group. Specific deep dives included:

- **Decarbonisation:** to support the delivery of Scope 1 and 2 across the Group with a focus on innovation within our own operations to support pillars 2 and 3 of our planet plan, looking at operational change and transport innovation. These activities will all play a significant part in helping us to decarbonise our business. Understanding the progress across UK, ROI, Booker and CE, with learnings across all markets.
- **Healthier and sustainable diets:** to review progress against our healthy sales commitment in the UK, ROI and CE, tracking our 2023/24 targets and beyond, to understand the key challenges and opportunities and how we plan to achieve these targets.
- **Improve our products:** the Group is on track to meet its shorter-term commitments and good progress is being made in a number of areas on the Group's longer-term commitments. We have completed the roll out of the LEAF Marque to all UK growers; on track to achieve 100% cage-free shell eggs across the Group by 2025; and ran a successful trial on low-carbon fertiliser.
- **Nature:** the content of the Group's nature pillar has been shaped setting out key objectives to invest in priority landscapes across the UK and internationally, and contributing to the development of the global biodiversity initiatives designed to support corporate actions. Actions are being built into the Group's workstreams for 2024/25 and beyond.
- **Waste:** the Committee received an update following an internal investigation on the UK's food waste processing supplier (more details can be found on **page 93**). A deep dive into eliminating waste is scheduled for discussion by the Committee during 2024. Further details on food waste can be found in our food waste report at **www.tescoplc.com**.

I am pleased to report that good progress was made across the most material areas of sustainability in 2023/24, with the Committee reviewing the Group's performance across each pillar of the planet plan and approving areas for development and improvement in the next financial year.

Corporate governance report continued

Sustainability Committee continued

Spotlight on:

Committee visit to Groundwork project.

Following the launch of our Stronger Starts grant programme, members of the Sustainability Committee took the opportunity to visit Hillborough Junior School in Luton, a recipient of one of the first Stronger Starts grants, to see first hand the positive impact of the funding. Greeted by members of Tesco's Stronger Starts Squad from the launch event in Summer 2023, members were guided to the new Slow Cooker Club that is currently supporting a number of local families. Each week, the selected pupils and their parents, carers or guardians, are invited to prepare a nutritious meal, learning together about a healthy, sustainable diet as well as the basics of food preparation. After bubbling away throughout the school day, the children then take home the meal, feeding their family and loved ones that evening. This Slow Cooker Club is just one example of the many types of projects that Stronger Starts supports, providing healthy food and activity for children.

Members then met with Graham Duxbury, Groundwork Chief Executive, to discuss the trusted partnership between Tesco and Groundwork, which began in 2016. Attendees discussed the evolution of the programme and how we can leverage the scale and impact to provide support to even more children, schools and community organisations across the UK.

The visit finished by meeting the Community Champion of our Dunstable Extra store, Karen Linley. Karen showcased the benefit our Champions across Tesco bring to local areas, from leading our core community initiatives to providing the hyperlocal support on a daily basis on issues that matter most to their local community.

Sustainability communication plan

In terms of Tesco's approach to the disclosure of its sustainability impacts, our aim is to bring about continuous improvement in both the quality of information disclosed and across stakeholder engagement. 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. Further information can be found at **www.tescoplc.com** and on **pages 38 to 45**.

The Committee reviewed the sustainability communication plan which is designed to be delivered by the Group Communications team, the Group Quality, Technical and Sustainability team and Group Finance team, who have the responsibility for reporting on sustainability and governance matters across the Group. The sustainability communication plan has a focus 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.

There is a focus on our Better Baskets initiative which helps our customers make better choices through highlighting healthier, more sustainable products and recipes that are affordable and easily accessible, alongside ways to reduce food waste and save money. The Committee regularly reviews progress against the communication plan and receives feedback from stakeholders. This ensures we strive to stay ahead of expectations, drive change and show transparency in our reporting.

The Group has been in partnership with the WWF since 2018 with the aim of delivering industry-leading collaborative initiatives to halve the environmental impact of the average UK shopping basket. We set this goal because we know that putting the food system on a sustainable footing is vital if we are to meet the challenges of feeding a growing global population while tackling the climate crisis and nature loss. With the work of the partnership now successfully embedded in our supply chains, and with Tesco and WWF convening five other UK supermarkets around the agenda we set out as part of the WWF Retailers' Commitment for Nature Group, our direct partnership with WWF came to its planned end in November 2023. We will continue to separately address these critical issues across both our organisations and play our part in driving action at an industry level through the WWF retailers' group.

Community

The Committee regularly reviews community initiatives. During the year, we received updates on the following matters:

- **Community programme:** including progress on the launch of Stronger Starts, our new £5.3m funding programme to support thousands of schools, youth groups and good causes across the UK to boost funds for healthy food and activities.
- **Global community programmes:** aligned approach across the Group to help children have a stronger start in life by helping fund healthy food and fitness activities to improve their physical and mental wellbeing.
- **Share forfeiture funds:** during 2023/24, the Group undertook a share forfeiture programme following a tracing and notification exercise which resulted in £3.7m of forfeiture funds being available to spend on good causes. The Committee has approved that these funds be used for the purposes of supporting our community programmes with a focus on food and nutrition.

Our community programmes are central to delivering an important part of our purpose for our customers, colleagues and communities. Through our blue token voting mechanism in store, customers have already voted to support more than 4,000 projects and £4.3m of funding. A further £2.7m is also available for local community organisations which can apply or be nominated by a colleague. In Ireland, Stronger Starts launched in 2021 with the aim of giving children who need it most, a better start in life by accessing healthier, nutritious foods at an early age. This programme is bolstered by wider support for children's initiatives through the blue token community fund, in-store and online food collections, and our strategic charity partnership with the Children's Health Foundation. In Central Europe, the You Choose We Help programme, has supported more than 7,200 projects for groups and charities in the Czech Republic, Hungary and Slovakia since 2016.

Our food programmes involve redistribution of unsold food from our stores and distribution centres. At the end of every day, our stores make surplus food available to charities and community groups. Our distribution centres also make surplus food available through regularly scheduled collections. In 2023/24, we donated the equivalent of 80 million meals to local communities in the UK and Ireland and the national food banks in the Czech Republic, Hungary and Slovakia and via our partner FoodCloud. In addition, we organise food collections in our stores in the UK, Ireland and Central Europe to help customers to donate food to people who need it most in their community. In 2023/24 customers donated an incredible 13.9 million meals. Booker has joined Tesco in being awarded the FareShare Food Partner Logo in recognition of its consistent food donation work.

We also continue to support our health charity partners in the UK, the British Red Cross in the UK and internationally and support our Community Champions at a hyperlocal level to fulfil requests for support.

Factsheets providing additional information can be found on our website at **www.tescoplc.com**.

Governance and stakeholder engagement

The Committee places a lot of emphasis on the governance surrounding sustainability and social responsibility matters. Human rights is embedded within our core purpose and the Board is committed to respecting human rights throughout our global supply chain. Our human rights strategy seeks to raise standards and protect our third-party workforce. The Committee regularly reviews our human rights strategy, progress against the Group's compliance programme and the areas of risks to ensure high standards are implemented consistently throughout the Group.

Understanding our stakeholder views is a vital part of the delivery of our sustainability strategy. As part of our stakeholder engagement, the Committee regularly receives updates from the Investor Relations team to understand the views and sentiment of our major investors, including the insight and challenge shared by investors at ESG roundtables.

In January 2024, I attended an ESG open agenda roundtable event organised by the Tesco Investor Relations team. It was well attended with investors representing more than 20% of our issued share capital. The event provided an opportunity for investors to meet with myself and senior management with day-to-day responsibility of some of our sustainability-related matters. We had the opportunity to introduce our planet plan in more detail with questions focusing primarily on nature and healthy diets.

The launch of the Group's news and views, an internal communications platform, has seen increased levels of colleague engagement, and colleague feedback has been provided to the Committee to further help shape our decisions.

Regular updates on sustainability trends and developments and media coverage on key sustainability matters impacting Tesco are reviewed by the Committee at each meeting to ensure we can adapt to, and drive, change. During the year, the Committee has also reviewed a variety of sustainability-related disclosures including the content included in this Annual Report and sustainability-related documents and factsheets which can be found on our website at **www.tescoplc.com**.

Further details on our community initiatives and stakeholder engagement can be found on **pages 70 to 72**.

Looking ahead, 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.

Stewart Gilliland
Sustainability Committee Chair

Spotlight on:

Community.

In May 2023, Tesco Ireland proudly marked the moment that our Stronger Starts programme provided the equivalent of its one millionth free, healthier and nutritious meal to primary school children and their families across Ireland.

Children in 117 DEIS schools (Delivering Equality of Opportunity in Schools) across Ireland received a pack containing fresh apples, onions, potatoes and carrots every week. Within the one million meals, more than 4.5 million pieces of fruit and vegetables have been provided to date.

4.5 million +
pieces of fruit and vegetables provided to date

Corporate governance report continued

Audit Committee.

Audit Committee Chair

Byron Grote.

Committee membership and tenure

Director	Member since
Byron Grote, Committee Chair	June 2015
Melissa Bethell	September 2018
Caroline Silver	October 2022
Karen Whitworth	June 2021

Details of attendance at Committee meetings is set out on **page 55.**

Key decisions in 2023/24

- Competitive audit tender process.
- Internal controls.
- Audit and assurance.
- Banking operations disposal and strategic partnership.
- Risk management and risk appetite.

This year the Audit Committee continued to focus on issues relevant to the Group's financial reporting, considering key accounting judgements and ensuring the ongoing quality of related disclosures. The Committee supports the Board in fulfilling its responsibilities regarding financial reporting, the effectiveness of risk management and internal controls processes and systems. Further details on the division of Board responsibilities can be found on **page 56** and the Committee's role in complying with the UK Corporate Governance Code are set out on **page 61**.

The Committee considered the Annual Report and Financial Statements 2024 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 61**.

2023/24 Evaluation of the Audit Committee

The 2023/24 Committee evaluation formed part of the internal Board evaluation process and was rated very highly overall, see **page 73** for further details. The review found that the Committee works effectively with management and the assurance providers, with no concerns identified with respect to the way the Committee considers the Company's financial health, accounting treatments, future outlook or exposure to risk. The Committee received high ratings for its oversight of internal controls and risk management systems, the effectiveness of the group audit function, the independence and work of external auditors, narrative reporting and sustainability assurance.

Priorities identified

- Greater oversight of risk appetite as the Group continues to enhance its risk appetite framework.
- Continued focus on technology and cyber security risks, see **page 85**.
- Sustainability reporting and assurance requirements and better use of insight tools to simplify the audit process.

Key responsibilities

Financial statements and reporting

- Monitoring the Group's financial reporting processes, reviewing and submitting recommendations to the Board, where necessary, challenging the integrity of financial statements, including considering the impact of macroeconomic factors on key accounting judgements and narrative disclosures.
- Reviewing the Group's assessments of going concern, longer-term prospects and viability and the distributable reserves position prior to any declaration of dividends.
- Reviewing externally reported sustainability-related disclosures and sustainability KPIs, including any definitions, data sources and levels of assurance for each.

External auditor

- In line with requirements, the Committee undertook a thorough audit tender process, further details of which are set out on **page 84**.
- The Committee considers reports from the external auditor and management's response to recommendations. It assesses the quality of the external auditor's contribution and effectiveness, considers their appointment, approves auditor remuneration and monitors the provision of non-audit services and associated fees in line with policy on non-audit services.

Risk management and internal controls

- The Committee reviews and monitors the Group's internal controls framework and risk management processes, including key financial, operational and compliance controls, and the identification and assessment of emerging and principal risks.
- The Committee monitors risk exposures and future risk strategy, including the adopted strategy for capital and liquidity management, technology risks (including data privacy and cyber risks) and climate-related risks.

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

April 2023	July 2023	September 2023	November 2023	February 2024
– Financial statements and regulatory reporting – IT general controls – Key financial controls – Pensions review – Dividend proposal – Share buyback programme – Estate valuation – Tesco Bank update – External audit and internal audit effectiveness reviews	– Corporate governance update – Key financial controls – Internal control over financial reporting – IT general controls and cyber security – Energy hedging strategy – Business transformation update – External audit plan	– Financial statements and regulatory reporting – Dividend proposal – Risk management and risk appetite – Sustainability reporting and assurance – Proposed Banking operations disposal – Corporate governance update	– Deep dive (data privacy risk) – IT general controls and security programme – Energy hedging and strategy update – Sustainability and assurance update (food waste) – Corporate governance update – Business risk update – Audit policy approvals	– Financial statements and regulatory reporting – TCFD and nature disclosure proposals – Sustainability disclosures and assurance (food waste) – Capital allocation and liquidity funding – Pensions update – Tax update – Corporate governance update – Principal risks update

Financial statements and regulatory reporting

In relation to the financial statements, the Committee ensures that Tesco provides accurate and timely financial results, implements accounting standards and applies judgements effectively. During the year, the Committee considered and recommended the approval of the interim financial results, preliminary results and this Annual Report. As well as monitoring the statutory audit, the Committee also reviewed climate risk-related disclosures, capital allocation strategy, the Group's distributable reserves position in advance of the declaration of dividends and corporate governance disclosures. Details of the significant financial reporting matters reviewed by the Committee and how they were addressed are set out on **page 86**.

The Committee considered the viability and going concern statements, their underlying assumptions and the longer-term prospects of the Group. We challenged the viability modelling applied, resulting in a change to scenarios. The Committee also 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, climate change and data breach. 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. The impact of the Banking operations disposal was considered as part of the assessment, but concluded it would have minimal impact. The Committee considered it appropriate to prepare the Group's Financial Statements on a going concern basis. In its review of the financial statements, the Committee considered, and challenged as appropriate, the accounting policies and the significant judgements and estimates underpinning the financial statements. Against a backdrop of significant inflationary pressures, the Group has adapted to the challenging external environment and put in place robust measures to manage future cost pressures and short-term risks.

The Committee received periodic updates on the impact of market movements on the accounting position of the Group's pension schemes, in accordance with IAS 19. The Committee discussed the pension scheme valuations and the evolution of the long-term funding plan, in light of significant turbulence in investment markets and the 2022 UK gilts crisis. The funding position remained in surplus. The Committee reviewed the investment strategy and proposals to restructure Tesco Pension Investment and appoint an outsourced chief investment office to manage the scheme investments and deliver an optimal investment model. The impact of discount rates and volatile bond markets on the accounting position of Group pension schemes continues to be monitored, see **Note 29**.

As impairment remains one of the most significant areas of judgement, the Committee considered steps to simplify and improve the complex impairment model process across the Group, including tightening review controls and ensuring stronger audit trails, with a view to preparing for reliance on impairment controls in the future. The Committee received regular updates on the store impairment and goodwill position considering weighted average cost of capital rates, terminal cash flows and property fair values. The impairment methodology and details of the impairment of non-current assets is presented in **Note 14**.

The Committee received regular updates in relation to Tesco Bank, which operates its own audit committee governed by specific banking regulations. The Committee Chair and the Chief Financial Officer both attend Tesco Bank meetings ensuring that knowledge is shared for mutual benefit. The Committee discussed the accounting implications of the Banking operations disposal and associated judgements, including considerations for financial results regarding the classification of held for sale (**Note 7**) and the impact on Tesco Bank goodwill carrying value (**Note 10**). The ongoing future partnership income and allocation of Tesco Bank goodwill between the disposal group and retained business were also reviewed.
The goodwill allocated to the retained business was assessed for impairment indicators, concluding that no impairment was required.

Corporate governance reforms

The Committee considered proposed changes to the UK Corporate Governance Code (the Code), particularly the impact to internal controls attestations in 2026, sustainability assurance and an audit and assurance policy. Work continued on the embedding of the Internal Controls over Financial Reporting (ICFR) programme, see **page 87**. More rigorous testing on internal controls had been built into the process in anticipation of corporate governance reforms. The Committee discussed the key priorities for, and process to determine, operational and compliance risk and controls, including a definition of materiality. A steering group was set up with accountability assigned to monitor and plan for each of the key changes. The Committee received updates at each meeting on developments. The steering group composed a response to the Code consultation, which was reviewed and endorsed for submission. Despite the Government's decision to withdraw secondary legislation proposals, the Group plans to continue with its approach to assurance mapping and risk appetite. It will also continue to develop governance frameworks, including an audit and assurance policy, and fraud policy and blueprint.

Key financial controls

The Committee oversees the processes undertaken to monitor the underlying key financial control environment and to provide assurance over the preparation of the financial statements. The Committee reviewed the scope of compliance work undertaken and the approach. The effectiveness of key financial controls is reviewed

Spotlight on:

Audit tender.

As intimated in the last annual report, the Committee conducted a competitive and rigorous external audit tender process in accordance with statutory requirements and the minimum standard for audit committees, for the 2025/26 reporting period.

The audit tender process comprised three levels of governance:

Audit Committee – the Committee's role was to lead the audit tender process, agree the scope and consider the tender proposals. The Committee oversaw that the tender process was run in an efficient, transparent, fair and effective manner, before selecting and recommending the appointment of an external auditor to the Board.

Audit tender sub-committee – made up of the Audit Committee Chair, Audit Committee members, Group Chair, Group CFO, Group General Counsel, Chief Audit and Risk Officer, Group Finance Director, Group Finance Director (Control) and Group Company Secretary, who separately met with each firm and collectively attended the audit tender presentations and provided fair and objective feedback.

Audit tender working team – made up of management and led by the Group CFO, the team was set-up to coordinate and manage the audit tender process. The team drafted the request for proposal issued in September 2023, collated tender information packs, performed a detailed assessment of each audit firm and reviewed the final proposal presentations submitted.

Scope

The criteria used to make the selection included: understanding of Tesco, audit quality, approach and methodology, innovation, credibility and experience, and the value proposition. These criteria were focused on quality, including independence, challenge and technical competence across all jurisdictions in which the Group operates, as well as the wider behaviours required to support delivery of a complex audit. In line with FRC recommendations, other indicators of audit quality were considered, including through reviewing the findings of FRC Audit Quality Review reports. The Committee discussed the timetable and the process to ensure a fair tendering process.

Participants

The Group considered eight audit firms in the tender process, including each of the 'Big 4' audit firms and four challenger firms. Management engaged with each of the firms to support preparations for their formal tender proposals. Corporate information – detailing structure, principal activities and policies, were shared through a data room which all participating firms could access. A structured Q&A process was implemented to provide clarification and additional information, which was shared with all firms.

The initial group reduced to two firms who took part in the full tender process. The remaining firms withdrew autonomously from the audit tender process by reason of lack of capability and capacity to undertake an audit of the size and complexity of Tesco, and potential conflict. Management held discussions with audit firms to understand why they felt unable to tender and whether any changes to the audit parameters were required. The Committee was satisfied that the audit tender exercise had been undertaken in a genuine manner, with recognition that where possible audit work should be divided among challenger firms. The Committee reviewed the non-audit work undertaken by each of the firms across the Group and their independence, and none were discounted on this basis. Deloitte were permitted to participate in the tender as their tenure did not exceed the 20-year mandatory rotation period.

Process

The Committee members and the Group CFO had an opportunity to meet with the lead audit partners of each of the final participant firms. The audit firm teams also met with key business and function leaders during October 2023 to help cultivate a greater understanding of the Tesco business and discuss particular elements in greater depth, such as the role of Tesco Business Solutions (TBS). The two final tender participants both travelled to Bengaluru to meet with TBS business leaders and operational teams.

The Committee received regular updates throughout the process, both outside of, and as part of regular scheduled meetings. Management spoke with an existing client of each firm's lead partner and provided feedback to the Committee.

The audit tender sub-committee evaluated the audit tender presentations and provided objective feedback to the Committee. The evaluation was conducted using standardised scorecards and considered the request for proposals, presentations and the interactions with management. Scores against each selection criteria were weighted. Management held feedback meetings with each of the firms.

The Committee considered the results of the tender at its November meeting and agreed to recommend to the Board that Deloitte be reappointed as the Group's external auditors for the 2025/26 financial period, which was accepted and approved. The appointment of Deloitte as external auditor is subject to approval at the Annual General Meeting each year.

annually, and controls testing carried out. The results of effectiveness testing have been reported to the Committee through the year. No material gaps were identified and necessary remediations were taken. Updates on progress towards enhanced corporate governance compliance and other control improvements were provided from the CFOs of UK & ROI, Central Europe and TBS operations. Controls remain subject to other assurance activities, including by Group Audit who test the primary key financial controls on a regular basis and report their findings to the Committee. In preparation for future controls reliance, Deloitte have tested key relevant financial controls through the performance of design, implementation and operating effectiveness testing in a number of areas including impairment, revenue, commercial income, UK inventory, UK pensions and financial close processes. The Committee were comfortable that no significant or material control issues have been identified.

Environmental disclosures and assurance

Our work continued to support the Group's risk, controls and assurance framework and the development of an audit and assurance policy to govern assurance over key published non-financial information (see **page 87**). The Committee reviewed the proposed disclosure plan and enhancements to scenario modelling in connection with the Task Force on Climate-related Financial Disclosures (TCFD), the risk modelling of which was aligned to the Paris Agreement and Tesco's stated targets as detailed on **pages 39 to 45** and our first nature-related disclosures in preparation for alignment to the Task Force for Nature-related Financial Disclosures (TNFD) recommendations. Deloitte have provided limited assurance over six key KPIs including sustainability metrics in the Performance Share Plan targets and sustainability-linked financing. Further to the readiness review performed last year, Deloitte has provided limited assurance over our TCFD statement for the first time. KPIs which are not assured by Deloitte are internally validated and the Committee reviewed the assurance status prior to external disclosure.

In light of the reporting issue that we had with our food waste processor, the Committee reviewed the planned approach to food waste reporting published in January 2024 and considered the engagement with counterparty banks in connection to food waste performance linked to the revolving credit facility (RCF). As a result of restated food waste reduction, the Group refunded a small interest benefit claimed in 2022. The Committee reviewed a three-lines defence model which defines responsibilities in relation to food waste management, reporting and assurance, including assessment of whether controls are adequately designed and are operating effectively. For further information, see the Tesco Food Waste Report, published on our website at **www.tescoplc.com**.

The Committee received updates on the Group's preparations for CSRD reporting in 2026, including the process to identify in scope entities, to define the reporting strategy and complete the double-materiality assessment to determine the disclosure topics most material to the Group and identify the disclosure metrics. In the coming year, we will review a gap analysis undertaken to compare future disclosure requirements with that of our current disclosures and Deloitte will assess the double-materiality process with a view to providing assurance. For further information on the Group's environmental commitments and details of the sustainability-linked targets, visit **www.tescoplc.com/investors/debt-investors/sustainability-linked-financing**.

IT general controls

The Committee continued to monitor the implementation of recommendations to further enhance the Group's financial reporting systems and controls environment. The Committee received regular updates in relation to several remediation workstreams addressing IT general control weaknesses raised by Deloitte as management letter points. Good progress to close these points has been made and the Committee will continue to explore the additional controls required by compliance measures and review the breadth of the control environment.

Cyber security programme

The Committee reviewed the potential adverse outcomes from cyber-related issues and was regularly updated on the Group's cyber risk management activities. The Chief Technology Officer reported on the work of the Group's cyber risk committee, which was set up to oversee effective governance protocols over cyber security activities across the Group. The Committee assessed the effectiveness of the cyber security programme at protecting customer and colleague data, evidenced in testing undertaken. In November 2023, the Committee received a detailed update on the data privacy compliance programme, built around the Group's risk, controls and assurance framework. We reviewed data privacy controls processes, which are implemented consistently across the Group on a comply or explain basis, and the outcome of data privacy audits, including the remediations in place to improve privacy controls. We will continue to oversee the privacy controls assurance progress as the Group completes effectiveness testing on privacy controls and processes, including customer and personal databases and will monitor the programme extension to incorporate the development and deployment of assurance technology tools. In the year, members of the Board and Executive Committee participated in an externally facilitated cyber crisis management exercise, which simulated a ransomware attack on the business. More details on this can be found on **page 68** and further information on the continued monitoring of cyber risk can be found on **page 32**.

Capital allocation and liquidity funding

The Committee reviewed the Group's capital allocation framework and discussed options to optimise the Group's net debt position and continue the return of surplus cash to shareholders through ongoing share buybacks, which would include the return of the majority of Banking operations disposal proceeds by way of an incremental share buyback over the next couple of years. The Committee discussed the appropriate level of dividend pay-out ratio and potential liability management options to maintain its target leverage ratio. The Committee considered these proposals and made an implementation recommendation which was discussed by the Board. Regular updates on the ongoing share buyback programme were provided during the year. Before recommending to the Board, the Committee discussed appropriate alignment with the current and ongoing Group strategy and debated the structure of the ongoing programme against the long term plan. The Committee considered the likely response from stakeholders, including shareholders, rating agencies and pension trustees, with whom we engaged with on the impact of future strategy.

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. 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 monitors the relationship with the Groceries Code Adjudicator and receives reports on supplier engagement and the internal auditing of ethical business processes. See **page 230** for more information.

Business updates

The Committee considered the Group's 2025 energy hedging strategy in light of continued volatility in the market. The Committee will continue to consider the impact of changes in the macroeconomic environment on the underlying wholesale energy cost assumptions.

At each meeting, the Committee receives updates from different areas of the business reflecting areas aligned to principal risks or other relevant issues, further detail can be found on **page 83**.

Spotlight on:

Committee visit to TBS.

During the year, Byron, Karen and Caroline visited our Tesco Business Solutions (TBS) site in Bengaluru to review the finance and business support activities being managed there. The Bengaluru Finance teams support the UK, ROI and Central European businesses and are responsible for managing supplier payments, accounting, controls, managing budgets and providing performance insights. While there, the Directors developed a deeper understanding of how TBS partners with the Group to support the delivery of strategic outcomes, including improved cash flow performance by driving working capital improvement opportunities and ensuring Internal Control for Financial Reporting readiness.

The Directors also reviewed the Group-wide analytics capabilities which assist better business decision making. Using digital transformation initiatives and decision science, TBS study customer trends, behaviours and preferences, utilising this intelligence to create personalised offers for customers. The Directors explored how TBS build and engineer data platforms to provide analytical capabilities and tools to support the business, including the development of data and AI products at scale. The Directors heard more about how TBS have initiated innovations leading to making processes simpler and cost effective. Examples include the Financial Reporting and Insights Programmes, which have implemented improvements to the trade payable forecasts, providing greater visibility of period end variances, and the stock to cash cockpit, designed to help the business understand the implication of business decisions on working capital.

Corporate governance report continued
Audit Committee continued

Significant financial statement reporting issues

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 and external auditors. The Committee was satisfied with how each of the significant issues discussed were addressed.

Issue	How the issue 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, and for the potential impact of certain scenarios, including: the impact of persistent inflation on the business, consumers and competitive environment, global supply pressures, climate change and data breach. The Committee also considered the Group's financing facilities and future funding plans, and the impact of the Group's expected Banking operations disposal. Based on this, the Committee confirmed that the application of the going concern basis for the preparation of the financial statements continued to be appropriate, with no material uncertainties noted, and recommended the approval of the viability statement.	For further information, see **pages 46 and 47**.
Disposals and discontinued operations	The Committee considered the requirements of IFRS 5 'Non-current assets held for sale and discontinued operations' regarding the status of the Group's banking operations, and concurred with management's conclusion that the related assets and liabilities be classified as held for sale and the banking operations results be presented as a discontinued operation. The Committee also reviewed related accounting considerations, including the apportionment of goodwill to the disposal group based on relative values, the fair value less costs to sell of the disposal group and treatment of the resulting remeasurement loss, and the structure of the Group's segmental reporting.	For further information, see **Notes 1 and 7** 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 of goodwill, in particular in relation to Tesco Bank following the allocation of the goodwill to the disposal group and remaining business. The Committee considered the key assumptions and methodologies for both value in use models and fair value measurements in order to conclude on the appropriateness of the impairment losses and reversals recognised. This included challenging projected cash flows, discount rates and the use of independent third-party valuations as well as considering the uncertainties arising from a macroeconomic downturn, higher levels of operating cost inflation and climate change. The Committee also reviewed the impairment disclosures, including sensitivities.	For further information, see **Note 14** to the financial statements.
Tesco Bank expected credit losses (ECL)	The Committee reviewed and challenged management's allowance for expected credit losses on Tesco Bank financial assets, considering the appropriateness of key assumptions, methodologies, macroeconomic scenarios and management overlays.	For further information, see **Note 7** to the financial statements.
Pensions	The Committee reviewed and challenged the estimates used by management in valuing pension liabilities, including discount, inflation and mortality rates and related sensitivities.	For further information, see **Notes 1 and 29** to the financial statements.
Recognition and disclosure of commercial income	The Committee continued to monitor commercial income controls across the Group and discussed the outcome of the cyclical internal audits on commercial income and key financial controls. The Committee reviewed a detailed summary of the different types of promotional constructs and their respective value for the year and the key drivers for movements in the balance sheet positions for commercial income.	See **Notes 1 and 20** to the financial statements for further details on commercial income.
Adjusting items	The Committee considered the presentation of the Group's financial statements and the appropriateness of the presentation of adjusting items. The Committee reviewed the nature of the adjusting items identified and concurred with management that the treatment was clear, balanced and consistently applied across years. Consideration was also given to the quality of earnings within adjusted results and related disclosures.	See **Note 1** to the financial statements for a definition of adjusting items and **Note 4** for an analysis of adjusting items.
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 reconciliations.	For further information on the Group's APMs refer to **pages 220 to 225**.
New accounting standards	The Committee considered the impact of IFRS 17 'Insurance contracts', which became effective in the current financial year. The Committee reviewed and challenged the judgements made in determining the impact of IFRS 17 on the Group's financing reporting and considered management's communication and disclosure of the impacts.	For further information, refer to **Notes 1 and 33** to the financial statements.

Risk management

The Committee reviewed the Group's principal and emerging risks and mitigation strategies, with particular discussion of prioritised risks and risk movements. It also discussed the heightened level of geopolitical uncertainty due to wars and civil unrest, terrorism, elections and government restrictions. It was considered appropriate to expand the principal risk of pandemics into a wider risk definition of geopolitics and other global events, which was considered and approved by the Board. The Committee received updates on various emerging risk themes in areas such as technology, economics, political impacts, talent, climate and sustainability, including periodic deep dive sessions, see **pages 83 to 85**. These are considered by management in connection with the risk assessment process. An 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. For further information on the Group's risk management framework, see **page 30**.

The Committee oversaw the enhancement of the risk appetite framework and the assessment of critical risk events modelled across the Group's principal risks. The framework will enhance the Group's risk culture and enable risk-informed decision-making for all business operations within the acceptable appetite position.

Group Risk and Audit

A new Chief Audit and Risk Officer was appointed in April 2023. The Committee monitors the activity, role and effectiveness of the Group Risk and Audit function, as detailed across the page. At each meeting, the Committee received updates covering a range of management issues, including periodic reviews of the employment of former auditor employees and non-audit services policies, the Group's audit charter and the audit plan.

Group Audit

Group 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.

Group Audit's activity is primarily driven by the annual internal audit plan which is reviewed 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 remains under review and subject to change throughout the year to reflect any changes in risk profile, business objectives and the external environment. The Committee reviews and approves all changes to the audit plan and receives regular updates on the outcome of the work performed. In the coming year, the plan will cover technology and cyber, including audits of second line assurance teams and sustainability assurance.

Beyond the audit plan, Group Audit also undertakes several other 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. The 2023/24 audit plan and additional assurance activities undertaken by Group Audit have been completed and reviewed by the Committee, which has also reviewed and approved the 2024/25 audit plan.

Group Audit effectiveness reviews

In line with the Group Audit Charter, the Committee's terms of reference and the recommendations of the Internal Audit Code of Practice, the Committee conducted an annual assessment of the effectiveness of Group Audit. Conducted by an independent third party, the overall assessment concluded that Group Audit was effective. The assessment highlighted the team's level of independence, objectivity, and professional judgement. The Committee discussed areas for improvement including the provision of greater assurance and coordination across second line functions, further development of specialist capabilities and business knowledge, and leveraging technology and data to drive further improvement. Periodic spotlights on levels of assurance and sustainability matters would be built into the audit plan. Having considered the results of this assessment, as well as through ongoing review and oversight of the assurance activities, the Committee were satisfied with the effectiveness of Group Audit.

Internal controls

Management is responsible for identifying and managing risks, and for maintaining a sound system of internal control. The internal control framework is intended to effectively manage rather than eliminate the risk of failure to achieve the Group's business objectives. It can only provide reasonable, but not absolute, assurance against the risk of material misstatement or financial loss. The key elements of the Group's internal control framework are monitored throughout the year and the Committee has conducted a review of the effectiveness of the Group's risk management and internal control systems on behalf of the Board. The Committee's review of the effectiveness of internal controls has encompassed a review of various reports provided by management, Group Control and Compliance, Group Risk, Group Audit and External Audit. Annually, the Committee reviews the Group Treasury Policy which contains a framework and approach to managing treasury risks. The Committee also receives risk management updates from various areas of the business including pensions and Tesco Bank. Further information on the risk management process undertaken is included on **page 30**. The ICFR framework is currently being enhanced to meet the future needs of pending corporate governance reforms. The framework is underpinned by three pillars which will form our annual Code declaration from 2026/27, the pillars being: entity level controls, business process controls and IT general controls. A key financial controls framework is maintained and used as the basis for focused second-line control activities, as well as forming the foundation of the enhanced ICFR requirements. Greater rigour around controls testing performed in the year was implemented in anticipation of proposed corporate governance reforms. No material gaps were identified and necessary remediations were taken. There remains IT general controls operating effectiveness testing to complete. To date, a significant proportion of controls are effective, with remediations in place to address deficiencies identified. In 2024, we will monitor progress against the remaining testing deficiencies and review the scope post completion of the Banking operations disposal and further embed the ICFR framework through a continuous testing programme, training and building on our control community.

Audit and Assurance Policy

The Government had announced the corporate reform proposals that were expected to be enacted through secondary legislation which, among other matters, included the need for companies to create a formal audit and assurance policy (AAP) outlining their strategy for obtaining assurance on externally reported information. The proposals were withdrawn on 16 October 2023, however, Tesco has adopted a position to continue the development of an internal AAP and the Committee will continue to monitor this.

Corporate governance report continued
Audit Committee continued

Increase ↑ | No change ↔ | Decrease ↓

External audit fees: non-audit and audit-related services

Nature of service	Level of fees in 2023/24 (£m)	Level of fees in 2022/23 (£m)	Change	Safeguards to preserve independence and objectivity
Section 166 skilled person reasonable assurance review for Tesco Bank performed under International Standards on Assurance Engagements (ISAE) (UK) 3000	–	0.4	↓	Service is required to be delivered by an independent firm and is therefore consistent with the role of independent auditor. Threats are also mitigated by having a separate team not involved in the audit. This service was not performed in 2023/24.
Other non-audit services: various audit, assurance and compliance-related services	0.6	0.5	↑	Careful consideration of the scope of services to ensure the self-review and management threats are mitigated, together with working with informed management. Clear separation of the engagement teams has also been established where required.
Interim Review: performed under International Standards of Review Engagements (UK and Ireland) 2410	0.6	0.5	↑	The Interim Review is 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.
Total	**1.2**[a]	**1.4**[b]		

(a) £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.
(b) £538,922 of the 2022/23 fees are not subject to the cap (all within other non-audit services). The remaining fees are all subject to the cap.

External audit

At each meeting the Committee considers reports from the external auditor, Deloitte. These concern interim and year-end reports, audit plan, audit fees, auditor independence and non-audit services, early warning reports, management letter observations and updates on ongoing audit work.

As the Group's external auditor for the 2023/24 financial year, Deloitte shared a further independent perspective on certain aspects of the Group's financial control systems arising from its work and reported both to the Board and the Committee.

The Committee regularly reviews the role of the external auditor and the scope of its work. The Committee will consider future audit needs as part of the AAP.

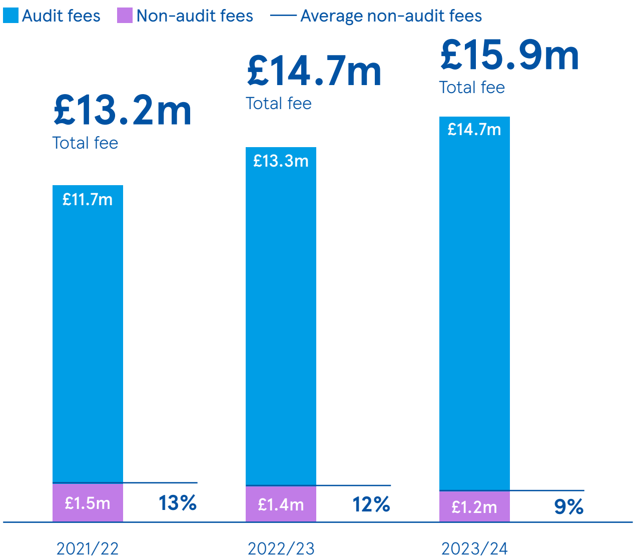
Non-audit services

The FRC's Revised Ethical Standard 2019 reduced the areas where the external auditor can provide non-audit services, such that only certain types of non-audit services that are closely related to an audit or required by law or regulation can be provided. 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, they have 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 Deloitte are set out in **Note 3** to the financial statements. Details of the significant non-audit work undertaken this year are set out in the table above.

Total auditor fees



Effectiveness, quality and appointment of the auditor

The Committee regularly monitors the ongoing effectiveness and quality of the audit process and interactions with the audit partner and senior members of the audit team through regular review meetings with the Finance team and management, and private meetings of the Committee. Among other factors, the review covers Deloitte's independence, objectivity, appropriate mindset and professional scepticism. The Committee's conclusions are based on its own observations and interactions with Deloitte and having regard to the Minimum Standard for Audit Committees.

The Committee discussed feedback from the 2022/23 effectiveness review and improvements incorporated into the audit approach, which included enhanced testing and reliance on internal controls, greater use of technology and data analytics, and continuous insights and improvements. The Committee recognised improvements in the provision of data-driven insights and analysis in connection with IFRS 16 lease liabilities and right-of-use assets and revenue and cost of sales areas of the audit.

In January 2024, Deloitte's effectiveness and quality was evaluated on the basis of feedback provided through questionnaires completed by the Board, management and business representatives. Facilitated by an independent third party, the responses were collated and Deloitte was rated effective. The Committee discussed areas for improvement to best meet the future needs of the Group, which included greater insight of sustainability assurance, focusing on controls, looking forward to emerging issues, revised approach to the phasing of audit work i.e. bringing work forward to ease pressures in the audit cycle and encouraging a more continuous audit process, addressing IT and cyber security controls, highlighting trends and themes, and exploiting technology/digital tools. Deloitte had reviewed the feedback and incorporated this into their audit approach to ensure the audit would continue to evolve and enhance the audit effectiveness. The Committee recommended to the Board that Deloitte be reappointed at the 2024 AGM. The effectiveness of Deloitte will be continually monitored in 2024/25 by the Committee.

During the year, management further refined their consideration of the key judgements involved in the impairment modelling, which enabled Deloitte to focus on those areas most at risk of material misstatement. These areas were subject to audit testing earlier in the audit cycle, thereby both simplifying and improving the efficiency of the impairment audit testing. Management also focused heavily on the effectiveness of key financial controls over the impairment process, which was tested by Deloitte as part of their audit. Finally, we note that management has further simplified the impairment process on lower risk areas, enabling a more efficient identification of impairment indicators and the focus of both management and Deloitte to be on those areas where more judgements and significant accounting estimates are required.

Over the course of the year, the audit approach aligned with the evolution of the Group's control environment and business strategy. Deloitte provided data-driven insights and analytics to management and the Committee, as part of their risk assessment and testing of IT general controls, and in their continued review of IFRS 16 lease balances and calculation of discount rates.

Deloitte was appointed at the AGM in June 2015 following the conclusion of a formal tender process for the statutory audit contract. John Adam has been lead audit partner since 2020 and will rotate as the lead partner following the 2024/25 financial year audit. The Committee worked closely with management to ensure that a suitable auditor onboarding process was in place. Richard Muschamp was identified as a proposed successor audit partner and led the Deloitte tender bid. Richard was interviewed by members of the Audit Committee and senior management. Richard will assume the audit lead from April 2025 and will shadow John over the course of the coming year in support of the transition.

The Committee reviews and makes a recommendation to the Board with regard to the reappointment of the external auditor each year. In making this recommendation, the Committee monitored and assessed their effectiveness, overall audit quality, objectivity, independence, and lead partner rotation. The Committee monitored compliance with the Group's policy on the employment of former Deloitte employees and concluded the auditors remained independent. Based on the performance of the auditor and its knowledge of the business, the Committee believes that it is in the best interests of shareholders to continue to recommend Deloitte as the external auditor.

Committee membership

All the Committee members are independent Non-executive Directors and the Board is satisfied that Byron Grote, Melissa Bethell, Caroline Silver and Karen Whitworth have significant, recent and relevant financial experience. Additionally, Byron Grote, having held a chief financial officer role for a significant period, and Caroline Silver and Karen Whitworth, as chartered accountants, are considered suitably qualified in accounting and/or auditing. 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 52 to 55**.

In June 2023, Byron Grote took up the position of interim Group Chair until Gerry Murphy joined in September 2023. During this time Karen Whitworth was appointed as interim Committee Chair, although Byron remained engaged on all Audit Committee matters throughout this time. In June 2024, Byron Grote will retire from the Board having served nine years. Karen Whitworth will succeed Byron as Committee Chair from the conclusion of the 2024 AGM.

Audit Committee meetings

The Committee held five scheduled meetings during the year. Each meeting followed a distinct agenda to reflect the financial reporting cycle and particular matters for the Committee's consideration. The Committee has a periodic and structured forward-looking planner. This is designed to ensure that responsibilities are discharged in full during the year and that regulatory developments continue to be brought to the Committee's attention. Meeting content is regularly reviewed with management and Deloitte, evolving to support appropriate discussion. The Committee Chair invites the Non-executive Chair, CEO, CFO, Group General Counsel, the Chief Audit and Risk Officer, the Chief Technology Officer and representatives of the external auditor to attend each meeting.

Committee meetings are generally scheduled close to Board meetings to facilitate effective and timely reporting. The Committee reports to the Board following each meeting. Committee members meet with management regularly to understand more about business operations, this enables better scrutiny of processes and controls. The members hold private sessions with both the external auditor and Internal Audit team following each meeting to provide an additional opportunity for open dialogue and feedback without management 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.

Looking ahead

Throughout the year, the delivery of analytics to support the understanding of inflationary dynamics and extraordinary cost pressures has been critical in the business decisions taken. The Committee will devote time to focus on how AI tools can be implemented to enhance reporting, risk management and audit work. Early uses include the use of AI to identify emerging risks and transitioning to model future forecasts. Our Business Solutions team are in the early stages of understanding the tangible opportunities of evolving AI technology and the Committee will receive further updates on the practical steps required and potential cost savings in 2025. The Committee will continue to develop the Group's risk appetite strategy and the ICFR framework (see **page 87**).

The Committee will oversee the progress of the Group's risk, controls and assurance framework, including sustainability assurance activities, and the development of an AAP to govern assurance over key published non-financial information.

Corporate governance report continued

Directors' remuneration report

Chair's letter.

Committee Chair

Alison Platt.

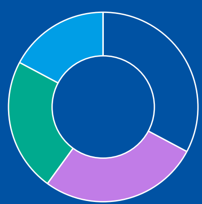
Committee membership and tenure

Director	Member since
Alison Platt, Committee Chair	April 2016
Carolyn Fairbairn	September 2023
Thierry Garnier	April 2021
Stewart Gilliland	June 2023
Byron Grote	July 2015

Details of attendance at Committee meetings is set out on page 55.

Committee activity

- **33%** Senior management remuneration
- **27%** Policy implementation and stakeholder experience
- **23%** Governance and reporting (including wider-workforce remuneration)
- **17%** Performance monitoring



Key decisions in 2023/24

- wrote to major shareholders following the publication of the annual report and discussed feedback received;
- monitored progress of in-flight Performance Share Plan (PSP) and annual bonus awards, considering adjustments where appropriate;
- reviewed executive pay arrangements and consulted with major shareholders on proposed changes to Imran Nawaz's incentives opportunity;
- determined 2022/23 incentive outcomes for Executive Directors and Executive Committee members, taking account of the wider stakeholder experience, and set stretching targets for 2023/24 awards in a continuing uncertain and challenging environment;
- considered governance developments and wider market trends in executive remuneration; and
- approved the 2022/23 Directors' remuneration report and reviewed UK gender and ethnicity pay gap reports.

2023/24 evaluation of the Committee

The performance of the Committee was assessed as part of the internal Board evaluation process carried out during the year. I am pleased to report that the Committee is regarded as operating effectively and the Board is assured by the quality of the work performed by the Committee.

Priorities identified

- Continue to ensure measures evolve with the strategy and targets are stretching.
- Continue to ensure Executive Directors' remuneration is aligned with the wider experience of our stakeholders, particularly the workforce.
- Continue to ensure our sustainability measures support the achievement of the Group's key sustainability objectives and targets are stretching and appropriately assured.

Key responsibilities

- determine and recommend to the Board the remuneration principles and policies for Executive Directors and senior executives, having reviewed and taken into account wider-workforce remuneration and related policies and the alignment of incentives and reward with our purpose, values, strategy and culture;
- set individual employment and remuneration terms for Executive Directors and other senior executives, including severance terms, incentive terms and targets and the achievement of performance against targets, including the use of discretion as appropriate;
- prepare the annual Directors' remuneration report for shareholders to outline policy implementation;
- set the remuneration of the Chair;
- propose all new long-term incentive plans for the recommendation of the Board to shareholders;
- receive and consider regular updates of workforce views and engagement related to remuneration, insights and reports on pay ratios and any gaps; and
- undertake discussions with shareholders on executive remuneration matters.

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

The Committee held five scheduled meetings and one ad hoc meeting during the year, with a focus on workforce pay and engagement, remuneration outcomes and target setting and reporting.

Directors' remuneration report index

Dear Shareholder

On behalf of the Remuneration Committee (the Committee), I am pleased to present the Directors' remuneration report for the financial year ended 24 February 2024.

This report sets out the key decisions of the Committee and how we have implemented and propose to implement our remuneration policy in line 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 once again acknowledged the high level of shareholder support for the remuneration report, which was supported at the 2023 AGM by 92.4% of shareholders. We continue to value the ongoing discussions with key stakeholders on remuneration throughout the year.

Delivering our strategic priorities

This year, Ken and his team have continued to lead the successful implementation of our strategy, building on the strong foundations of the prior year. As outlined earlier in this Annual Report, this has been a strong year of trading performance for Tesco, despite the ongoing challenges and uncertainties in the external environment which continue to adversely impact many of our stakeholders.

Our strong performance has been underpinned by delivering value for our customers, evidenced both by growing our UK and ROI market shares and being consistently the cheapest of the full-line grocers in the UK. We have committed to doing everything we can to invest in value and to lower prices for our customers.

We are extremely grateful to our colleagues who play a pivotal role in realising our strategic priorities and translating them into impactful outcomes that benefit both our customers and other stakeholders. This year we have continued to invest significantly in our colleagues, both in terms of the competitiveness of pay and benefits, but also through increasing our focus on financial, physical and mental wellbeing.

Living our purpose

Our core purpose – serving our customers, communities and planet a little better every day – informs all of the decisions we make as a Committee.

While our financial performance has been strong, prioritising the interests of all our stakeholders remains at the heart of our purpose. In a challenging economic environment, it has been more important than ever for us to live our purpose and to demonstrate our values for the benefit of all of our stakeholders: customers, colleagues, suppliers, communities and shareholders. Alongside consideration of our overall business performance, the table below 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 encompass our purpose, and therefore take into account the broader perspective of our key stakeholders.

Area	Factors considered by the Committee
Key stakeholders	
Customers	– Cheapest of the full-line grocers for 16 consecutive months, with a unique customer offer of Aldi Price Match, Low Everyday Prices and Clubcard Prices. – Largest ever Booker Catering price lock on hundreds of Booker products and Central Europe relaunch of Low Price Guarantee on more than 500 own brand lines. – 12 consecutive four-weekly periods of positive switching gains in the UK and 15 consecutive periods in ROI. – Market share up 28bps to 27.6% in the UK and up 73bps to 23.6% in ROI.
Colleagues	– Largest ever increase in UK hourly-paid colleagues' pay, with UK store colleague pay increasing from £11.02 to £12.02 per hour in April 2024. Award of Thank You payments to hourly-paid colleagues across the Group. – Launch of an enhanced Employee Assistance Programme, including anytime access to virtual GP appointments. – Improved maternity, adoption and kinship leave policies. – First major supermarket to offer right to request flexible working for all colleagues from day one. – Further details on the support we have provided to our colleagues over recent years are set out on **page 103**.
Suppliers	– Collaborating with suppliers to help customers spend less. – Supporting development of sustainable agriculture skills. – Invested an extra £75m in key agricultural suppliers, including £39m for British beef and lamb farmers. – Eighth consecutive year that Tesco has placed first in the Advantage supplier survey.
Communities	– Launched £5.3m Stronger Starts grant scheme supporting projects across the UK to boost funds for extra food and new sports and play equipment to keep children active. – More than 6.7 million meals donated every month to food banks and charities across the Group. – Tesco joined forces with the British Red Cross to provide vital support to emergencies in the UK and abroad, including the earthquake in Morocco and sudden flooding in Libya. – Kids Eat Free initiative in Tesco cafés during school holidays.
Shareholders	– Strong sales, operating profit and cash flow performance. – Commitment to buy back a further £1bn of shares by April 2025, £250m of which is funded by a special dividend from Tesco Bank. – Final recommended dividend of 8.25p in line with our progressive dividend policy. Interim dividend of 3.85p already paid. – Tesco's total shareholder return of 17.8% over the year outperformed the FTSE 100 index by 16.1%.
Wider factors considered	
Macroeconomic environment	– Despite the challenging macroeconomic environment and inflationary pressures, relentless focus on value for customers, combined with significant cost reductions from our Save to invest programme, has driven a strong financial performance. – Led the way on passing savings on to customers, with more than 4,000 price cuts in the UK during the year and more than 800 price reductions in ROI. – More than 8,000 exclusive Clubcard Prices deals each week, saving customers up to £360 off the annual cost of their groceries.
Sustainability commitments	– One of the first companies globally to set validated net zero science-based targets on all greenhouse gas emissions, including those originating from forests, land and agriculture emissions. – Almost doubled the number of electric delivery vans to 571 during the year, now representing 11% of the UK fleet, and announced plans to move to biofuel transport in Ireland from next year. – Plans to install solar panels on 100 large stores across the UK over the next three years, generating as much as 20GWh of clean electricity per year, building on the 40 stores that already have solar panels fitted. – Healthy products now 63% of sales volume in UK and ROI and on track to achieve 2025 target of 65%.

Full details of how our incentive arrangements are linked to our purpose and strategic priorities are outlined on **pages 94 and 95**.

Corporate governance report continued

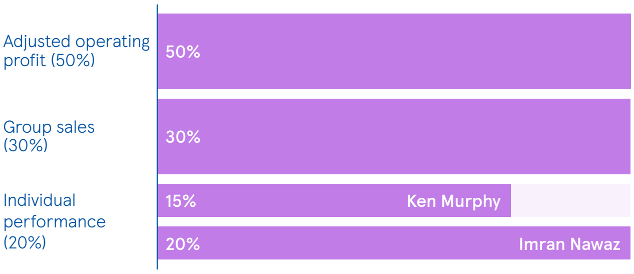
Directors' remuneration report continued

2023/24 business performance and incentive outcomes

The reward for our Executive Directors is driven by the strong performance of the business. Our remuneration policy reflects the complexities of managing a business of the size and scale of Tesco, and is comparable to policies offered by other FTSE 50 companies. A large proportion of the total package has been achieved thanks to both Ken Murphy and Imran Nawaz achieving stretching targets in a highly competitive sector and working to create value for customers, colleagues, suppliers, communities and shareholders. Tesco remains committed to a competitive and fair reward package for all colleagues and this year we have invested a record £300m in a pay rise for our UK hourly-paid colleagues, as well as significantly enhancing the range of wellbeing benefits we offer.

Tesco's strong performance is reflected in the formulaic outcomes of both the 2023/24 bonus and 2021 PSP which are summarised in the table below. Full details of performance against the 2023/24 individual objectives in relation to the annual bonus plan are set out on **page 107**.

2023/24 bonus achievement[a]



(a) 2023/24 bonus measures include discontinued operations. Refer to page 141 for full reconciliation.

2021 PSP achievement

The overall formulaic vesting level for the annual bonus is 95% of maximum for Ken Murphy and 100% for Imran Nawaz.

Ken Murphy and Imran Nawaz were first granted awards under the PSP in 2021, after joining Tesco in October 2020 and May 2021 respectively. As shown above, based on the strong performance outcomes over the three-year performance period, the formulaic level of vesting for these awards is 85% of maximum. The PSP awards are delivered entirely in Tesco PLC shares, and in the case of the Executive Directors, are subject to a further two-year holding period.

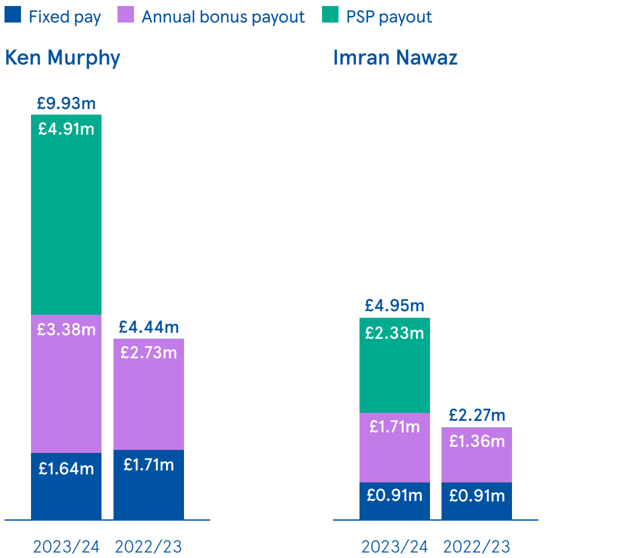
Further details of the performance outcomes versus targets and the vesting of these awards can be found in the Remuneration for the year section on **page 96**. In addition, adjustments made to PSP targets arising from the sale of the banking operations of Tesco Bank in credit cards, loans and savings to Barclays are set out on **page 109**.

Based on our overall assessment of business and executive performance and considering the wider stakeholder experience and decision-making process as set out on the previous page, the Committee is satisfied that the measures and targets set were robust and challenging and that the overall payouts of the annual bonus and PSP reflect the performance of the business, the experience of stakeholders, including the wider workforce, and the successful delivery of our purpose. In light of these factors, the Committee determined that no discretion should be applied to adjust the formulaic outturns and is satisfied that the remuneration policy has operated as intended.

The Committee reviewed the grant price of the 2021 PSP (223.6p) compared to the grant price of the 2019 PSP (230.3p) and 2020 PSP (227.2p) and was satisfied that no adjustments were required to the awards on grant for windfall gains. The Committee has again reviewed the position ahead of the vesting, taking into account the Tesco share price as at 23 February 2024 of 279.7p and is satisfied that the increase in share price since grant is within the normal bounds and no windfall gains have occurred and that no adjustment is required on vesting.

The chart below shows a breakdown of fixed and performance-based remuneration (excluding any buyout awards) paid to Ken Murphy and Imran Nawaz in respect of 2023/24 and 2022/23. As set out earlier, both individuals first participated in the PSP in 2021 upon joining Tesco, with the payouts from these awards reflected in the 2023/24 remuneration. As such, the significant year-on-year increase in remuneration primarily reflects the first vesting from these awards, which themselves reflect strong performance against stretching targets over a challenging period. The increase also reflects share price growth of £0.9m for Ken Murphy and £0.4m for Imran Nawaz over the three-year performance period.

Breakdown of remuneration (excluding buyout awards)



Looking ahead

2024/25 salary and incentives

When considering base salary increases for our senior executives, the Committee continues to be mindful of both the wider colleague experience and our fairness principles. Ken Murphy and Imran Nawaz will receive base salary increases of 3.0% and 5.4% from 26 May 2024, respectively. These are below the 9.1% increase provided to UK hourly-paid colleagues, who represent the vast majority of the UK workforce. There will be no changes to the annual bonus and PSP performance measures or their weightings in 2024/25 as the Committee continues to believe these are appropriate to incentivise the Executive Directors towards delivery of the strategy.

The Committee regularly reviews the overall remuneration packages of the individual Executive Directors, as well as other senior executives, to ensure that they are reflective of their respective roles and individual performance within Tesco. With these references in mind, when considering Imran Nawaz's pay opportunity, taking into account his impressive performance since his appointment and alongside his additional responsibilities, the Committee determined that he will receive an increase in annual bonus from 225% to 250% of base salary and in the PSP from 250% to 275% of base salary from 2024/25. These increases are within the existing remuneration policy, which was approved by our shareholders in 2022, and are set at the same levels we operate for Ken Murphy.

The Committee shared these proposals with 20 of our largest shareholders, representing circa 50% of the issued share capital, and proxy advisors who were overwhelmingly supportive of the proposed increases.

Further details of the operation of these pay elements can be found on **page 99**.

Continuation of progress in our sustainability journey

The Committee recognises and supports the importance of aligning incentives with delivering our sustainability strategy. The current in-flight PSP awards include carbon reduction, food waste reduction and ethnic and gender diversity measures, with targets directly aligned to our sustainability commitments. The Committee is particularly pleased to note the successful ethnic representation performance to date, with the PSP target set for 2025 having already been achieved.

In light of this, the Committee has carefully considered how to ensure that our most material sustainability areas are aligned with remuneration going forward, while still being supported by robust and stretching targets. Following a review of the appropriateness of the existing sustainability measures, we continue to believe that the measures used in 2022 and 2023 remain material to the Group and should continue to be the measures in 2024, except that the gender target be extended to include senior managers. This reflects our long-term aim of achieving a gender equal workforce.

Earlier in the year, we terminated our relationship with our food waste processor in the UK, following an internal review which showed that food, which we believed was being processed for animal feed, was in fact going to anaerobic digestion. While anaerobic digestion can have a role in recovery of energy and avoids food going to landfill, we count food going to anaerobic digestion as waste. Removing animal feed from our reported numbers for 2022/23 resulted in a food waste reduction of 18% against our 2016/17 baseline, significantly lower than the 45% reduction reported in last year's Directors' remuneration report. The donation of unsold food to community groups and shared with colleagues through the colleague shop in the UK are both unaffected, as is the progress we are making to halve food waste everywhere in the Group. Following the termination of the relationship, the food waste reduction against our 2016/17 baseline for the last two months of 2023/24 is 14%. After careful consideration, we have decided to retain our ambitious target of achieving a 50% reduction and setting threshold and stretch targets of 45% and 52% in respect of the 2024 PSP. Given the updated view, it is unlikely either the 2022 or 2023 PSP waste reduction threshold targets will be met.

Further details of our sustainability measures and how they link to purpose and strategy are set out on **page 95**.

Board and Committee changes

As announced in May 2023, John Allan stepped down from his role as Chair of the Board and a Committee member at the AGM on 16 June 2023. Lindsey Pownall also stepped down from the Board and the Committee at that AGM. I would like to thank both John and Lindsey for their valuable contributions and willingness to provide constructive solutions. Both received pro-rated fees up to and including 16 June 2023. No other remuneration payment was made by the Company to either John or Lindsey after ceasing to be Non-executive Directors nor any payment for loss of office.

Byron Grote served as interim Chair, Stewart Gilliland as interim Senior Independent Director and Karen Whitworth as interim Audit Committee Chair from 16 June 2023 until 31 August 2023. They received no additional remuneration for these roles. Following a rigorous search process, Gerry Murphy was appointed as our Chair from 1 September 2023. Gerry receives a Chair fee of £705,000, which is consistent with the fee received by the former Chair and fully aligned with the remuneration policy. Gerry is a chair of exceptional calibre, with extensive global leadership experience in both executive and non-executive roles, and I am thrilled he was appointed to succeed John.

We were delighted to welcome Carolyn Fairbairn to the Board and as a Committee member in September 2023. Carolyn brings a wealth of experience and insights to the Committee. Recognising the importance of having the Audit Committee Chair as a member of the Committee, following Byron Grote stepping down from the Board and the Committee at the 2024 AGM, Karen Whitworth will join the Committee at this time.

Further details on the Board Chair and Non-executive Director fees can be found on **pages 110 and 111**.

Remuneration policy review

The current remuneration policy will expire at the 2025 AGM. The Committee will therefore undertake a full review of the policy arrangements in the coming year. While the primary driver for our remuneration policy will continue to be the Group's purpose and strategy, the review will incorporate consideration of changes in corporate governance and regulation, wider workforce developments and the latest investor guidance. We look forward to engaging with our shareholders and plan to hold meetings with our largest investors on matters relating to the proposed policy in 2024. This policy will then be put before shareholders for a binding vote at the 2025 AGM.

On behalf of the Committee, I would like to thank shareholders for their input and engagement in the year and we welcome any comments you may have on this report.

Alison Platt
Remuneration Committee Chair
9 April 2024

Within this Directors' remuneration report we have used colour coding to define different elements of remuneration:

- Salary
- Annual bonus
- Benefits
- PSP
- Pension
- Shareholding

Details of the definitions of the financial performance measures used throughout the Directors' remuneration report are set out on **page 109**.

Corporate governance report continued
Directors' remuneration report continued

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 or at least maintaining 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 retail 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. Competitive Setting pay with reference to internal relativity and external market practices	**2. Simple** Helping all colleagues to understand how they are rewarded	**3. Fair** Achieving consistent outcomes through flexible and transparent policies	**4. Sustainable** Aligning reward to business strategy and performance

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.

2024/25 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, or at least maintaining, 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.
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 107**.	Individual objectives are aligned to each part of our purpose: customers, communities and planet.

2024 PSP

Measures	Alignment to strategic priorities	Alignment to purpose
Cumulative Retail 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 terms.	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 goal of halving food waste across our own operations compared with a baseline year of 2016/17.	
Diversity 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.	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 historic 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 databook, which is available on the Company's website at **www.tescoplc.com/sustainability-reports**.

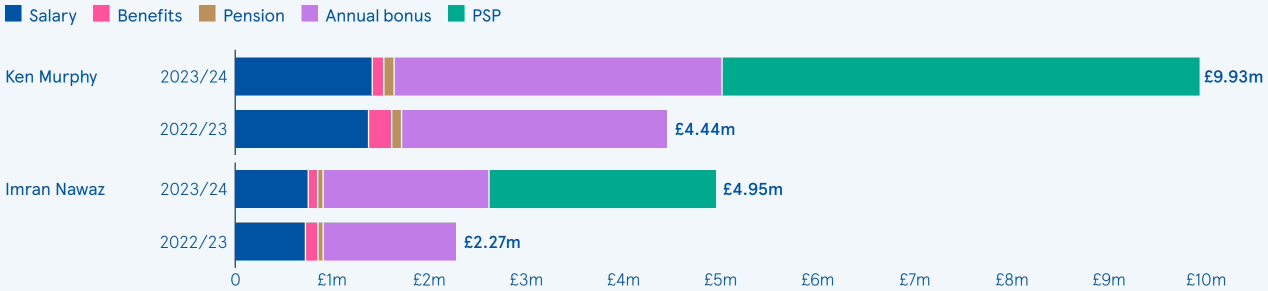
Our sustainability strategy will evolve over time and, as such, we anticipate that our sustainability performance measures will simultaneously evolve to ensure they remain material to the business.

Further details of our approach to sustainability are detailed on **pages 18 to 21**.

Corporate governance report continued
Directors' remuneration report continued

Remuneration for the year.

Single figure remuneration (excluding buyout awards)



Fixed pay

Salary			Benefits	Pension
Ken Murphy £1.41m	Imran Nawaz £0.75m	Salary increase of 3.0% for Ken Murphy and 4.0% for Imran Nawaz versus 2022/23	Benefits packages remained unchanged, except for Ken Murphy's commuting support which ceased on 31 March 2023	Pension allowance of 7.5% of salary remained unchanged

Annual bonus outcomes (audited)

	Weighting	Threshold (25% payout)	Target (50% payout)	Stretch (100% payout)	Actual	Outcome: Ken Murphy	Outcome: Imran Nawaz
Group sales[a]	30%	£58.3bn	£60.1bn	£61.9bn	£62.1bn	**30%**	**30%**
Adjusted operating profit[a]	50%	£2.4bn	£2.6bn	£2.8bn	£2.9bn	**50%**	**50%**
Individual objectives	20%	Details of performance are set out on **page 107**.				**15%**	**20%**
Total (% of maximum)						**95%**	**100%**

(a) 2023/24 bonus measures include discontinued operations. Refer to **page 141** for full reconciliation.

Value of annual bonus

Ken Murphy
£3.38m

Imran Nawaz
£1.71m

2021 PSP vesting (audited)

	Weighting	Threshold (25% payout)	Stretch (100% payout)	Actual	Outcome
Cumulative free cash flow	50%	£4.1bn	£6.2bn	£6.5bn	**50%**
Adjusted diluted EPS	50%	17.3p	26.0p	22.5p	**35%**
Total (% of maximum)					**85%**

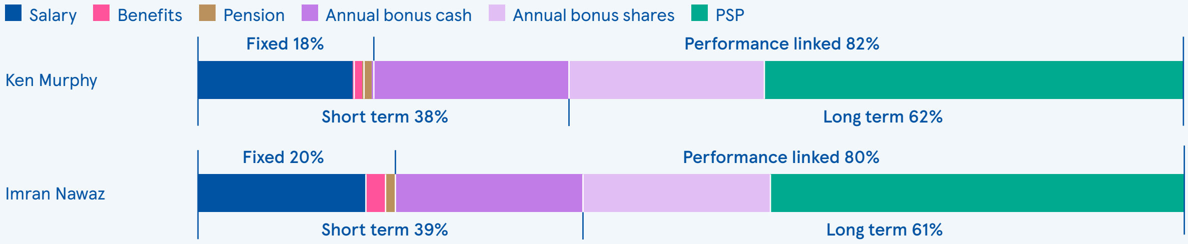
Value of PSP

Ken Murphy
£4.91m

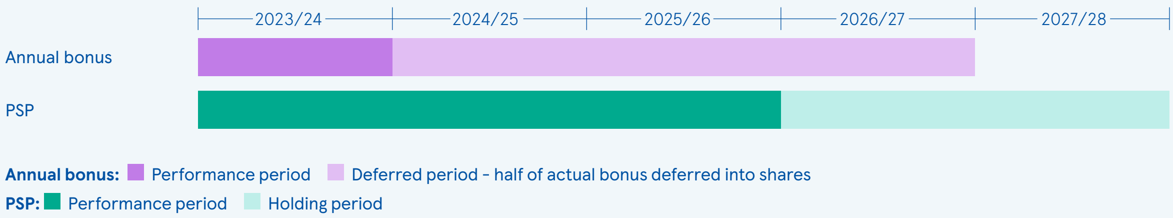
Imran Nawaz
£2.33m

Fixed versus performance-linked remuneration

A significant proportion of Executive Directors' remuneration is performance-linked, long-term and at risk due to withholding and recovery provisions 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 2023/24. 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.



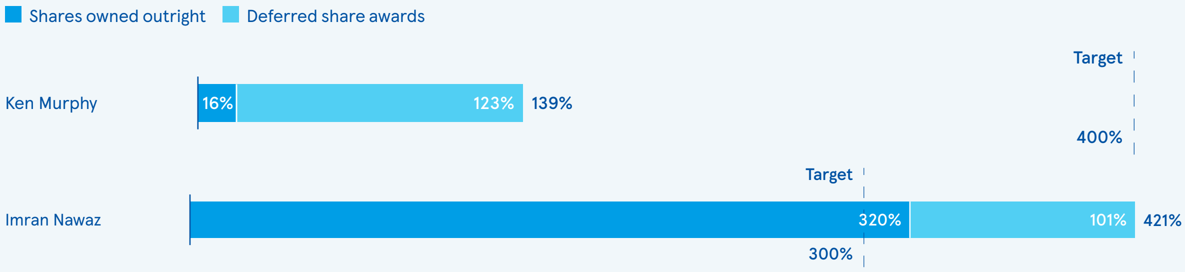
Pay at risk



Shareholding requirement (audited)

Share ownership is a key means by which the interests of Executive Directors are aligned with those of shareholders. Imran Nawaz reached his target shareholding requirement of 300% of base salary during the year and Ken Murphy is expected to reach his target requirement of 400% of base salary by the end of 2025/26 and is required to retain all shares that vest to him, net of any tax liability, until the shareholding requirement has been met.

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 109**.

	Shareholder requirement (% of salary)	Number of shares required to meet shareholding requirement[a]	Number of shares owned outright		Deferred share awards[b]		Vested PSP shares subject to holding period		Total shares counting towards shareholding requirement	
			25/02/23	24/02/24	25/02/23	24/02/24	25/02/23	24/02/24	25/02/23	24/02/24
Ken Murphy	400%	1,968,941	74,593	78,376	324,973	605,607	–	–	399,566	683,983
Imran Nawaz	300%	788,526	742,930	841,811	125,823	264,672	–	–	868,753	1,106,483

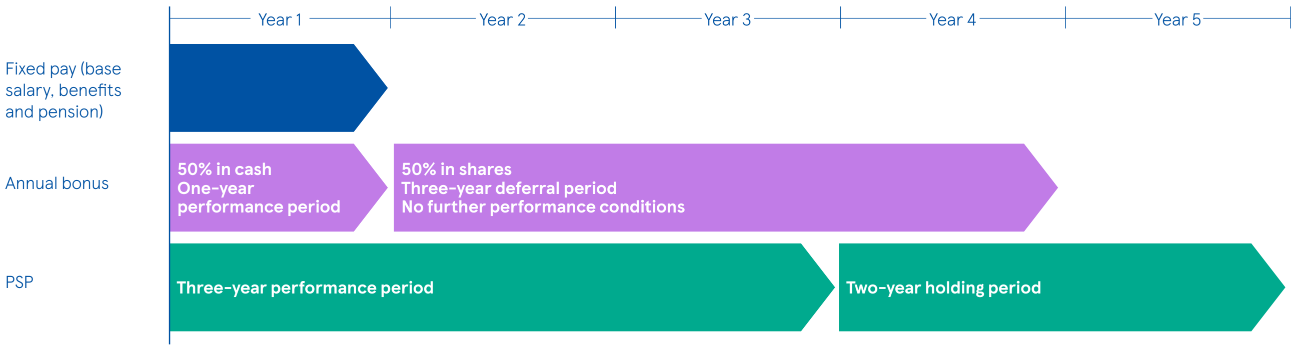
(a) Share price used is the average share price over the three months to 24 February 2024 of 288.9p.
(b) Net number of shares after deemed statutory deductions of 47% count towards the shareholding requirement.

Summary of remuneration policy and implementation for 2024/25.

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 for Executive Directors and the time period of each element of pay. The full policy was approved by shareholders at the AGM on 17 June 2022 and can be found in the 2022 annual report, which is available on the Company's website at **www.tescoplc.com/investors/reports-results-and-presentations/results-and-presentations**.

Total pay over five years



Base salary

Purpose and link to strategy
Supports the attraction and retention of the best talent with the capability to develop and deliver Tesco's strategy.

Operation
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.

Implementation in 2024/25
Increases of 3.0% and 5.4% will be applied to the salaries of Ken Murphy and Imran Nawaz, respectively, so that the salaries from 26 May 2024 are:

Ken Murphy: £1,464,440

Imran Nawaz: £800,000

These increases are below those awarded to UK hourly-paid colleagues of 9.1%.

Benefits

Purpose and link to strategy
Provides market-competitive and cost-effective benefits to support the attraction and retention of Executive Directors.

Operation
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.

Implementation in 2024/25
Normal Company benefit provision.

See **page 106** for further details of benefits provided in 2023/24.

Pension

Purpose and link to strategy
Provides a competitive level of retirement income to support the attraction and retention of Directors.

Operation
A defined contribution scheme or a cash allowance in lieu of pension. The maximum contribution for Executive Directors of 7.5% of base salary is aligned to the wider workforce.

Implementation in 2024/25
Cash allowance of 7.5% of base salary.

Annual bonus

Purpose and link to strategy
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.

Operation
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.

The maximum award is 250% of base salary. Up to 25% of bonus 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.

Implementation in 2024/25
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 being:

- 50% 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 96** for further details of annual bonus outturns for 2023/24 and **page 113** for details of malus and clawback provisions.

PSP

Purpose and link to strategy
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.

Operation
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.

The maximum award is 350% of base salary. Up to 25% of an award vests for threshold performance and 100% vests for achieving stretch targets, with straight-line vesting between them. 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 wait 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.

Implementation in 2024/25
The maximum award opportunity for Ken Murphy and Imran Nawaz is 275% of base salary.

Performance measures (as a percentage of maximum):

- 37.5% adjusted diluted EPS
- 37.5% cumulative Retail free cash flow
- 25% sustainability measures

See **pages 96** and **108** for further details of 2021 PSP outturn and the PSP awards to be granted in 2024. Details of malus and clawback provisions can be found on **page 113.**

Corporate governance report continued
Directors' remuneration report continued

All-colleague share plans	
Purpose and link to strategy Encourages widespread colleague share ownership to enable colleagues to share in the success of Tesco. **Operation** 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.	**Implementation in 2024/25** SAYE and BAYE plans will continue to be operated in 2024/25.

Shareholding requirement	
Purpose and link to strategy Ensures alignment between the interests of the Executive Directors and shareholders both during and after employment. **Operation** 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 guideline is satisfied. 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.	**Implementation in 2024/25** Shareholding requirement will continue to be operated in 2024/25. See **pages 97 and 109** for further details of Executive Directors shareholdings and interests in share awards.

Approach to remuneration

In developing its approach to remuneration, the Committee was mindful of Provision 40 of the UK Corporate Governance Code and 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 70 to 72**.
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 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 override formulaic outcomes, ensures 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 113**.
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 balance between the different elements of remuneration depends largely on the role and seniority of colleagues. Junior colleagues' remuneration is principally fixed pay, reflecting our principle of helping to support a decent standard of living, where regular pay levels help with personal budgeting and planning. For more senior colleagues, remuneration is weighted more towards variable pay, which can increase or decrease based on the performance they achieve against our goals. This approach to pay design also reflects each individual's ability to influence Tesco's performance.

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 2024 Every Voice Matters colleague survey, 65% 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. 73% 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.

Our ongoing initiatives include:

- championing health and wellbeing to support our colleagues in and out of work through a defined offer of mental, physical and financial wellbeing;
- ensuring inclusivity in everything we do by embedding inclusive behaviours to build an inclusive workplace with a sense of belonging, led by inclusive leaders;
- equipping our colleagues with the skills they need to succeed now and in the future through various skills and career programmes; and
- developing the next generation of talent through programmes for interns, apprentices and graduates.

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 below table 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.
	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 discount in store.	Executive Directors also receive market-competitive benefits, including the same discount in store as other colleagues. Further details are set out on **page 106**.
	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.
	Share plans	BAYE and 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.

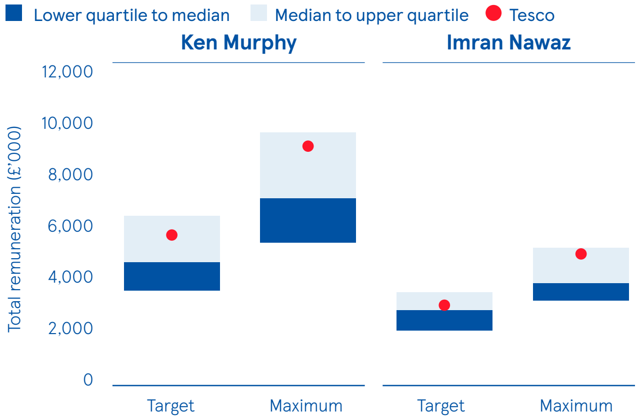
Corporate governance report continued
Directors' remuneration report continued

	Element of pay	Policy	Comparison with Executive Directors' remuneration
All salaried colleagues	**Annual bonus**	Annual bonus provides an opportunity for colleagues to 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. As agreed with our unions, hourly-paid colleagues receive enhanced pay rates instead of an annual bonus. However, as a result of the Group's strong performance in 2023/24, a one-off Thank You payment will be made to hourly-paid colleagues in May 2024.	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**	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.

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.

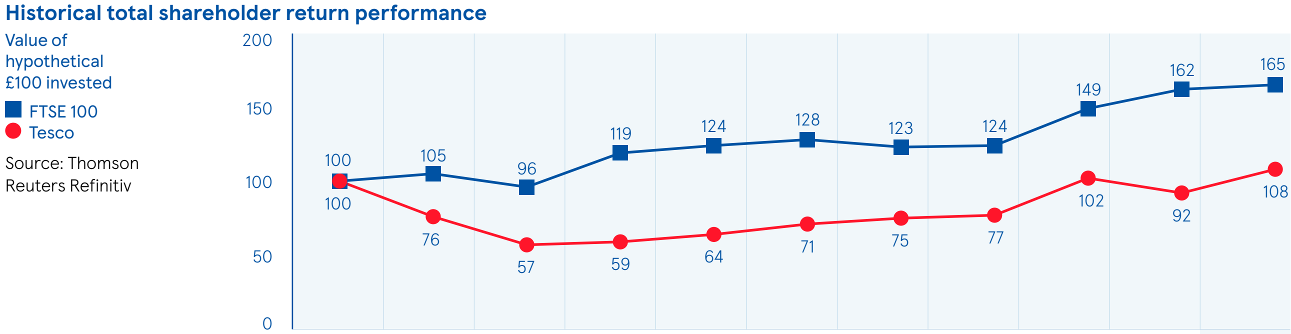
The chart to the right sets out the market positioning of the Group Chief Executive's and Chief Financial Officer's on-target and maximum remuneration compared to the FTSE 50. This information is one of the inputs used by the Committee when setting executives' remuneration, which enables it to ensure remuneration levels are consistent with the approved remuneration policy.

Positioning of remuneration versus the FTSE 50



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



		2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	**2023/24**
Group Chief Executive single total figure of remuneration (£'000)	Ken Murphy	–	–	–	–	–	–	992	4,745	4,443	**9,925**
	Sir Dave Lewis[(a)]	4,133	4,632	4,147	5,113	4,600	6,328	1,650	–	–	**–**
	Philip Clarke[(b)]	764	–	–	–	–	–	–	–	–	**–**
Annual bonus outturn (% of maximum award)		0%	96.0%	76.0%	73.0%	52.5%	75.9%	0%	95.0%	79.1%	**95.0%**
PSP vest (% of maximum award)		0%	–	–	30.0%	28.8%	48.8%	23.1%	–	–	**85.0%**

(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) Philip Clarke stepped down as Group Chief Executive on 1 September 2014 and was succeeded by Sir Dave Lewis on the same date.

Spotlight on:

Rewarding our wider workforce.

Tesco is a people business and our people will always be what makes us different. We aim to be a place where colleagues can get on, as they wish, irrespective of their background.

As part of this, we are committed to providing a reward package that is competitive, simple, fair and sustainable, while ensuring we are responsible with our reward spend. We want to make sure our colleagues feel secure, are rewarded competitively, and treated fairly and inclusively.

The cost-of-living crisis has had a significant impact on people across the world and we have spent considerable time thinking about how we can support our multiple stakeholders. For colleagues, this has resulted in a number of improvements to the reward package and initiatives to support colleague wellbeing.

Investing in colleague pay

In April 2023, we made our biggest ever investment in the pay of hourly-paid UK Customer Assistants to £11.02. At the same time, our Customer Assistants in ROI received a 4% increase, which was phase three of a three-year pay award communicated to colleagues in 2022. We supported our ROI colleagues further by bringing forward the pay award for 2024 from April to January. In Booker, we increased our Branch Assistants' hourly rate by more than 10%.

Living wage

With the UK Government increasing the National Living Wage to £11.42, we have responded by raising the hourly rate for UK Customer Assistants to £12.02 from 28 April 2024. This is ahead of the voluntary Real Living Wage. The rate for London has also been increased to £13.15 to match the Real Living Wage for London.

Pay transparency

We are now into our third year of providing a free online total reward statement for all colleagues. This allows them to see their pay, bonus, retirement savings, details of shares they hold and share saving schemes they are part of. For salaried colleagues, we also provide an annual pay and bonus statement which shows where they are positioned in their pay range.

Colleague meals

As a result of the cost-of-living challenges, a colleague room budget was assigned so kitchens in all our stores could be stocked with free food for colleagues. Having received positive feedback from colleagues, a colleague room budget is now part of our ongoing reward offer. At Booker, we introduced free food in all our branches.

Financial resilience

We continue to support through our Learn Borrow Save initiative, including Pay Advance for UK colleagues which provides a sustainable alternative to high interest lenders. To improve financial literacy, we have launched financial coaching by qualified professionals.

For colleagues in the UK, ROI and Central Europe, the colleague discount has been increased from 10% to 15% on the four days after each pay day and 20% at Christmas. We've also made it easier for colleagues to share their discount with family members, including those living at a different address.

Our UK SAYE scheme continues to be popular, with more than 50,000 colleagues participating. This allows colleagues to buy shares at a 20% discount and enjoy a tax-free bonus at the end of the savings period. Given its success, we have introduced a similar scheme for One Stop and Tesco Business Services in India, and will be looking to extend it further in 2024.

Physical and emotional wellbeing

We have enhanced our health offer through the introduction of a virtual GP service. Since its launch in June 2023, colleagues have benefited from more than 5,000 appointments from a qualified GP without placing an added burden on the NHS. We have also improved our Employee Assistance Programme, giving colleagues access to an expanded range of wellbeing services, including sleep therapists, nutritionists, counsellors, exercise coaches and physiotherapists.

Flexible working

We continue to build our offer to support a flexible working pattern. This includes part-time working, job shares, phased retirement, lifestyle breaks and shift patterns to suit colleague needs. From July 2023, we introduced the right to request flexible working from day one of employment in all markets across our Group, waiving the 26 weeks qualifying criteria under UK law. We have also introduced Holiday Buy, enabling colleagues to increase their annual holiday.

Supporting families

We continue to improve our offer across all markets and geographies. Initiatives include enhanced guidance on coping with menopause, pregnancy loss, IVF and fertility treatment and domestic violence.

We also enhanced our family policies to support colleagues with time away from work when they need it most. These included an increase to 26 weeks paid maternity and adoption leave in the UK, where we also became the first major employer to offer 26 weeks paid kinship leave for those given permanent custody of a child.

In addition, we introduced one week of paid fertility leave for each treatment cycle, two weeks paid leave for women who lose their baby during pregnancy and 12 weeks paid neonatal care for mothers whose babies are born prematurely.

Thank you payment

It is important to us that colleagues feel recognised for their contribution to Tesco's success. As a result of the strong Tesco performance in 2023/24, the Company will be making Thank You payments to hourly-paid colleagues. For example, our Customer Assistants in the UK will receive 1.5% of salary which means a one-off payment of more than £300 for a full-time colleague.

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. Whatever the Group Chief Executive pay ratio may be, 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 2023/24 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

	2018/19	2019/20	2020/21	2021/22	2022/23	**2023/24**
Ratio of CEO's STFR						
25th percentile	247:1	355:1	136:1	251:1	231:1	**447:1**
50th percentile	226:1	305:1	118:1	224:1	197:1	**431:1**
75th percentile	209:1	279:1	116:1	216:1	182:1	**388:1**

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.

	2023/24
Group Chief Executive's base salary	**£1,411,433**
Group Chief Executive's total pay and benefits	**£9,925,331**
UK colleagues' salary	
Colleague at 25th percentile	**£20,916**
Colleague at 50th percentile	**£21,326**
Colleague at 75th percentile	**£24,171**
UK colleagues' total pay and benefits	
Colleague at 25th percentile	**£22,180**
Colleague at 50th percentile	**£23,010**
Colleague at 75th percentile	**£25,583**

The total full-time equivalent (FTE) pay and benefits for the relevant colleagues are based on the period from Sunday, 5 February 2023 to Saturday, 3 February 2024. 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 first PSP award will vest at 85.0% of maximum in 2024 and the annual bonus paid out at 95.0% of maximum compared with 79.1% in 2022/23, which have resulted in a rise 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 94**, 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 2023 Gender Pay report suggests progress, with the median gender pay gap for UK Retail reducing from 6.9% to 5.0%, significantly below the UK national average of 14.3%. 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 is 2.9% and the mean pay gap reduces to 7.8%. Adjusting for these factors would reduce the pay gap to nil.

The mean gender bonus gap for Tesco Stores Limited has also reduced, from 30.5% to 30.2%. 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 women to work at Tesco. We are also making progress in ethnic representation. Although not a requirement, we have chosen to publish our ethnicity pay gap which shows that the median gap for UK Retail is (4.6)% (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 31.8%, 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 Performance Share Plan.

See our Everyone's Welcome Report for more information at: **www.tescoplc.com/media/btxmk3vi/tesco-everyones-welcome-report-2023**

Change in remuneration of colleagues and Directors

The table opposite 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)					Benefits[e] (% change)					Bonus (% change)[e]				
	2023/24	2022/23	2021/22	2020/21	2019/20	**2023/24**	2022/23	2021/22	2020/21	2019/20	**2023/24**	2022/23	2021/22	2020/21	2019/20
Executive Directors															
Ken Murphy	**2.8%**	1.7%	0%	–	–	**(50.0)%**	170.5%	18.9%	–	–	**23.7%**	(14.8)%	100%	–	–
Imran Nawaz	**4.0%**	3.7%	–	–	–	**(24.8)%**	162.2%	–	–	–	**25.1%**	(8.3)%	–	–	–
Non-executive Directors															
Melissa Bethell	**3.1%**	3.2%	2.2%	2.2%	172.7%	**–**	–	–	–	–	**–**	–	–	–	–
Bertrand Bodson	**3.1%**	2.5%	–	–	–	**–**	–	–	–	–	**–**	–	–	–	–
Carolyn Fairbairn[a]	**–**	–	–	–	–	**–**	–	–	–	–	**–**	–	–	–	–
Thierry Garnier	**3.1%**	2.3%	–	–	–	**–**	–	–	–	–	**–**	–	–	–	–
Stewart Gilliland[b]	**25.0%**	2.8%	2.8%	5.0%	42.3%	**–**	–	–	–	–	**–**	–	–	–	–
Byron Grote	**5.2%**	12.3%	12.3%	3.0%	3.9%	**–**	–	–	–	–	**–**	–	–	–	–
Gerry Murphy[a]	**–**	–	–	–	–	**–**	–	–	–	–	**–**	–	–	–	–
Alison Platt	**8.1%**	13.8%	2.8%	5.0%	17.4%	**–**	–	–	–	–	**–**	–	–	–	–
Caroline Silver	**4.2%**	–	–	–	–	**–**	–	–	–	–	**–**	–	–	–	–
Karen Whitworth	**3.6%**	3.0%	–	–	–	**–**	–	–	–	–	**–**	–	–	–	–
Former Directors															
John Allan[c]	**1.3%**	1.3%	0%	1.5%	3.4%	**(47.1)%**	112.5%	14.3%	(46.2)%	62.5%	**–**	–	–	–	–
Lindsey Pownall[c]	**0.8%**	9.2%	9.2%	1.9%	2.9%	**–**	–	–	–	–	**–**	–	–	–	–
Colleagues															
Average UK colleague[d]	**9.1%**	8.6%	3.3%	6.8%	3.0%	**0%**	0%	0%	0%	0%	**N/A**	N/A	N/A	N/A	(100)%

(a) Carolyn Fairbairn and Gerry Murphy both joined the Board on 1 September 2023, so no year-on-year comparison is possible.
(b) The fee increase for Stewart Gilliland reflects his appointments as Chair of the Sustainability Committee and a member of the Nominations and Governance Committee and Remuneration Committee on 16 June 2023.
(c) John Allan and Lindsey Pownall both stepped down from the Board on 16 June 2023. To enable a meaningful year-on-year comparison their fees have been pro-rated for the purposes of comparison.
(d) 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.
(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 91** 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 134**.

	2023/24 £m	2022/23 £m	% change
Executive Directors' remuneration	**15.3**	7.5	103.7%[b]
Dividends	**777**	858	(9.4)%
Total income taxes charge[a]	**432**	244	77.0%
Colleague costs	**8,161**	7,656	6.6%

(a) Prior year comparatives have been restated following the adoption of IFRS 17.
(b) As set out in the Chair's letter, the change in Executive Directors' remuneration primarily reflects the payout of their first PSP award in 2024.

For every £1 we spent on Executive Directors' remuneration in 2023/24, £28 was payable in tax and £534 was spent on colleague costs. In addition, £51 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 2023/24 and 2022/23 for the Executive Directors.

	Ken Murphy		Imran Nawaz	
	2023/24 (£'000)	2022/23 (£'000)	**2023/24 (£'000)**	2022/23 (£'000)
Fixed pay				
Salary	**1,411**	1,373	**752**	723
Benefits	**119**	238	**98**	129
Pension	**106**	102	**56**	54
Total fixed pay	**1,636**	1,713	**906**	906
Variable pay				
Annual bonus (cash and deferred shares)	**3,377**	2,730	**1,708**	1,365
PSP[a]	**4,912**	–	**2,335**	–
Total variable pay	**8,289**	2,730	**4,043**	1,365
Total fixed and variable pay	**9,925**	4,443	**4,949**	2,271
Compensation for forfeited income[b]	**–**	–	**405**	765
Total remuneration	**9,925**	4,443	**5,354**	3,036

(a) The PSP figures for 2023/24 relating to the 2021 PSP award are an estimated value based on the average share price over the three months to 24 February 2024 of 288.9p. These will be readjusted in next year's Directors' remuneration report to show the actual value upon vesting.
(b) Compensation for forfeited income in 2023/24 was determined by the value of a buyout award granted to Imran Nawaz amounting to £405,000 (including £50,000 relating to share price appreciation). The amount relates to compensation for the forfeiture of a 2020 PSP award granted to Imran Nawaz by his previous employer, Tate & Lyle PLC. This award vested on 6 June 2023 at a vesting level of 69.5% of maximum. Details of the performance conditions and outturns of the award are set out on page 119 of the Tate & Lyle PLC 2023 annual report. Details of the 2022/23 figure are set out in last year's annual report.

The total aggregate remuneration paid to Directors in 2023/24 was £16.9m (2022/23: £9.3m).

The change in total remuneration primarily reflects the first PSP vestings for Ken Murphy and Imran Nawaz in 2024. PSP awards were first granted to Ken Murphy and Imran Nawaz in 2021 following them joining Tesco in October 2020 and May 2021 respectively. Based on the strong performance outcomes of the Group over the three-year performance period, the formulaic level of vesting for these awards is 85% of maximum. The PSP awards will be delivered entirely in Tesco shares and are subject to a further two-year holding period. Other changes in elements of pay included base salary increases lower than the wider workforce on 28 May 2023 and increases in annual bonus payouts following a strong year of financial, operational and strategic performance.

The Committee is satisfied that the STFR for each Executive Director is appropriate.

Base Salary (audited)

Executive Directors' salaries were increased on 28 May 2023 by 3.0% from £1,380,375 to £1,421,786 for Ken Murphy and by 4.0% from £730,000 to £759,200 for Imran Nawaz. Details of increases to be applied in 2024 are set out on **page 98**.

Benefits (audited)

	Car and driver (£'000)	Medical insurance and wellness programme (£'000)	Life assurance (£'000)	Other benefits (£'000)	Commuting support[a] (£'000)	**Total (£'000)**
Ken Murphy	93	1	10	2.5	12	**118.5**
Imran Nawaz	89.5	1.5	5	1.5	–	**97.5**

(a) Commuting support for Ken Murphy ceased on 31 March 2023.

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 2023/24 annual bonus outcome is 95% of maximum for Ken Murphy and 100% 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 92**, 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 96**. You can see details of the payouts and the achievement against individual objectives below.

	2023/24 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	**1,422**	250	95	238	3,377	1,688
Imran Nawaz	**759**	225	100	225	1,708	854

Achievement of individual objectives (20% of annual bonus)

Ken Murphy

Objective	Key performance indicators	Summary of performance	Assessment
Develop next iteration of the strategy, including a future growth plan	– Develop future growth plan for Board discussion – Future growth plan reflected in Long Term Plan (LTP) for 2024/25 onwards	– Delivered successful long-term planning process, approved by the Board – Future growth plans incorporated into LTP	**Overachieved**
Accelerate the delivery of personalisation and media monetisation	– Generate incremental profit across personalisation and media monetisation	– Delivered incremental profit increase, in line with expectations	**Achieved**
Lead the delivery of Groupwide sustainability commitments Climate: carbon neutral across own operations by 2035 Health: increase in sales of healthy products, as a proportion of total sales, to 65% by 2025 Food waste: reduce food waste across own operations	– Climate: develop investment analysis for Group estate to 2035 – Health: improve measure to 62% – Food waste: reduce food waste by 47%	– Climate: investment analysis operationalised and overseen by Executive Committee at biannual climate review – Health: 63% – Food waste: below target	**Achieved**

Imran Nawaz

Objective	Key performance indicators	Summary of performance	Assessment
Develop next iteration of the strategy, including a future growth plan	– Develop future growth plan for Board discussion – Future growth plan reflected in LTP for 2024/25 onwards	– Delivered successful long-term planning process, approved by the Board – Future growth plans incorporated into LTP	**Overachieved**
Deliver Save to invest target and Finance change programme	– Deliver £592m savings target – Develop plans to deliver Year 3 savings targets, in line with LTP – Deliver Year 2 of the Finance change plan and develop plans for Year 3 – Deliver cash budget	– Delivered savings of more than £600m and Year 3 savings targets agreed and ready to be deployed – Finance change plans deployed, in line with expectations, and plans developed for Year 3 – Over-delivered cash budget	**Overachieved**
Lead the delivery of Groupwide sustainability commitments	– Climate: develop investment analysis for Group estate to 2035 – Climate: roll-out shadow carbon pricing policy across the Group	– Climate: Scope 1 and 2 capital investment plan approved by the Executive Committee and reflected in budget – Climate: carbon pricing policy approved	**Achieved**

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 15% and Imran Nawaz 20%, both out of a maximum of 20%.

Corporate governance report continued
Directors' remuneration report continued

2021 PSP vesting in 2024 (audited)

The outcomes of the 2021 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	1,811,432	85%	3,442	924	546	4,912	25/06/2024	25/06/2026
Imran Nawaz	860,989	85%	1,636	439	260	2,335	25/06/2024	25/06/2026

(a) Calculated using the grant price of 223.6p
(b) Calculated using the difference between the grant price of 223.6p and the average closing share price over the three months to 24 February 2024 of 288.9p.

2023 deferred bonus award grant (audited)

The following table summarises the deferred bonus awards made to Executive Directors on 11 May 2023 in respect of 50% of the 2022/23 bonus outcome. Awards were made in the form of conditional awards which will vest and be released on 11 May 2026, subject to continuous employment.

Executive Director	Number of shares granted	Value at award date	Vesting date	Market price on grant[a]
Ken Murphy	485,364	£1,364,844	11/05/2026	281.2p
Imran Nawaz	242,695	£682,458	11/05/2026	281.2p

(a) Based on five-day average share price.

2023 PSP grant (audited)

The following table summarises the PSP awards made to Executive Directors on 3 July 2023.

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%	1,557,113	£3,909,911	28/02/2026	03/07/2026	251.1p
Imran Nawaz	Conditional award	250%	755,874	£1,898,000	28/02/2026	03/07/2026	251.1p

The performance measures and targets for the 2023 PSP are:

	Weighting	Threshold	Stretch
Adjusted diluted EPS[b]	37.5%	21.7p	32.8p
Cumulative Retail free cash flow	37.5%	£3,869m	£5,803m
Sustainability measures:			
– Carbon reduction	8.3%	58%	62%
– Food waste reduction	8.3%	51%	57%
– Diversity and inclusion (gender/ethnicity)	8.3%	35%/16%	42%/18%

(a) Based on five-day average share price.
(b) Threshold and stretch targets have been amended to neutralise the impact of the sale of banking operations as set out on **page 109**.

2024 PSP grant (audited)

The table below sets out the financial performance measures and targets for the PSP award grant to be made in June 2024:

	Weighting	Threshold	Stretch
Adjusted diluted EPS	37.5%	25.5p	38.2p
Cumulative Retail free cash flow	37.5%	£4,000m	£6,000m
Sustainability measures:			
– Carbon reduction	8.3%	64%	70%
– Food waste reduction[a]	8.3%	45%	52%
– Diversity and inclusion (gender/ethnicity)	8.3%	37%/17%	43%/19%

(a) All measures have linear vesting between threshold and stretch, except food waste reduction whose target is 50% with linear vesting between threshold and target and target and stretch.

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.

Definitions of financial performance measures

The Group reports various alternative performance measures (APMs), defined in the Glossary on **pages 220 to 226**, some of which are used to determine remuneration outcomes. There are differences in definitions between the reported APMs and the outcomes used for PSP targets, as approved by the Committee. The table below summarises these differences, rationale, affected awards and the impact on the measure:

Performance measure	Difference	Rationale	Awards	Impact
Adjusted diluted EPS	Neutralise the impact of the sale of banking operations	Targets were set including discontinued banking operations	2021 PSP	0.8p
	Neutralise the EPS impact of share buybacks since targets were set	Targets were set with no buybacks assumed	2021 PSP	(1.7)p
Cumulative free cash flow	Removing any impact from the 2022 change in Retail free cash flow definition (refer to **page 225** within the Glossary for a full reconciliation)	The Retail free cash flow definition was changed after targets were set	2021 PSP	£42m

Adjustments to targets

As disclosed last year, 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 the impact of the sale of banking operations	Impact relates to an event that was not anticipated at the time the targets were set, including removing earnings related to the discontinued operations of Tesco Bank	2022 PSP 2023 PSP	(1.0)p (0.5)p
Cumulative free cash flow	Neutralise the impact of the settlement of claims for matters arising in connection with the overstatement of profit announced in 2014 and from the sale of the Korea business in 2015	Outflows relate to events that pre-date the terms in office of the award holders	2021 PSP	£(193)m
	Reflecting the repurchase of bonds issued by property joint ventures	Outflows relate to an event that was not anticipated at the time the targets were set	2021 PSP	£(194)m
	Reflecting the special dividend issued by Tesco Bank, forming part of the Tesco Bank sale consideration	Inflows relate to an event that was not anticipated at the time the targets were set	2021 PSP	£250m

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 26/02/2023	3,473,466	613,160	–	–	9,890	4,096,516
	Granted	1,557,113	485,364	–	–	–	2,042,477
	Dividend equivalents	161,248	44,130	–	–	–	205,378
	Vested/released	–	–	–	–	–	–
	Lapsed	–	–	–	–	–	–
	Exercised	–	–	–	–	–	–
	At 24/02/2024	**5,191,827**	**1,142,654**	**–**	**–**	**9,890**	**6,344,371**
Imran Nawaz	At 26/02/2023	1,659,425	237,402	231,238	–	–	2,128,065
	Granted	755,874	242,695	–	–	–	998,569
	Dividend equivalents	77,201	19,285	–	–	–	96,486
	Vested/released	–	–	160,710	–	–	160,710
	Lapsed	–	–	70,528	–	–	70,528
	Exercised	–	–	–	–	–	–
	At 24/02/2024	**2,492,500**	**499,382**	**462,476**	**–**	**–**	**3,454,358**

(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 24 February and 9 April 2024 Ken Murphy acquired 48 partnership shares under the BAYE plan. No other changes in Executive Director share interests occurred in the period.

Corporate governance report continued

Directors' remuneration report continued

Payments for loss of office (audited)

There were no payments made for loss of office during the year.

Payments to former Directors (audited)

Since leaving employment, Sir Dave Lewis and Alan Stewart have received shares upon vesting of awards. These relate to the deferred share element of annual bonuses and PSP awards. Shares released/vested include dividend equivalent shares, the impact of the share consolidation in February 2021 and time proration in respect of the PSP. Up to the expiry of his post-cessation shareholding requirement on 30 April 2023, Alan Stewart held sufficient shares to meet the requirement.

Sir Dave Lewis

Type of award	Date of grant	Number of shares awarded	Number of shares released	Date of release	Market price at grant	Market price at release	Gain on release	Gain due to share price appreciation
Deferred bonus	12/05/2020	503,411	575,363	12/05/2023	236p	276p	£1,586,276	£230,836

Alan Stewart

Type of award	Date of grant	Number of shares awarded	Number of shares released/vested	Date of release/vesting	Market price at grant	Market price at release/vesting	Gain on release/vesting	Gain due to share price appreciation
Deferred bonus	12/05/2020	273,633	312,742	12/05/2023	236p	276p	£862,230	£125,472
PSP	03/07/2020	907,790	324,786	03/07/2023	227p	252p	£818,461	£80,547

No other payments to former Directors were made in the year.

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 2024 AGM.

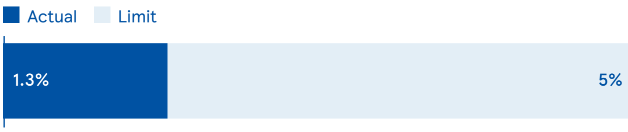
Funding of equity awards

While current practice is to use market-purchased shares to satisfy incentive awards, the Company has in the past ten 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, with 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 24 February 2024, the Trusts held 70,028,062 shares.

Dilution from existing awards made over the past 10 years up to 24 February 2024 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 2023, 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 maintain the Board Chair's fee at £705,000 and increase the average total fees paid to Non-executive Directors from 20 August 2023 by 4%, lower than for the wider workforce. Details of the remuneration arrangements for the Board Chair and Non-executive Directors are set out below:

	21/08/2022 to 19/08/2023	From 20/08/2023	Increase
Board Chair fee	£705,000	£705,000	–
Non-executive Director fee	£82,750	£85,000	2.7%
Additional fees:			
Senior Independent Director	£30,000	£35,000	16.7%
Chairs of the Audit, Remuneration and Sustainability Committees	£33,000	£35,000	6.1%
Membership of Audit, Nominations and Governance, Remuneration and Sustainability Committees	£15,500	£16,500	6.5%

Single total figure of remuneration – Non-executive Directors (audited)

The following table 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. John Allan and Lindsey Pownall stood down from the Board on 16 June 2023.

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 £1,500 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.

			2023/24			2022/23		
	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	24 September 2018	**100**	**1**	**101**	97	2	99
Bertrand Bodson	S	1 June 2021	**100**	**1**	**101**	97	1	98
Carolyn Fairbairn	R S	1 September 2023	**57**	**0.5**	**57.5**	–	–	–
Thierry Garnier	R	30 April 2021	**100**	**3**	**103**	97	3	100
Stewart Gilliland	N R S	5 March 2018	**140**	**1**	**141**	112	2	114
Byron Grote	A N R	1 May 2015	**183**	**0.5**	**183.5**	174	1	175
Gerry Murphy	N	1 September 2023	**343**	**3**	**346**	–	–	–
Alison Platt	N R	1 April 2016	**134**	**1**	**135**	124	1	125
Caroline Silver	A	1 October 2022	**100**	**1**	**101**	40	0.5	40.5
Karen Whitworth	A S	18 June 2021	**116**	**–**	**116**	112	–	112
Former Directors								
John Allan	–	–	**215**	**3**	**218**	696	17	713
Lindsey Pownall	–	–	**40**	**2**	**42**	130	8	138

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 2024 AGM, except Byron Grote who will step down from the Board at the conclusion of the 2024 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 24 February and 9 April 2024. 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 26/02/2023	**Shares held at 24/02/2024**	**Value of shareholding (% of base fee)[a]**
Melissa Bethell	37,447	**37,447**	**127%**
Bertrand Bodson	58,833	**61,238**	**208%**
Carolyn Fairbairn	–	**35,000**	**119%**
Thierry Garnier	15,000	**15,000**	**51%**
Stewart Gilliland	51,090	**53,212**	**181%**
Byron Grote	368,703	**377,703**	**>500%**
Gerry Murphy	–	**50,000**	**20%**
Alison Platt	36,516	**38,046**	**129%**
Caroline Silver	15,000	**15,000**	**51%**
Karen Whitworth	52,300	**52,300**	**178%**

(a) The value of Non-executive Directors' shareholdings is based on the average share price over the three months to 24 February 2024 of 288.9p.
(b) John Allan and Lindsey Pownall respectively held 349,753 shares and 55,263 shares and John Allan also held 398,000 5.5% 2033 Tesco PLC Medium Term Notes from 26 February 2023 until they stepped down from the Board on 16 June 2023.
(c) The range of the Company's share price for the year was 245p to 303p. The year-end share price was 280p (2022/23: 247p).

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 2024/25

As well as considering its standard business, the Committee will also focus during 2024/25 on areas including:

- commencing work on the remuneration policy review. We will maintain an ongoing dialogue with our major shareholders and other stakeholders and engage with them individually and collectively on proposed changes. The remuneration policy will be put to shareholders at the 2025 AGM;
- 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 evolving 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. During the year, six Colleague Contribution Panels (CCPs) were held. They provide an opportunity to seek the views of colleagues from across the Group on executive pay and other areas of specific interest to the Board, its Committees and our colleagues. They also allow colleagues to gain an understanding of the role and responsibilities of the Board and its Committees and provide colleagues with the opportunity to ask any questions. We set out further details of this year's CCPs 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;
- salary budgets by business;
- incentive outcomes by business;
- CEO pay ratio; and
- gender and ethnicity pay gaps.

The Committee is therefore well positioned to take into account colleagues views and pay when setting the pay of Executive Directors and senior executives.

We strive to ensure incentives encourage the achievement of our purpose and strategic priorities, and management is rewarded in line with overall business performance and the wider experience of our key stakeholders.

Approach to target setting

In determining the range of targets for each measure for the annual bonus and 2024 PSP grant, the Committee considered the Board-approved budget and LTP, 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 as evidenced by an average PSP payout of 64.8% over the past five years.

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.

2023/24

Early Feb 2023

The Committee considered the wider context and how the annual bonus and PSP targets were tracking against forecast performance.

Late Feb 2023

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 LTP;
- the strategic plan;
- analysts' consensus forecasts; and
- the wider economic environment.

April 2023

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 2020 PSP.

October 2023

The Committee considered how the annual bonus and PSP targets were tracking against forecast performance.

Discretion in relation to incentive plans

The Committee operates the annual bonus and PSP in accordance with their respective scheme rules and the relevant 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.

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 accounts; 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 2023/24.

Corporate governance report continued

Directors' remuneration report continued

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 £65,000 (2022/23: £69,500) 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 members of 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 2023 AGM:

	Votes for (millions)	Votes against (millions)	Votes withheld (millions)
Remuneration report	4,837	396	1
	(92.43%)	(7.57%)	

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 also engaged with our major shareholders on changes to the incentives opportunity of Imran Nawaz.

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 also monitors the views of other stakeholders and broader developments in executive remuneration generally.

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 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 2024.

Alison Platt
Remuneration Committee Chair

Directors' report.

The Directors present their report, together with the audited accounts for the 52 weeks ended 24 February 2024.

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
- Additional Directors' report disclosures
- Group information, including Articles of Association and material contracts
- Financial statements
- 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 in the following sections of this Annual Report.

Information	Location in this Annual Report	Pages
Anti-bribery	Additional Directors' report disclosures	231
Articles of Association	Additional Directors' report disclosures	229
Business model and strategy	Strategic report	17
Cautionary statement regarding forward-looking information	Additional information	236
Appointment and retirement of Directors	Nominations and Governance Committee report, Additional Directors' report disclosures	75, 76 and 228
Directors' and their interests	Corporate governance report, Directors' remuneration report, Additional Directors' report disclosures	52 to 54, 90 to 114 and 228
Directors' indemnities and insurance	Corporate governance report, Additional Directors' report disclosures	56 and 228
Directors' statement of disclosure to the auditor	Additional Directors' report disclosures	231
Dividends/Dividend policy	Corporate governance report, Financial statements – **Note 8**, Additional Directors' report disclosures	72, 154 and 234
Employment policies	Additional Directors' report disclosures	229
Groceries Supply Code of Practice	Additional Directors' report disclosures	230
Events after the reporting period	Financial statements – **Note 35**	203
Future developments	Strategic report	1 to 47
Modern Slavery Act	Additional Directors' report disclosures	230
Going concern and viability statement	Strategic report, Additional Directors' report disclosures	46, 47 and 231
Research and development	Strategic report	1 to 47
Financial instruments and financial risk management	Financial statements - **Notes 26 and 27**	174 to 189
GHG emissions/SECR disclosures	Strategic report, Additional Directors' report disclosures	39 to 45 and 230
Corporate governance report	Corporate governance report	48 to 116
Colleague engagement	Corporate governance report, Additional Directors' report disclosures	69, 70 and 229
Political donations	Additional Directors' report disclosures	228
Share capital and control of the Company and significant agreements	Financial statements – **Note 30,** Additional Directors' report disclosures	196 and 229
Share buybacks	Audit Committee report, Financial statements – **Note 30** Additional Directors' report disclosures, Additional information	85, 194, 229 and 234
Share forfeiture	Corporate governance report, Sustainability Committee report, Additional Directors' report disclosures	72, 80 and 229
Stakeholder engagement	Corporate governance report	70 to 72
Section 172 statement	Corporate governance report	64

Information required to be disclosed under the Listing Rules can be found on the following pages.

Listing Rule 9.8.4R	Pages
Statement of capitalised interest	147 to 149
Allotment for cash of equity securities	145 to 147
Waiver of dividends	116 and 154
Listing Rule 9.8.6(8)	**Pages**
Climate-related financial disclosures consistent with TCFD	39 to 45
Listing Rule 9.8.6(9) and (10)	**Pages**
Diversity disclosures	76 to 77

Dividends

The profit for the financial year, after taxation, amounts to £1,764m (2022/23: £658m restated) from continuing operations. The Directors have declared dividends as follows:

Ordinary shares	£m
Paid interim dividend of 3.85 pence per share[a] (2022/23: 3.85 pence per share)	271
Proposed final dividend of 8.25 pence per share[b] (2022/23: 7.05 pence per share)	581
Total dividend of 12.10 pence per share for 2023/24 (2022/23: 10.90 pence per share)	852

(a) Excludes £2m dividends waived (2022/23: £2m).
(b) Subject to shareholder approval at the 2024 AGM, the final ordinary dividend will be paid on 28 June 2024 to all shareholders on the register of members at the close of business on 17 May 2024.

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 234** and **Note 8** to the financial statements.

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.

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 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 United Kingdom 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 52 to 54**, 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 2024, 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

Robert Welch
Group Company Secretary
9 April 2024

Financial statements

Independent auditor's report to the members of Tesco PLC

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 24 February 2024 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 35** 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 3** (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;
- Tesco Bank loan impairment;
- disposal of Banking operations;
- pension valuation; and
- retail technology environment, including IT security.

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 £115m (2022/23: £100m) which was determined on the basis of 4.92% (2022/23: 4.64%) of total adjusted profit before tax, from both continuing and discontinued operations, (including net pension finance income/(cost)) as described further on **page 123**.

Scoping

Our audit scoping provides full scope and specified scope audit coverage of 97% (2022/23: 97%) of revenue from continuing operations, 92% (2022/23: 93%) of operating profit from continuing operations and 92% (2022/23: 96%) of total assets.

In relation to discontinued operations we performed full scope audit procedures covering 100% of revenue and operating profit as well as 100% of total assets of the disposal group and non-current assets held for sale.

Significant changes in our approach

Our 2023/24 report includes a new key audit matter relating to the disposal of the Banking operations of Tesco Bank.

We no longer report Tesco Bank goodwill impairment as a key audit matter due to:

- the reduction in the residual goodwill balance following the allocation of goodwill between Banking operations and the remaining insurance and money services businesses, and the subsequent impairment of the Banking operations goodwill; and
- the increased headroom and reduced sensitivity of the insurance and money services businesses, arising from increases in the forecast future cash flows and the decreased discount rate applied in 2023/24.

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

Financial statements continued

Independent auditor's report to the members of Tesco PLC continued

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 clerical accuracy used to prepare the forecasts including obtaining an understanding of relevant controls over management'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 management;
- considering the mitigating factors identified by management in relation to their going concern analysis;
- assessing whether the remaining money services and insurance services business is self-funding and no further investment is required from the Group; 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 11** (Property, plant and equipment) and **Note 12** (Leases) of the financial statements, the Group held £17,221m (2022/23: £16,862m) of property, plant and equipment and £5,478m of right of use assets (2022/23: £5,500m) at 24 February 2024.

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 management'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 14** (Impairment of non-current assets) of the financial statements.

Management estimate the fair value less costs to dispose 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 management'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 14**.

The key audit matter relates specifically to the UK trading store portfolio which represents 79% of both the Group's property, plant and equipment and right of use asset balances.

In making their assessment of value in use and fair value less costs to dispose, management has considered the impact of the macroeconomic trading environment (including the continued impact of cost of living increases and ongoing fluctuations in energy costs and inflation) on forecast cash flows and property fair values where conditions existed at the balance sheet date.

Management's impairment review is sensitive to changes in the key assumptions as set out in **Note 14**. 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 management to achieve their forecasts in light of changing consumer behaviour, the ongoing volatile 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. Management 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.

5.1. Store impairment review continued

As a result of the Group's store impairment review completed during the year, a net impairment reversal of £28m (2022/23: impairment loss £982m) was recognised. This includes an impairment charge of £572m (2022/23: £1,250m) and an impairment reversal of £600m (2022/23: £268m). The sensitivities associated with management's impairment review are presented within **Note 14** to the financial statements.

The Audit Committee's discussion of this key audit matter is set out on **page 86**.

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, the wider economic environment (including possible macroeconomic impacts of the continued cost-of-living crisis and ongoing fluctuations in energy costs 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;
- performing sensitivity analyses to assess the impact on impairment of a change in the probability percentages applied to the cash flow scenarios;
- involving valuation specialists to evaluate management's inputs to, and the appropriateness of, their discount rate and the validity of their long-term growth rate;
- assessing and challenging the adequacy of management's sensitivity analysis in relation to key assumptions to consider the extent of change in those assumptions that, either individually or collectively, would be required to lead to a significant further impairment charge or reversal, in particular forecast cash flows, discount rates and property fair values, in light of increased market volatility due to the continued cost-of-living crisis and ongoing fluctuations in energy prices and inflation;
- performed 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; 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 to dispose (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 to dispose but management plan to continue to trade in the store, we have challenged management as to why the fair value is appropriate in these circumstances. We have involved property valuation specialists to assist in evaluating the fair value less cost to sell and, as part of our work performed, we have evaluated the competence, capability and objectivity of management's valuers.

We also evaluated whether there was appropriate disclosure regarding sensitivities associated with management'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 reversal is reasonable.

We also consider the disclosures, including the sensitivity disclosure, in **Note 14** 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 20** (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 conditions 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 UK retail business. In comparison to prior years, we consider the risks related to commercial income from cost price reconciliation deal types in the UK retail business to have reduced as the quantum of the commercial income from these arrangements has reduced.

The Audit Committee's discussion of this key audit matter is set out on **page 86**.

Financial statements continued

Independent auditor's report to the members of Tesco PLC continued

5.2. Recognition of commercial income continued

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, we performed the following:

- used 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;
- considered 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;
- evaluated the year-end accrual for promotional deals to assess whether performance obligations have been fulfilled where they have been invoiced subsequent to year end;
- held 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 specifics and associated cost prices; discuss the IT applications used to administer and process commercial income deals; and identify if there are any disputes or other issues that we should be aware of for further investigation;
- tested the completeness of commercial income by evaluating management'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;
- tested commercial income balances included within inventories and trade and other receivables, or netted against trade and other payables (as set out in **Note 20**) via balance sheet reconciliation procedures; and
- assessed 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 satisfactory. 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. Tesco Bank loan impairment

Key audit matter description

As disclosed in **Note 7** (Discontinued operations), the Group held an expected credit loss (ECL) provision in respect of loans and advances to customers of £433m at 24 February 2024 (2022/23: £460m) classified under assets of the disposal group held for sale in the Group balance sheet. The ECL on loans and advances to customers charged to the income statement and classified under discontinued operations was £65m in the year to 24 February 2024 (2022/23: £60m). The decrease in the ECL provision during the year is primarily due to an improved macroeconomic economic outlook and reduction in post-model adjustments (PMAs), partially offset by the growth in the lending portfolio in the current year.

Loan impairment remains one of the most significant judgements made by management. We consider the most significant area of judgement to be within the Group's collective provisioning methodologies; we therefore identified the key audit matter within loan impairment as relating to the macroeconomic scenarios applied in the calculation of the provision.

ECL provisions are calculated on a forward-looking basis under IFRS 9 'Financial Instruments'. Management, with the assistance of external economic specialists, apply significant judgement in determining the forecast macroeconomic scenarios and the probability weighting of each of the scenarios that are incorporated into the ECL model.

Other judgements include the determination of the expected lifetime, the definition of a significant increase in credit risk, the determination of probability of default, the assessment of the effect of cost of living and cost of borrowing on the borrower's affordability, the identification of loss events and the determination of loss given default.

Given the impact of the significant judgements taken by management in the measurement of the ECL provision, we also consider there is an inherent risk of fraud as these judgements are subject to the risk of management bias.

Management's associated accounting policies are detailed in **Note 1**, including detail about the judgements made in applying accounting policies and key accounting estimates.

The Audit Committee's discussion of this key audit matter is set out on **page 86**.

How the scope of our audit responded to the key audit matter

We have obtained an understanding of relevant controls, including those linked to the review and approval of macroeconomic scenarios, model governance forums, model monitoring, validation and calibration (including the determination of PMAs), the flow of data from the Group's information systems into the ECL model and the flow of the output of the ECL model to the general ledger. Our audit work to address the key audit matter included the procedures noted below.

- With support from internal economic modelling specialists, we challenged the macroeconomic scenario forecasts that were incorporated into the ECL model, including management's selection of the relevant macroeconomic variables. We assessed management's forecasts and their probability against independent economic outlooks, external analysts and market data, to assess their reasonableness, considering the forecasts in light of any contradictory information.
- We also assessed the competence, capability, and objectivity of management's external economic specialist, who supplies the macroeconomic forecasts to management, and considered whether the methodology adopted by the expert was reasonable.

5.3. Tesco Bank loan impairment continued

- We evaluated whether there was appropriate disclosure on loan impairment, including the macroeconomic scenarios selected by management, their probability weighting, and the related sensitivities.

Key observations

Based on our audit procedures we are satisfied that management's provision is reasonably stated and is supported by a methodology that is compliant with IFRS 9. We consider the sensitivity disclosures provided in **Note 7** (Discontinued operations) to the financial statements to be appropriate.

5.4. Disposal of Banking operations

Key audit matter description

As set out in **Note 7** (Discontinued operations), in February 2024 the Group reached agreement on the terms of a proposed sale of its banking operations, comprising personal loans, credit cards, customer deposits, and associated operational capabilities ('Banking operations') for consideration of £600m. The sale is conditional on court sanction and regulatory approval or non-objection, as is typical of the transfer of banking operations, and is expected to complete in the second half of 2024/25. Subsequent to the completion of the sale, the Group will enter into a new partnership agreement with the acquirer to continue to offer a broad range of banking products to new and existing customers.

At the date Banking operations were re-classified as held for sale, the Group determined that the £500m goodwill previously allocated to Tesco Bank should be allocated between the Banking operations disposal group (£211m), with the remainder (£289m) relating to the continuing insurance and money services operations retained on the Group balance sheet.

The Banking operations assets of £7,698m and liabilities of £7,122m have been classified as held for sale in the Group balance sheet with the Group income statement presented to show the results as a discontinued operation, for which the comparatives have been restated on a consistent basis.

Upon classification as held for sale the Group recognised a £732m loss on remeasuring the disposal group to fair value less cost to sell. £211m of the loss was allocated to goodwill and £96m to other assets of the disposal group within the scope of the measurement requirements of IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations' and which were therefore fully written off. The excess loss remaining was then recognised as a reduction in the total assets of the disposal group, which primarily comprise loans and advances to customers measured under IFRS 9.

We have identified the disposal of the Banking operations business as a key audit matter because of the significant estimates and accounting conclusions related to:

- the timing of the held for sale criteria being met;
- the perimeter of the assets and liabilities included within discontinued operations;
- the calculation of the loss on disposal, predominantly related to the allocation of goodwill;
- the remeasurement of the Banking operations net assets to the lower of carrying value or fair value less costs to sell;
- the allocation of the loss to assets within the disposal group and the treatment of the excess loss;
- the split of indirect costs between the Banking operations and remaining insurance and money services business; and
- whether any of the future income to be generated from the partnership agreement is considered deferred consideration.

The Audit Committee's discussion of this key audit matter is set out on **page 86**.

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 the sale of the Banking operations business.

We have also performed specific audit procedures to address the key audit matter which included the following:

- Evaluating the entity's accounting conclusions in respect of the relevant accounting standards for the disposal including:
  - Timing of held for sale criteria being met;
  - The presentation of Banking operations as part of discontinued operations;
  - Allocation of the loss to assets within the disposal group and the treatment of the excess loss; and
  - Treatment of the future income to be earned under the partnership agreement and the judgement that no elements of this should be recognised as deferred consideration.
- Involving valuation specialists to assess the appropriateness of the relative fair values of the Banking operations and the remaining insurance and ancillary money services business used to determine the allocation of goodwill;
- Challenging management's forecasts used to calculate the relative fair values of the Banking business and the remaining insurance and money services business used to determine the allocation of goodwill from a consistent market participant point of view;
- Recalculating the loss on remeasuring the disposal group to fair value less cost to sell and the excess loss allocated to the disposal group;
- Testing the accuracy and completeness of the perimeter of the disposal of the Banking operations business and the split of indirect costs between the Banking operations and the remaining insurance and money services business; and
- Evaluating the appropriateness of disclosures made in the financial statements, including the current year presentation of the assets and liabilities of the Banking operations being sold as held for sale and the presentation as a discontinued operation within the income statement; and
- Testing the related restatement of the prior year income statement comparatives.

Key observations

Based on our audit procedures we are satisfied that the Group's accounting conclusions and the calculation and allocation of the loss on remeasuring the disposal group to fair value less cost to sell are appropriate. We also consider the disclosures, including the classification of the assets and liabilities and presentation of the results as a discontinued operation in respect of the disposal of the Banking operations, in **Note 7** to be appropriate.

Financial statements continued

Independent auditor's report to the members of Tesco PLC continued

5.5 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 24 February 2024, the Group recorded a net retirement benefit deficit before deferred tax of £635m (2022/23: £394m), comprising plan assets of £12,156m (2022/23: £13,025m) and plan liabilities of £12,787m (2022/23: £13,416m). The net retirement deficit of £635m (2022/23: £394m) before deferred tax comprises schemes in surplus of £22m (2022/23: £6m) and schemes in deficit of £657m (2022/23: £400m).

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 management's actuaries.

The Audit Committee's discussion of this key audit matter is set out on **page 86**.

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 management's discount rate, we independently calculated an appropriate range from available market data and compared this to management's rate.

Working with our actuarial experts, we benchmarked and challenged assumptions used by management 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 internal benchmarks. In particular, we considered the incorporation of, and weighting factors applied to, the Continuous Mortality Investigation (CMI) 2022 mortality tables which include the updated 2022 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 management 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.

5.6. 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.

Management has continued to implement its multi-year remediation plan on control deficiencies related to Application User Access Management and Privileged Access Management. IT remediation is a complex project which includes the remediation of IT deficiencies applying management judgement across a range of internally and externally hosted systems and processes which are at risk of being inappropriately designed or executed.

Areas of management'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 85**.

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 due to the 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 management has remediated and tested their operating effectiveness. We also performed testing of certain automated controls, particularly those which are underpinned by remediated IT systems and others that were determined to be key.

We obtained an understanding of relevant manual controls, evaluating their design and implementation and, in certain cases, testing the operating effectiveness of those controls which relate to identified deficiencies. 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

Based on the current work programme, management anticipates that much of its remediation plan will be completed in 2024/25 with the remainder completed by 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 management. We consider the level of risk associated with this key audit matter has reduced from the prior year due to the continued progress made by management during the current year.

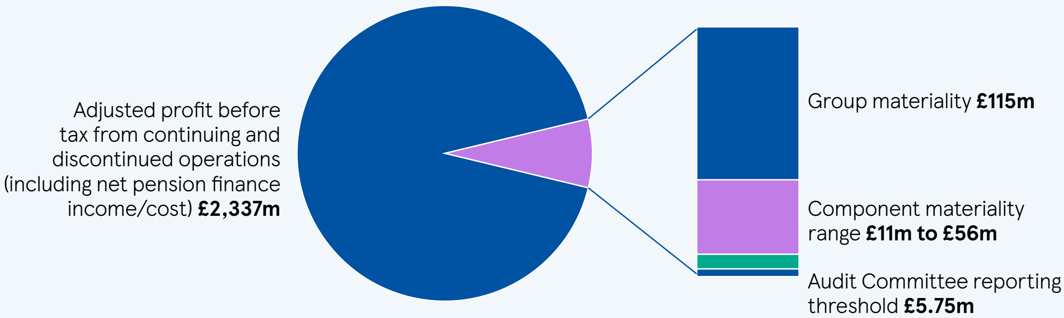
6. Our application of materiality

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	£115m (2022/23: £100m)	£86.25m (2022/23: £75m)
Basis for determining materiality	4.92% (2022/23: 4.64%) of total adjusted profit before tax, from both continuing and discontinued operations, (including net pension finance income/(cost)) of £2,337m (2022/23: £2,156m).	Materiality represents less than 1% of net assets (2022/23: less than 1%) of net assets.
Rationale for the benchmark applied	We have determined materiality based on 4.92% 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 them from adjusting items and therefore increased/ (reduced) adjusted profit before tax accordingly. Our determined materiality represents 0.17% (2022/23: 0.15%) of the Group's revenue from continuing operations and 1.0% (2022/23: 0.8%) of net assets. Refer to **Note 4** (Adjusting items) for further details of adjusting items and management'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.
Component materiality	The work performed on components identified in our Group audit scope (excluding the Parent Company) was completed to a component materiality level between £11m and £56m (2022/23: £10m and £49m).	



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% (2022/23: 65%) of Group materiality	65% (2022/23: 65%) of Parent Company materiality
Basis and rationale for determining performance materiality	As we continue to be unable to rely on internal controls in the retail business, consistent with previous years, we have used a lower percentage of materiality to determine our performance materiality for 2023/24. 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 £5.75m (2022/23: £5m), 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.

Financial statements continued

Independent auditor's report to the members of Tesco PLC continued

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 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.

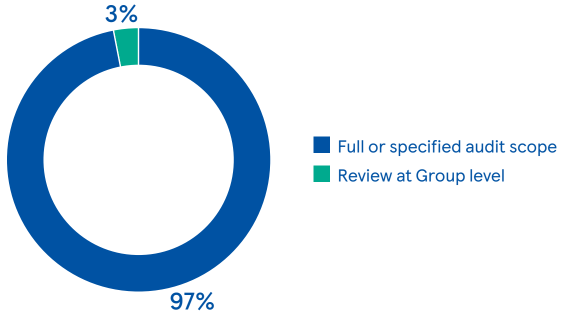
Based on our assessment of the Group, we focused our Group audit scope primarily on the audit work on six significant retail locations (UK, Booker, Republic of Ireland, Czech Republic, Hungary and Slovakia) and Tesco Bank. The operations in Czech Republic, Hungary and Slovakia are managed as one combined business. We performed a detailed scoping exercise over all these components to determine which individual entities and account balances would be subject to full scope or specified scope audits the latter being where only the key financial statement account balances were included in scope. For entities and account balances not subject to full or specified 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 entities which were either in full or specified audit scope in the current year represent 97% (2022/23: 97%) of revenue from continuing operations, 92% (2022/23: 93%) of operating profit from continuing operations and 92% (2022/23: 96%) of total assets. In relation to discontinued operations we performed full scope audit procedures covering 100% of revenue and operating profit as well as 100% of total assets of the disposal group and non-current assets held for sale.

In addition, we performed analytical review procedures for two other businesses (dunnhumby and OneStop), where the extent of our testing was based on our assessment of the risks of material misstatement and of the size of the Group's operations at these locations.

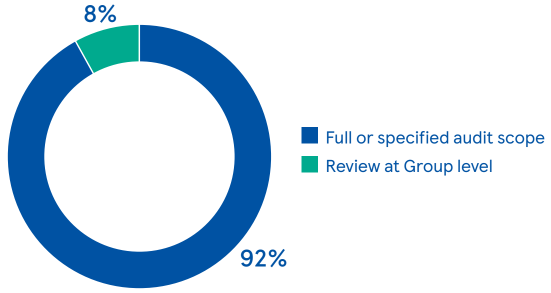
As each of the local finance functions maintains separate financial records, we engaged component auditors from the Deloitte member firms in the UK, Republic of Ireland and Central Europe to perform procedures at all the wholly-owned components under our direction and supervision. This approach also 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 within full or specified scope contribute the proportions of Group totals shown below.

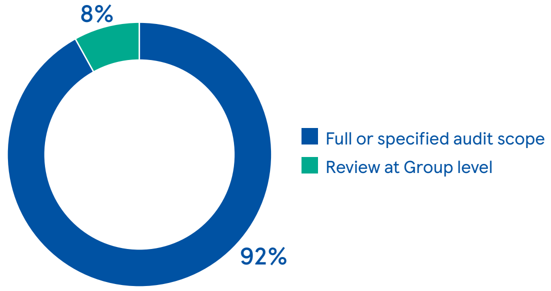
Revenue from continuing operations



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 full scope or specified scope audits. At a 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 most significant component of the Group is 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 and supervision in this audit work. During the course of our audit, the UK audit team visited 27 (2022/23: 26) retail stores in the UK to attend inventory counts and to complete store control testing procedures, and 7 (2022/23: 8) 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. As noted on **page 122** it is not possible to take a control reliant audit approach in the retail businesses due to the IT deficiencies. In addition Tesco Bank has separate information systems where the same IT deficiencies do not exist and therefore a controls reliant audit approach was taken as planned.

The Group's operations utilise a range of information systems which underpin the financial reporting process. These are largely consistent across the retail business, however, Tesco Bank has separate information systems due to the nature of the business. For all of the components that were subject to full scope audits, 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 85**, management 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 5.6 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 39**, the viability statement on **page 46**, the principal risks on **page 30**, and in **Note 14** 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 consultation with our climate change specialists we considered the impact of management's review of the food waste process. This review had highlighted that food which management believed was being processed for animal feed was in fact going to anaerobic digestion and the Group subsequently terminated the relationship with the food waste processor in the UK. Although not subject to audit, we have considered whether management's disclosures reflect our understanding of the impact on the food waste metric and did not identify any material inconsistencies as a result of these procedures. Management's discussion of this is set out in the Directors Remuneration Report on **page 90**.

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 for each of the six significant locations set out above, in addition to Tesco Bank and the Group's business service centre in Bengaluru. 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.

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, 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 2023 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.

Financial statements continued

Independent auditor's report to the members of Tesco PLC continued

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;
- results of our enquiries of management, internal audit function, 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 Tesco Bank; and
- the matters discussed among the audit engagement team including significant 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 areas: Tesco Bank loan impairment, and 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 Tesco Bank, 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 Tesco Bank loan impairment and recognition of commercial income as key audit matters related to the potential risk of fraud. The key audit matters section of our report explains the matters in more detail and also describes the specific procedures we performed in response to those key audit matters.

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;
- considering the impact of fraud in the food waste metric highlighted on **page 85** of the Annual Report on the financial statements and whether there is any indication for further fraud or potential for inappropriate disclosure in the financial statements; 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 significant 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 116**;
- 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 46**;
- the Directors' statement on fair, balanced and understandable set out on **page 61**;
- the Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on **page 30**;
- the section of the Annual Report that describes the review of effectiveness of risk management and internal control systems set out on **page 30**; and
- the section describing the work of the Audit Committee set out on **page 82**.

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 this regard.

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 this regard.

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 nine years, covering the years ending 27 February 2016 to 24 February 2024.

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).

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 2024

Group income statement

	Notes	52 weeks ended 24 February 2024 Before adjusting items £m	Adjusting items (Note 4) £m	Total £m	52 weeks ended 25 February 2023 (restated[a]) Before adjusting items £m	Adjusting items (Note 4) £m	Total £m
Continuing operations							
Revenue from sale of goods and services		67,673	–	67,673	64,864	–	64,864
Insurance revenue[b]	24	514	–	514	458	–	458
Revenue	2	**68,187**	**–**	**68,187**	**65,322**	**–**	**65,322**
Cost of sales		(62,832)	(4)	(62,836)	(60,487)	(1,029)	(61,516)
Insurance service expenses[b]	24	(454)	–	(454)	(408)	–	(408)
Net expenses from reinsurance contracts held[b]	24	(48)	–	(48)	(37)	–	(37)
Gross profit/(loss)		**4,853**	**(4)**	**4,849**	**4,390**	**(1,029)**	**3,361**
Administrative expenses		(2,024)	(4)	(2,028)	(1,881)	(70)	(1,951)
Operating profit/(loss)	2	**2,829**	**(8)**	**2,821**	**2,509**	**(1,099)**	**1,410**
Share of post-tax profits of joint ventures and associates	13	6	–	6	8	–	8
Finance income	5	267	–	267	87	–	87
Finance costs	5	(825)	20	(805)	(650)	27	(623)
Profit/(loss) before tax from continuing operations		**2,277**	**12**	**2,289**	**1,954**	**(1,072)**	**882**
Taxation	6	(593)	68	(525)	(419)	195	(224)
Profit/(loss) for the year from continuing operations		**1,684**	**80**	**1,764**	**1,535**	**(877)**	**658**
Discontinued operations							
Profit/(loss) for the year from discontinued operations	7	56	(628)	(572)	91	(13)	78
Profit/(loss) for the year		**1,740**	**(548)**	**1,192**	**1,626**	**(890)**	**736**
Attributable to:							
Owners of the parent		1,736	(548)	1,188	1,627	(890)	737
Non-controlling interests		4	–	4	(1)	–	(1)
		1,740	**(548)**	**1,192**	**1,626**	**(890)**	**736**
Earnings per share from continuing and discontinued operations							
Basic	9			16.74p			9.94p
Diluted	9			16.56p			9.85p
Earnings per share from continuing operations							
Basic	9			24.80p			8.89p
Diluted	9			24.53p			8.81p

(a) Comparatives have been restated following the adoption of IFRS 17 and to present Banking operations as a discontinued operation. Refer to Notes 1, 7 and 33 for further details.
(b) Following the adoption of IFRS 17, the income statement has been re-presented to separately present insurance revenue, insurance service expenses and net expenses from reinsurance contracts held. Refer to Note 1 for further details.

The notes on pages 134 to 203 form part of these financial statements.

Group statement of comprehensive income/(loss)

	Notes	52 weeks ended 24 February 2024 £m	52 weeks ended 25 February 2023 (restated*) £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		–	2
Remeasurements of defined benefit pension schemes	29	(251)	(3,341)
Net fair value gains/(losses) on inventory cash flow hedges		(38)	54
Tax on items that will not be reclassified	6	62	853
		(227)	**(2,432)**
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		16	(43)
Currency translation differences:			
Retranslation of net assets of overseas subsidiaries, joint ventures and associates, net of hedging instruments		(116)	120
Gains on cash flow hedges:			
Net fair value gains		25	17
Reclassified and reported in the Group income statement		(56)	(61)
Finance income/(expenses) from insurance contracts issued	24	(4)	39
Finance income/(expenses) from reinsurance contracts held	24	1	(20)
Tax on items that may be reclassified	6	(6)	17
		(140)	**69**
Total other comprehensive income/(loss) for the year		**(367)**	**(2,363)**
Profit/(loss) for the year		1,192	736
Total comprehensive income/(loss) for the year		**825**	**(1,627)**
Attributable to:			
Owners of the parent		820	(1,632)
Non-controlling interests		5	5
Total comprehensive income/(loss) for the year		**825**	**(1,627)**
Total comprehensive income/(loss) attributable to owners of the parent arising from:			
Continuing operations		1,392	(1,710)
Discontinued operations	7	(572)	78
		820	**(1,632)**

* Comparatives have been restated following the adoption of IFRS 17 and to present Banking operations as a discontinued operation. Refer to Notes 1, 7 and 33 for further details.

The notes on pages 134 to 203 form part of these financial statements.

Group balance sheet

	Notes	24 February 2024 £m	25 February 2023 (restated*) £m	26 February 2022 (restated*) £m
Non-current assets				
Goodwill and other intangible assets	10	5,066	5,375	5,360
Property, plant and equipment	11	17,221	16,862	17,060
Right of use assets	12	5,478	5,500	5,720
Investment property		24	24	22
Investments in joint ventures and associates	13	102	93	86
Other investments	15	1,546	1,339	1,253
Trade and other receivables	17	36	79	159
Loans and advances to customers	23	–	3,029	3,141
Reinsurance contract assets	24	125	135	171
Derivative financial instruments	26	781	873	942
Post-employment benefit surplus	29	22	6	3,150
Deferred tax assets	6	32	84	88
		30,433	**33,399**	**37,152**
Current assets				
Other investments	15	206	353	226
Inventories	16	2,635	2,510	2,339
Trade and other receivables	17	1,349	1,235	1,218
Loans and advances to customers	23	–	3,948	3,251
Derivative financial instruments	26	55	57	69
Current tax assets		110	63	93
Short-term investments	18	2,128	1,628	2,076
Cash and cash equivalents	18	2,340	2,465	2,345
		8,823	**12,259**	**11,617**
Assets of the disposal group and non-current assets classified as held for sale	7	7,783	210	368
		16,606	**12,469**	**11,985**
Current liabilities				
Trade and other payables	19	(10,264)	(9,762)	(9,040)
Borrowings	21	(1,536)	(1,770)	(725)
Lease liabilities	12	(584)	(595)	(547)
Provisions	22	(306)	(366)	(283)
Insurance contract liabilities	24	(526)	(501)	(588)
Customer deposits and deposits from banks	25	(108)	(4,485)	(4,729)
Derivative financial instruments	26	(25)	(99)	(26)
Current tax liabilities		(1)	(18)	(11)
		(13,350)	**(17,596)**	**(15,949)**
Liabilities of the disposal group classified as held for sale	7	(7,122)	(14)	(14)
Net current liabilities		**(3,866)**	**(5,141)**	**(3,978)**
Non-current liabilities				
Trade and other payables	19	(39)	(54)	(54)
Borrowings	21	(5,683)	(5,581)	(6,674)
Lease liabilities	12	(7,038)	(7,132)	(7,411)
Provisions	22	(175)	(194)	(183)
Customer deposits and deposits from banks	25	(800)	(2,265)	(1,650)
Derivative financial instruments	26	(241)	(288)	(357)
Post-employment benefit deficit	29	(657)	(400)	(303)
Deferred tax liabilities	6	(269)	(119)	(910)
		(14,902)	**(16,033)**	**(17,542)**
Net assets		**11,665**	**12,225**	**15,632**
Equity				
Share capital	30	445	463	484
Share premium		5,165	5,165	5,165
Other reserves	30	3,131	3,139	3,080
Retained earnings		2,930	3,469	6,919
Equity attributable to owners of the parent		**11,671**	**12,236**	**15,648**
Non-controlling interests		(6)	(11)	(16)
Total equity		**11,665**	**12,225**	**15,632**

* Comparatives have been restated following the adoption of IFRS 17. Refer to Notes 1 and 33 for further details.

The notes on pages 134 to 203 form part of these financial statements.

Ken Murphy **Imran Nawaz**
Directors

The financial statements on pages 129 to 203 were approved and authorised for issue by the Directors on 9 April 2024.

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 25 February 2023 (as previously reported)		**463**	**5,165**	**3,123**	**3,490**	**12,241**	**(11)**	**12,230**
Cumulative adjustment on initial application of IFRS 17 (net of tax)		–	–	16	(21)	(5)	–	(5)
At 25 February 2023 (restated*)		**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, net of hedging instruments		–	–	(116)	–	(116)	–	(116)
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	6	–	–	(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	8	–	–	–	(777)	(777)	–	(777)
Tax on items charged/(credited) to equity	6	–	–	–	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**

	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 26 February 2022 (as previously reported)		**484**	**5,165**	**3,079**	**6,932**	**15,660**	**(16)**	**15,644**
Cumulative adjustment on initial application of IFRS 17 (net of tax)		–	–	1	(13)	(12)	–	(12)
At 26 February 2022 (restated*)		**484**	**5,165**	**3,080**	**6,919**	**15,648**	**(16)**	**15,632**
Profit/(loss) for the year*		**–**	**–**	**–**	**737**	**737**	**(1)**	**736**
Other comprehensive income/(loss)								
Retranslation of net assets of overseas subsidiaries, joint ventures and associates, net of hedging instruments		–	–	120	–	120	–	120
Change in fair value of financial assets at fair value through other comprehensive income		–	–	–	(41)	(41)	–	(41)
Remeasurements of defined benefit pension schemes	29	–	–	–	(3,341)	(3,341)	–	(3,341)
Gains/(losses) on cash flow hedges		–	–	63	–	63	8	71
Cash flow hedges reclassified and reported in the Group income statement		–	–	(61)	–	(61)	–	(61)
Finance income/(expenses) from insurance contracts issued*		–	–	39	–	39	–	39
Finance income/(expenses) from reinsurance contracts held*		–	–	(20)	–	(20)	–	(20)
Tax relating to components of other comprehensive income*		–	–	18	854	872	(2)	870
Total other comprehensive income/(loss)*		**–**	**–**	**159**	**(2,528)**	**(2,369)**	**6**	**(2,363)**
Total comprehensive income/(loss)*		**–**	**–**	**159**	**(1,791)**	**(1,632)**	**5**	**(1,627)**
Inventory cash flow hedge movements								
(Gains)/losses transferred to the cost of inventory		–	–	(127)	–	(127)	–	(127)
Total inventory cash flow hedge movements		**–**	**–**	**(127)**	**–**	**(127)**	**–**	**(127)**
Transactions with owners								
Own shares purchased for cancellation	30	–	–	(758)	–	(758)	–	(758)
Own shares cancelled	30	(21)	–	816	(795)	–	–	–
Own shares purchased for share schemes	30	–	–	(188)	–	(188)	–	(188)
Share-based payments	28	–	–	157	(1)	156	–	156
Dividends	8	–	–	–	(858)	(858)	–	(858)
Tax on items charged/(credited) to equity	6	–	–	–	(5)	(5)	–	(5)
Total transactions with owners		**(21)**	**–**	**27**	**(1,659)**	**(1,653)**	**–**	**(1,653)**
At 25 February 2023 (restated*)		**463**	**5,165**	**3,139**	**3,469**	**12,236**	**(11)**	**12,225**

* Comparatives have been restated following the adoption of IFRS 17. Refer to Notes 1 and 33 for further details.

The notes on pages 134 to 203 form part of these financial statements.

Group cash flow statement

	Notes	52 weeks ended 24 February 2024 £m	52 weeks ended 25 February 2023 (restated*) £m
Cash flows generated from/(used in) operating activities			
Operating profit/(loss) of continuing operations		**2,821**	**1,410**
Operating profit/(loss) of discontinued operations	7	**(659)**	**98**
Depreciation and amortisation		1,723	1,700
(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		(53)	(76)
(Profit)/loss arising from sale of other investments		–	3
(Profit)/loss arising on sale of joint ventures and associates		(9)	–
(Profit)/loss arising on sale of subsidiaries		(12)	–
Net impairment (reversal)/loss on property, plant and equipment, right of use assets, intangible assets and investment property	14	(28)	982
Net remeasurement loss on non-current assets held for sale	7	720	23
Defined benefit pension scheme payments	29	(29)	(23)
Share-based payments	28	78	59
Fair value movements included in operating profit/(loss)		71	70
Retail (increase)/decrease in inventories		(150)	(147)
Retail (increase)/decrease in trade and other receivables		(118)	(54)
Retail increase/(decrease) in trade and other payables		714	643
Retail increase/(decrease) in provisions		(72)	75
Retail (increase)/decrease in working capital		374	517
Tesco Bank (increase)/decrease in loans and advances to customers		(714)	(690)
Tesco Bank (increase)/decrease in trade, reinsurance and other receivables		(9)	83
Tesco Bank increase/(decrease) in customer and bank deposits, trade, insurance liabilities and other payables		584	348
Tesco Bank increase/(decrease) in provisions		28	(7)
Tesco Bank (increase)/decrease in working capital		(111)	(266)
Cash generated from/(used in) operations		**4,886**	**4,497**
Interest paid		(824)	(652)
Corporation tax paid		(223)	(123)
Net cash generated from/(used in) operating activities		**3,839**	**3,722**
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		55	342
Purchase of property, plant and equipment, investment property and other long-term assets		(1,108)	(971)
Purchase of intangible assets		(278)	(279)
Disposal of subsidiaries, net of cash disposed		15	–
Acquisition of subsidiaries, net of cash acquired		(17)	(71)
Proceeds from sale of joint ventures and associates		9	–
Increase in loans to joint ventures and associates		(61)	(1)
Investments in joint ventures and associates		(9)	(10)
Net (investments in)/proceeds from sale of short-term investments		(507)	451
Proceeds from sale of other investments		352	230
Purchase of other investments		(390)	(529)
Dividends received from joint ventures and associates		9	14
Interest received		249	70
Cash inflows from derivative financial instruments		5	54
Cash outflows from derivative financial instruments		(24)	(6)
Net cash generated from/(used in) investing activities		**(1,700)**	**(706)**
Cash flows generated from/(used in) financing activities			
Own shares purchased for cancellation	30	(752)	(781)
Own shares purchased for share schemes	28	(93)	(86)
Repayment of capital element of obligations under leases		(627)	(593)
Cash outflows exceeding the incremental increase in assets in a property buyback		(62)	(21)
Increase in borrowings		1,232	–
Repayment of borrowings		(775)	(709)
Cash inflows from derivative financial instruments		98	232
Cash outflows from derivative financial instruments		(102)	(371)
Dividends paid to equity owners	8	(778)	(859)
Net cash generated from/(used in) financing activities		**(1,859)**	**(3,188)**
Net increase/(decrease) in cash and cash equivalents		**280**	**(172)**
Cash and cash equivalents at the beginning of the year		1,565	1,771
Effect of foreign exchange rate changes		29	(34)
Cash and cash equivalents, including cash held in the disposal group, at the end of the year		**1,874**	**1,565**
Less: Cash held in the disposal group		(346)	–
Cash and cash equivalents at the end of the year	18	**1,528**	**1,565**

* Comparatives have been restated following the adoption of IFRS 17 and to present Banking operations as a discontinued operation. Refer to Notes 1, 7 and 33 for further details.

The notes on pages 134 to 203 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, retail banking and insurance 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 Financial review, Summary of total indebtedness section, 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.

IFRS 17 'Insurance contracts' is effective for the accounting period commencing 26 February 2023. IFRS 17 has been applied fully retrospectively and comparatives for prior periods have been restated from a transition date of 27 February 2022. Refer to Note 33 for further details.

Other standards, interpretations and amendments 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 'Primary 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 year, the Board approved a plan to dispose of the Group's regulated Banking operations, which form a major part of the Tesco Bank segment. The net results of the Banking operations are presented as a discontinued operation in the Group income statement, for which the comparatives have been restated. The assets and liabilities of the Banking operations disposal group are presented separately in the Group balance sheet as held for sale. For further details, refer to Note 7.

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 24 February 2024 (prior financial year 52 weeks ended 25 February 2023). For the UK and the Republic of Ireland (UK & ROI), the results are for the 52 weeks ended 24 February 2024 (prior financial year 52 weeks ended 25 February 2023). For all other operations, the results are for the calendar year ended 29 February 2024 (prior calendar year ended 28 February 2023).

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.

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 and similar income

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 monthly in line with the satisfaction of performance obligations.

Tesco Bank interest income on retained financial assets that are measured at amortised cost and fair value through other comprehensive income is determined using the effective interest rate method. Calculation of the effective interest rate takes into account fees receivable that are an integral part of the instrument's yield and premiums or discounts on acquisition or issue.

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. 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 these 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 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 over the net fair value of the Group's share of the net assets, liabilities and contingent liabilities of an acquired business, subsidiary, joint venture or associate and the fair value of the non-controlling interest in the acquiree. If the consideration is less than the fair value of the Group's share of the net assets, liabilities and contingent liabilities of the acquired business (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 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 any recognised impairment in value. 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.

Notes to the Group financial statements continued

Note 1 Accounting policies, judgements and estimates continued

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. Cash and cash equivalents in the Group cash flow statement also 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, '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.

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 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.

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 6.

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 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.

Loans and advances to customers

Loans and advances are initially recognised at fair value plus directly related transaction costs. Subsequently, they are carried at amortised cost using the effective interest method, less any allowance for ECLs.

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 loans and advances to customers, 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.

Interest-bearing borrowings

Interest-bearing borrowings and overdrafts are initially recorded at fair value, net of attributable transaction costs. Subsequent to initial recognition, interest-bearing 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.

Notes to the Group financial statements continued

Note 1 Accounting policies, judgements and estimates continued

As permitted under IFRS 9, the Group has elected to continue to apply the existing hedge accounting requirements of IAS 39 'Financial instruments: Recognition and measurement' for its portfolio fair value hedging of interest rate risk.

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 and cost of 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 and cost of 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 and cost of 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 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 and the risks specific to the obligation.

Supplier financing arrangements

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 access payment earlier than 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.

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 current 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 19.

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.

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:

Notes to the Group financial statements continued

Note 1 Accounting policies, judgements and estimates continued

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 12 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 13.

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; 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 4.

Refer to pages 220 to 225 for further details on the Group's APMs.

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 14. 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 14.

Tesco Bank ECL measurement

The measurement of ECLs for Tesco Bank financial assets requires the use of complex models and significant assumptions about future macroeconomic conditions and credit behaviour, such as the likelihood of customers defaulting and the resulting losses. Key assumptions and sensitivities for Tesco Bank ECLs are disclosed in Note 7.

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 20 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.

The principal activities of the Group are presented in the following reportable segments:

- Retailing and associated activities (Retail) in:
  - UK & ROI – the United Kingdom and Republic of Ireland; and
  - Central Europe – Czech Republic, Hungary and Slovakia.
- Retail banking, insurance and money services through Tesco Bank in the UK (Tesco Bank).

In February 2024, the Board announced the sale of the Group's banking operation (Banking operations), which has been consequently classified as a discontinued operation. Refer to Note 7 for further details. The remaining insurance business and money services are included within continuing operations. Both continuing and discontinued elements remain within the Tesco Bank segment, reflecting the Group's organisational structure and internal reporting to the CODM at the year end.

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 that aids comparability over time for the financial year under evaluation. Adjusted operating profit is a consistent measure within the Group as defined within the Glossary. Refer to Note 4 for adjusting items. Inter-segment revenue between the segments 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 24 February 2024 At constant exchange rates	UK & ROI £m	Central Europe £m	Total Retail £m	Tesco Bank £m	Total segments at constant exchange £m	Foreign exchange £m	Exclude: Banking operations £m	Continuing operations at actual exchange £m
Revenue	62,864	4,388	67,252	1,521	68,773	124	(710)	68,187
Less: Fuel sales	(6,537)	(171)	(6,708)	–	(6,708)	(2)	–	(6,710)
Sales	56,327	4,217	60,544	1,521	62,065	122	(710)	61,477
Adjusted operating profit	**2,669**	**90**	**2,759**	**148**	**2,907**	**1**	**(79)**	**2,829**
Adjusting items (Note 4)	19	(23)	(4)	(741)	(745)	(1)	738	(8)
Operating profit	**2,688**	**67**	**2,755**	**(593)**	**2,162**	**–**	**659**	**2,821**
Adjusted operating margin	**4.2%**	**2.1%**	**4.1%**	**9.7%**	**4.2%**		**11.1%**	**4.1%**

Tesco Bank segmental revenue of £1,521m (2023: £1,234m) comprises continuing interest income of £94m (2023: £38m), fees and commissions income of £203m (2023: £170m), insurance revenue of £514m (2023: £458m) and revenue within the discontinued Banking operations of £710m (2023: £568m). For insurance, refer to Note 24.

52 weeks ended 24 February 2024 At actual exchange rates	UK & ROI £m	Central Europe £m	Total Retail £m	Tesco Bank £m	Total segments £m	Exclude: Banking operations £m	Continuing operations at actual exchange £m
Revenue	62,880	4,496	67,376	1,521	68,897	(710)	68,187
Less: Fuel sales	(6,536)	(174)	(6,710)	–	(6,710)	–	(6,710)
Sales	56,344	4,322	60,666	1,521	62,187	(710)	61,477
Adjusted operating profit	**2,670**	**90**	**2,760**	**148**	**2,908**	**(79)**	**2,829**
Adjusting items (Note 4)	19	(24)	(5)	(741)	(746)	738	(8)
Operating profit	**2,689**	**66**	**2,755**	**(593)**	**2,162**	**659**	**2,821**
Adjusted operating margin	**4.2%**	**2.0%**	**4.1%**	**9.7%**	**4.2%**	**11.1%**	**4.1%**
Share of post-tax profits of joint ventures and associates							6
Finance income							267
Finance costs							(805)
Profit before tax							**2,289**

52 weeks ended 25 February 2023 At actual exchange rates	UK & ROI £m	Central Europe £m	Total Retail £m	Tesco Bank (restated*) £m	Total segments (restated*) £m	Exclude: Banking operations (restated*) £m	Continuing operations at actual exchange (restated*) £m
Revenue	60,246	4,410	64,656	1,234	65,890	(568)	65,322
Less: Fuel sales	(7,877)	(229)	(8,106)	–	(8,106)	–	(8,106)
Sales	52,369	4,181	56,550	1,234	57,784	(568)	57,216
Adjusted operating profit	**2,307**	**180**	**2,487**	**135**	**2,622**	**(113)**	**2,509**
Adjusting items (Note 4)	(1,058)	(36)	(1,094)	(11)	(1,105)	6	(1,099)
Operating profit	**1,249**	**144**	**1,393**	**124**	**1,517**	**(107)**	**1,410**
Adjusted operating margin	**3.8%**	**4.1%**	**3.8%**	**10.9%**	**4.0%**	**19.9%**	**3.8%**
Share of post-tax profits of joint ventures and associates							8
Finance income							87
Finance costs							(623)
Profit before tax							**882**

* Comparatives have been restated following the adoption of IFRS 17 and re-presented to disclose Banking operations as a discontinued operation. Refer to Notes 1, 7 and 33 for further details.

Notes to the Group financial statements continued

Note 2 Segmental reporting continued

Balance sheet

The following tables show segment net assets and net debt (cash and cash equivalents, short-term investments, joint venture loans, bank and other borrowings, lease liabilities, derivative financial instruments, and net debt of the disposal group). Lease liabilities, joint venture loans and interest receivables have been allocated to each segment. All other components of net debt have been included within the unallocated segment to reflect how these balances are managed. Intercompany transactions have been eliminated other than intercompany transactions with Tesco Bank in net debt. Balances in relation to the discontinued Banking operations have been included in the Tesco Bank segment in both current and prior year.

At 24 February 2024	UK & ROI £m	Central Europe £m	Tesco Bank £m	Unallocated £m	Total £m
Goodwill and other intangible assets[a]	4,713	33	320	–	5,066
Property, plant and equipment and investment property	15,707	1,475	63	–	17,245
Right of use assets	5,038	439	1	–	5,478
Non-current assets held for sale	23	62	–	–	85
Net assets of the disposal group excluding net debt[b]	–	–	758	–	758
Net debt (including Tesco Bank)[c]	(6,926)	(575)	(102)	(2,263)	(9,866)
Other net assets/(liabilities)	(7,101)	(300)	300	–	(7,101)
Total net assets	**11,454**	**1,134**	**1,340**	**(2,263)**	**11,665**

(a) Refer to Note 14 for the allocation of goodwill between remaining operations and the Banking operations disposal group classified as held for sale.
(b) Excludes £(182)m of net debt items within the Tesco Bank segment relating to the Banking operations disposal group.
(c) Refer to Note 32.

At 25 February 2023	UK & ROI £m	Central Europe £m	Tesco Bank (restated[a]) £m	Unallocated[b] £m	Total (restated[a]) £m
Goodwill and other intangible assets	4,715	37	623	–	5,375
Property, plant and equipment and investment property	15,346	1,468	72	–	16,886
Right of use assets	5,057	433	10	–	5,500
Assets of the disposal group and non-current assets held for sale	25	169	–	16	210
Net debt (including Tesco Bank)[c]	(7,036)	(553)	151	(2,904)	(10,342)
Other net assets/(liabilities)	(6,414)	(310)	1,320	–	(5,404)
Total net assets	**11,693**	**1,244**	**2,176**	**(2,888)**	**12,225**

(a) Comparatives have been restated following the adoption of IFRS 17. Refer to Notes 1 and 33 for further details.
(b) Includes £16m of assets and £(14)m of items within net debt relating to residual properties and leases with respect to the Group's operation in Poland.
(c) Refer to previous table for footnote.

Other segment information

The table below shows the Group's total capital expenditure, depreciation and amortisation, and impairment loss on financial assets, reconciling to continuing operations:

52 weeks ended 24 February 2024	UK & ROI £m	Central Europe £m	Tesco Bank £m	Total segments £m	Exclude: Banking operations £m	Continuing operations £m
Capital expenditure (including acquisitions through business combinations):						
Property, plant and equipment[a][b]	1,091	99	8	1,198	–	1,198
Goodwill and other intangible assets[c]	255	12	25	292	(22)	270
Depreciation and amortisation:						
Property, plant and equipment	(802)	(86)	(11)	(899)	3	(896)
Right of use assets	(496)	(46)	(2)	(544)	1	(543)
Other intangible assets	(235)	(12)	(33)	(280)	25	(255)
Impairment:						
(Loss)/reversal on financial assets	1	1	(65)	(63)	65	2

(a) Includes £65m of land and buildings related to obtaining control of The Tesco Coral Limited Partnership (2023: £248m of land and buildings related to obtaining control of The Tesco Dorney Limited Partnership). Refer to Note 11.
(b) Includes £nil (2023: £42m) of property, plant and equipment acquired through business combinations.
(c) Includes £17m (2023: £31m) of goodwill and other intangible assets acquired through business combinations.

52 weeks ended 25 February 2023	UK & ROI £m	Central Europe £m	Tesco Bank[d] £m	Total segments[d] £m	Exclude: Banking operations[d] £m	Continuing operations[d] £m
Capital expenditure (including acquisitions through business combinations):						
Property, plant and equipment[a][b]	1,176	104	14	1,294	(2)	1,292
Goodwill and other intangible assets[c]	259	12	37	308	(26)	282
Depreciation and amortisation:						
Property, plant and equipment	(788)	(84)	(10)	(882)	2	(880)
Right of use assets	(500)	(37)	(2)	(539)	1	(538)
Investment property	(1)	–	–	(1)	–	(1)
Other intangible assets	(226)	(10)	(42)	(278)	31	(247)
Impairment:						
(Loss)/reversal on financial assets	(5)	(1)	(60)	(66)	60	(6)

(a)-(c) Refer to previous table for footnotes.
(d) Comparatives have been restated following the adoption of IFRS 17 and to present Banking operations as a discontinued operation. Refer to Notes 1, 7 and 33 for further details.

Cash flow statement

The following tables provide further analysis of the Group cash flow statement, including a split of cash flows between Retail continuing operations, and Tesco Bank continuing and discontinued operations.

				Tesco Bank				
	Retail			Continuing operations			Discontinued operations	Tesco Group
52 weeks ended 24 February 2024	Before adjusting items £m	Adjusting items £m	Total £m	Before adjusting items £m	Adjusting items £m	Total £m	Total £m	Total £m
Operating profit/(loss)	**2,760**	**(5)**	**2,755**	**69**	**(3)**	**66**	**(659)**	**2,162**
Depreciation and amortisation	1,602	75	1,677	17	–	17	29	1,723
ATM net income	(9)	–	(9)	9	–	9	–	–
(Profit)/loss arising on sale of property, plant and equipment, investment property, intangible assets, assets held for sale and early termination of leases	10	(63)	(53)	–	–	–	–	(53)
(Profit)/loss arising on sale of joint ventures and associates	–	(9)	(9)	–	–	–	–	(9)
(Profit)/loss arising on sale of subsidiaries	–	(12)	(12)	–	–	–	–	(12)
Net impairment (reversal)/loss 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)	–	(3)	6	78
Fair value movements included in operating profit/(loss)	6	–	6	3	–	3	62	71
Cash generated from/(used in) operations excluding working capital	**4,415**	**(54)**	**4,361**	**95**	**(3)**	**92**	**170**	**4,623**
(Increase)/decrease in working capital	418	(44)	374	(105)	1	(104)	(7)	263
Cash generated from/(used in) operations	**4,833**	**(98)**	**4,735**	**(10)**	**(2)**	**(12)**	**163**	**4,886**
Interest paid	(809)	–	(809)	(14)	–	(14)	(1)	(824)
Corporation tax paid	(214)	–	(214)	(9)	–	(9)	–	(223)
Net cash generated from/(used in) operating activities*	**3,810**	**(98)**	**3,712**	**(33)**	**(2)**	**(35)**	**162**	**3,839**
Proceeds from sale of property, plant and equipment, investment property, intangible assets and assets classified as held for sale	2	53	55	–	–	–	–	55
Purchase of property, plant and equipment, investment property and other long-term assets – property buybacks and store purchases	(66)	7	(59)	–	–	–	–	(59)
Purchase of property, plant and equipment, investment property and other long-term assets – other capital expenditure	(1,039)	–	(1,039)	(10)	–	(10)	–	(1,049)
Purchase of intangible assets	(250)	–	(250)	(6)	–	(6)	(22)	(278)
Disposal of subsidiaries, net of cash disposed	–	15	15	–	–	–	–	15
Acquisition of subsidiaries, net of cash acquired	(17)	–	(17)	–	–	–	–	(17)
Proceeds from the sale of joint ventures and associates	–	9	9	–	–	–	–	9
Increase in loans to joint ventures and associates	(61)	–	(61)	–	–	–	–	(61)
Investments in joint ventures and associates	(9)	–	(9)	–	–	–	–	(9)
Net (investments in)/proceeds from sale of short-term investments	(507)	–	(507)	–	–	–	–	(507)
Proceeds from sale of other investments	5	–	5	347	–	347	–	352
Purchase of other investments	(5)	–	(5)	(385)	–	(385)	–	(390)
Dividends received from joint ventures and associates	9	–	9	–	–	–	–	9
Special dividend received from Tesco Bank	250	–	250	(250)	–	(250)	–	–
Interest received	249	–	249	–	–	–	–	249
Cash inflows from derivative financial instruments	5	–	5	–	–	–	–	5
Cash outflows from derivative financial instruments	(24)	–	(24)	–	–	–	–	(24)
Net cash generated from/(used in) investing activities*	**(1,458)**	**84**	**(1,374)**	**(304)**	–	**(304)**	**(22)**	**(1,700)**
Own shares purchased for cancellation	(752)	–	(752)	–	–	–	–	(752)
Own shares purchased for share schemes	(93)	–	(93)	–	–	–	–	(93)
Repayment of capital element of obligations under leases	(623)	–	(623)	(2)	–	(2)	(2)	(627)
Cash outflows exceeding the incremental increase in assets in a property buyback	(62)	–	(62)	–	–	–	–	(62)
Increase in borrowings	682	–	682	–	–	–	550	1,232
Repayment of borrowings	(775)	–	(775)	–	–	–	–	(775)
Cash inflows from derivative financial instruments	98	–	98	–	–	–	–	98
Cash outflows from derivative financial instruments	(102)	–	(102)	–	–	–	–	(102)
Dividends paid to equity holders	(777)	(1)	(778)	–	–	–	–	(778)
Net cash generated from/(used in) financing activities*	**(2,404)**	**(1)**	**(2,405)**	**(2)**	–	**(2)**	**548**	**(1,859)**
Net increase/(decrease) in cash and cash equivalents	**(52)**	**(15)**	**(67)**	**(339)**	**(2)**	**(341)**	**688**	**280**
Cash and cash equivalents at the beginning of the year								1,565
Effect of foreign exchange rate changes								29
Cash and cash equivalents, including cash held in the disposal group, at the end of the year								**1,874**
Less: Cash held in the disposal group								(346)
Cash and cash equivalents at the end of the year								**1,528**

* Refer to page 225 for the reconciliation of the APM: Retail free cash flow.

Notes to the Group financial statements continued

Note 2 Segmental reporting continued

52 weeks ended 25 February 2023	Retail Before adjusting items £m	Retail Adjusting items £m	Retail Total £m	Tesco Bank continuing operations (restated[a]) Before adjusting items £m	Tesco Bank continuing operations (restated[a]) Adjusting items £m	Tesco Bank continuing operations (restated[a]) Total £m	Discontinued operations[b] Total £m	Tesco Group (restated[a]) Total £m
Operating profit/(loss)	**2,487**	**(1,094)**	**1,393**	**22**	**(5)**	**17**	**98**	**1,508**
Depreciation and amortisation	1,570	76	1,646	19	–	19	35	1,700
ATM net income	(16)	–	(16)	16	–	16	–	–
(Profit)/loss arising on sale of property, plant and equipment, investment property, intangible assets, assets held for sale and early termination of leases	13	(91)	(78)	–	–	–	2	(76)
(Profit)/loss arising from sale of other investments	–	–	–	3	–	3	–	3
Net impairment loss on property, plant and equipment, right of use assets, intangible assets and investment property	–	982	982	–	–	–	–	982
Net remeasurement loss on non-current assets held for sale	–	14	14	–	–	–	9	23
Defined benefit pension scheme payments	(23)	–	(23)	–	–	–	–	(23)
Share-based payments	64	–	64	(2)	–	(2)	(3)	59
Fair value movements included in operating profit/(loss)	–	–	–	15	–	15	55	70
Cash generated from/(used in) operations excluding working capital	**4,095**	**(113)**	**3,982**	**73**	**(5)**	**68**	**196**	**4,246**
(Increase)/decrease in working capital	468	52	520	(39)	(3)	(42)	(227)	251
Cash generated from/(used in) operations	**4,563**	**(61)**	**4,502**	**34**	**(8)**	**26**	**(31)**	**4,497**
Interest paid	(643)	–	(643)	(9)	–	(9)	–	(652)
Corporation tax paid	(107)	–	(107)	(17)	–	(17)	1	(123)
Net cash generated from/(used in) operating activities[c]	**3,813**	**(61)**	**3,752**	**8**	**(8)**	**–**	**(30)**	**3,722**
Proceeds from sale of property, plant and equipment, investment property, intangible assets and assets classified as held for sale	6	335	341	1	–	1	–	342
Purchase of property, plant and equipment, investment property and other long-term assets – property buybacks	(14)	(40)	(54)	–	–	–	–	(54)
Purchase of property, plant and equipment, investment property and other long-term assets – other capital expenditure	(902)	–	(902)	(13)	–	(13)	(2)	(917)
Purchase of intangible assets	(241)	–	(241)	(12)	–	(12)	(26)	(279)
Acquisition of subsidiaries, net of cash acquired	(66)	–	(66)	(5)	–	(5)	–	(71)
Increase in loans to joint ventures and associates	(1)	–	(1)	–	–	–	–	(1)
Investments in joint ventures and associates	(10)	–	(10)	–	–	–	–	(10)
Net (investments in)/proceeds from sale of short-term investments	451	–	451	–	–	–	–	451
Proceeds from sale of other investments	1	–	1	229	–	229	–	230
Purchase of other investments	(206)	–	(206)	(323)	–	(323)	–	(529)
Dividends received from joint ventures and associates	14	–	14	–	–	–	–	14
Dividends received from Tesco Bank	54	–	54	(54)	–	(54)	–	–
Interest received	70	–	70	–	–	–	–	70
Cash inflows from derivative financial instruments	54	–	54	–	–	–	–	54
Cash outflows from derivative financial instruments	(6)	–	(6)	–	–	–	–	(6)
Net cash generated from/(used in) investing activities[c]	**(796)**	**295**	**(501)**	**(177)**	**–**	**(177)**	**(28)**	**(706)**
Own shares purchased for cancellation	(781)	–	(781)	–	–	–	–	(781)
Own shares purchased for share schemes	(86)	–	(86)	–	–	–	–	(86)
Repayment of capital element of obligations under leases	(589)	–	(589)	(2)	–	(2)	(2)	(593)
Cash outflows exceeding the incremental increase in assets in a property buyback	(21)	–	(21)	–	–	–	–	(21)
Repayment of borrowings	(608)	–	(608)	(101)	–	(101)	–	(709)
Cash inflows from derivative financial instruments	232	–	232	–	–	–	–	232
Cash outflows from derivative financial instruments	(365)	–	(365)	(6)	–	(6)	–	(371)
Dividends paid to equity holders	(858)	(1)	(859)	–	–	–	–	(859)
Net cash generated from/(used in) financing activities[c]	**(3,076)**	**(1)**	**(3,077)**	**(109)**	**–**	**(109)**	**(2)**	**(3,188)**
Net increase/(decrease) in cash and cash equivalents	**(59)**	**233**	**174**	**(278)**	**(8)**	**(286)**	**(60)**	**(172)**
Cash and cash equivalents at the beginning of the year								1,771
Effect of foreign exchange rate changes								(34)
Cash and cash equivalents at the end of the year								**1,565**

(a) Comparatives have been restated following the adoption of IFRS 17 and re-presented to disclose Banking operations as a discontinued operation within the Tesco Bank segment. Refer to Notes 1 , 7 and 33 for further details.
(b) Comprising Banking operations and immaterial balances in relation to the Group's residual properties in Poland. Refer to Note 7.
(c) Refer to page 225 for the reconciliation of the APM: Retail free cash flow.

Note 3 Operating expenses

Auditor's remuneration

	52 weeks 2024 £m	52 weeks 2023 £m
Fees payable to the Company's auditor and its associates for the audit of the Company and Group financial statements	4.3	3.6
The audit of the accounts of the Company's subsidiaries	10.4	9.7
Total audit services	**14.7**	**13.3**
Audit-related assurance services	0.9	1.2
Non-audit services	0.3	0.2
Total non-audit services	**1.2**	**1.4**
Total auditor's remuneration	**15.9**	**14.7**

Audit-related assurance services of £0.9m (2023: £1.2m) comprise: review of the Group's interim report £0.6m (2023: £0.5m) and other services £0.3m (2023: £0.7m). In addition to the amounts shown above, the auditor received fees of £0.3m (2023: £0.3m) for the audit of the main Group pension schemes, and fees of £0.4m (2023: £0.3m) 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 is safeguarded.

Employment costs, including Directors' remuneration

	Notes	**52 weeks 2024 £m**	52 weeks 2023 £m
Wages and salaries		6,999	6,516
Social security costs		548	519
Post-employment defined benefits	29	15	24
Post-employment defined contributions	29	415	375
Share-based payments expense	28	128	112
Termination benefits		56	110
Total		**8,161**	**7,656**
Less: Discontinued operations		(157)	(139)
Total continuing operations		**8,004**	**7,517**

Post-employment defined contribution charges include £166m (2023: £143m) of salaries paid as pension contributions.

The table below shows the average number of employees by segment (including discontinued operations) during the financial year.

	Average number of employees		Average number of full-time equivalents	
	2024	2023	**2024**	2023
UK & ROI	311,531	309,366	201,694	196,911
Central Europe	22,359	23,971	20,529	21,998
Tesco Bank	3,628	3,589	3,436	3,397
Total	**337,518**	**336,926**	**225,659**	**222,306**

Notes to the Group financial statements continued

Note 4 Adjusting items

Group income statement

Refer to Note 1 for further details regarding the assessment of items as adjusting.

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[a]	6	69	75	–	(18)	–	57
Disposal of China associate in a prior year[b]	–	9	9	–	23	–	32
Net impairment (loss)/reversal of non-current assets[c]	35	(7)	28	–	38	–	66
Restructuring[d]	(45)	(5)	(50)	–	12	–	(38)
Amortisation of acquired intangible assets[e]	–	(74)	(74)	–	18	–	(56)
Disposal of subsidiary[f]	–	12	12	–	–	–	12
Banking operations disposal costs[g]	–	(8)	(8)	–	–	–	(8)
Net pension finance income/(costs)[h]	–	–	–	(18)	5	–	(13)
Fair value remeasurements of financial instruments[h]	–	–	–	38	(10)	–	28
Total adjusting items from continuing operations	**(4)**	**(4)**	**(8)**	**20**	**68**	**–**	**80**
Adjusting items relating to discontinued operations[i]	–	–	–	–	–	(628)	(628)
Total adjusting items	**(4)**	**(4)**	**(8)**	**20**	**68**	**(628)**	**(548)**

(a) The Group disposed of surplus properties that generated a profit before tax of £63m (2023: £91m). In addition, there was a £12m gain (2023: £nil) arising from the remeasurement of assets held for sale, subsequently reclassified to property, plant and equipment.
(b) During the current financial year, the Group reached a settlement with the Chinese tax authorities in respect of the sale of the Group's 20% share of Gain Land Limited to China Resources Holdings on 28 February 2020. As a result of the settlement the Group released a tax provision of £23m (2023: £nil). Additionally, final proceeds of £9m were recognised upon settlement.
(c) Refer to Note 14 for further details on net impairment (loss)/reversal of non-current assets.
(d) Provisions relating to operational restructuring changes announced as part of 'Save to Invest', a multi-year programme which commenced in June 2022. The total pre-tax cost of the programme to date is £(232)m (2023: £(182)m). Future cost savings will not be reported within adjusting items.
(e) Amortisation of acquired intangibles relates to historical inorganic business combinations and does not reflect the Group's ongoing trading performance.
(f) On 30 June 2023 the Group disposed of its Booker subsidiary Ritter-Courivaud Limited, part of the UK & ROI segment.
(g) Costs incurred within the continuing Group in relation to the sale of Banking operations.
(h) 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 5 for details of finance income and costs. Refer to Note 29 for details of pension schemes.
(i) Refer to Note 7.

52 weeks ended 25 February 2023

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 (restated*) £m
Property transactions	36	55	91	–	29	–	120
Net impairment (loss)/reversal of non-current assets	(965)	(17)	(982)	–	129	–	(853)
Fair value less cost of disposal movements on assets held for sale	–	(14)	(14)	–	1	–	(13)
Restructuring	(107)	(25)	(132)	–	26	–	(106)
Disposal of Asia operations	–	2	2	–	–	–	2
ATM business rates refund	7	–	7	–	(1)	–	6
Release of onerous contract provision	–	5	5	–	–	–	5
Amortisation of acquired intangible assets	–	(76)	(76)	–	14	–	(62)
Net pension finance income	–	–	–	80	(15)	–	65
Fair value remeasurements of financial instruments	–	–	–	(53)	12	–	(41)
Total adjusting items from continuing operations	**(1,029)**	**(70)**	**(1,099)**	**27**	**195**	**–**	**(877)**
Adjusting items relating to discontinued operations*	–	–	–	–	–	(13)	(13)
Total adjusting items	**(1,029)**	**(70)**	**(1,099)**	**27**	**195**	**(13)**	**(890)**

* Comparatives have been restated to present Banking operations as a discontinued operation. Refer to Notes 1 and 7.

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 2024 £m	52 weeks 2023 (restated[a]) £m	**52 weeks 2024 £m**	52 weeks 2023 £m	**52 weeks 2024 £m**	52 weeks 2023 £m
Property transactions[b]	–	–	53	335	–	–
Disposal of subsidiaries[c]	–	–	15	–	–	–
Restructuring[d]	(100)	(68)	–	–	–	–
Disposal of China associate	–	–	9	–	–	–
Customer redress claims settlement in Tesco Bank	–	(4)	–	–	–	–
ATM business rates refund	–	5	–	–	–	–
Disposal of Asia operations	–	(2)	–	–	–	–
Acquisition of property joint venture	–	–	7	(40)	–	–
Special dividend	–	–	–	–	(1)	(1)
Total adjusting items from continuing operations	**(100)**	**(69)**	**84**	**295**	**(1)**	**(1)**
Adjusting items relating to discontinued operations	(1)	(8)	–	–	–	–
Total	**(101)**	**(77)**	**84**	**295**	**(1)**	**(1)**

(a) Comparatives have been restated to present Banking operations as a discontinued operation. Refer to Notes 1 and 7.
(b) Property transactions include £14m proceeds (2023: £43m) relating to the sale of stores in Poland not included in the sale of the corporate business.
(c) On 30 June 2023, the Group disposed of its Booker subsidiary Ritter-Courivaud Limited, part of the UK & ROI segment.
(d) Cash outflows relating to operational restructuring changes as part of the multi-year 'Save to Invest' programme, which commenced in June 2022.

Note 5 Finance income and costs

Continuing operations	Notes	**52 weeks 2024 £m**	52 weeks 2023 (restated[a]) £m
Finance income			
Interest and similar income		252	78
Interest income from other investments		12	3
Finance income on net investment in leases		2	4
Finance income from reinsurance contracts held		1	2
Total finance income		**267**	**87**
Finance costs			
GBP MTNs and loans		(190)	(160)
EUR MTNs		(113)	(53)
USD bonds		(15)	(18)
Interest expense on lease liabilities		(373)	(371)
Finance expense from insurance contracts issued		(7)	(5)
Other interest costs		(127)	(43)
Total finance costs before adjusting items		**(825)**	**(650)**
Fair value remeasurements of financial instruments[b]		38	(53)
Net pension finance income/(cost)	29	(18)	80
Total finance costs		**(805)**	**(623)**
Net finance costs		**(538)**	**(536)**

(a) Comparatives have been restated following the adoption of IFRS 17 and re-presented to disclose Banking operations as a discontinued operation. Refer to Notes 1, 7 and 33 for further details.
(b) Fair value remeasurements of financial instruments included £nil (2023: £70m gain) relating to the repurchase of long-dated bonds.

Note 6 Taxation

Recognised in the Group income statement

Continuing operations	**52 weeks 2024 £m**	52 weeks 2023 (restated*) £m
Current tax (credit)/charge		
UK corporation tax	351	174
Overseas tax	71	78
Adjustments in respect of prior years	(29)	19
	393	**271**
Deferred tax (credit)/charge		
Origination and reversal of temporary differences	133	(15)
Adjustments in respect of prior years	(4)	(35)
Change in tax rate	3	3
	132	**(47)**
Total income tax (credit)/charge	**525**	**224**

* Comparatives have been restated following the adoption of IFRS 17 and re-presented to disclose Banking operations as a discontinued operation. Refer to Notes 1, 7 and 33 for further details.

Notes to the Group financial statements continued

Note 6 Taxation continued

Reconciliation of effective tax charge

Continuing operations	52 weeks 2024 £m	52 weeks 2023 (restated[a]) £m
Profit/(loss) before tax	**2,289**	**882**
Tax credit/(charge) at 24.45% (2023: 19%)	(560)	(168)
Effect of:		
Non-qualifying depreciation[b]	(39)	(5)
Expenses not deductible	(24)	(23)
Property items taxed on a different basis to accounting entries	6	33
Net impairment (loss)/reversal of non-current assets	46	(87)
Differences in overseas taxation rates	15	11
Adjustments in respect of prior years	33	16
Share of profits of joint ventures and associates	2	2
Change in tax rate	(3)	(3)
Irrecoverable withholding tax	(1)	–
Total income tax credit/(charge)	**(525)**	**(224)**
Effective tax rate	**22.9%**	**25.4%**

(a) Comparatives have been restated following the adoption of IFRS 17 and re-presented to disclose Banking operations as a discontinued operation. Refer to Notes 1, 7 and 33 for further details.
(b) This figure has been reduced by the tax effect of the super-deduction of £3m (2023: £30m) in respect of tax relief for fixed assets.

Reconciliation of effective tax charge on adjusted profit before tax

Continuing operations	52 weeks 2024 £m	52 weeks 2023 (restated[a]) £m
Profit/(loss) before tax	**2,289**	**882**
Exclude: Adjusting items	(12)	1,072
Adjusted profit before tax	**2,277**	**1,954**
Tax credit/(charge) at 24.45% (2023: 19%)	(557)	(371)
Effect of:		
Non-qualifying depreciation[b]	(39)	(5)
Expenses not deductible	(23)	(24)
Differences in overseas taxation rates	19	10
Adjustments in respect of prior years	10	(3)
Share of profits of joint ventures and associates	2	2
Change in tax rate[c]	(4)	(28)
Irrecoverable withholding tax	(1)	–
Total income tax credit/(charge) before adjusting items	**(593)**	**(419)**
Adjusted effective tax rate	**26.0%**	**21.4%**

(a)-(b) Refer to previous table for footnotes.
(c) Change in tax rate includes £nil (2023: £31m) in relation to provision of deferred tax at 25% (2023: 25%) on assets qualifying for super-deductions.

Tax on items credited directly to the Group statement of changes in equity

Continuing operations	52 weeks 2024 £m	52 weeks 2023 £m
Current tax credit/(charge) on:		
Share-based payments	–	6
Deferred tax credit/(charge) on:		
Share-based payments	10	(11)
Total tax on items credited/(charged) to the Group statement of changes in equity	**10**	**(5)**

Tax relating to components of the Group statement of comprehensive income/(loss)

Continuing operations	52 weeks 2024 £m	52 weeks 2023 (restated*) £m
Current tax credit/(charge) on:		
Pensions	159	124
Deferred tax credit/(charge) on:		
Pensions	(95)	719
Fair value movement on financial assets at fair value through other comprehensive income	(4)	11
Finance income/expenses on insurance contracts issued and reinsurance contracts held	1	(4)
Fair value movements on cash flow hedges	(5)	20
Total tax on items credited/(charged) to the Group statement of comprehensive income/(loss)	**56**	**870**

* Comparatives have been restated following the adoption of IFRS 17. Refer to Notes 1 and 33 for further details.

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.

	Property-related items[a] £m	Acquired intangibles £m	Post-employment benefits[b] £m	Share-based payments £m	Other short-term timing differences £m	Tax losses £m	Financial instruments £m	Total £m
At 26 February 2022 (as previously reported)	**(352)**	**(108)**	**(451)**	**39**	**45**	**6**	**(4)**	**(825)**
Cumulative adjustment on initial application of IFRS 17	–	–	–	–	3	–	–	3
At 26 February 2022 (restated[c])	**(352)**	**(108)**	**(451)**	**39**	**48**	**6**	**(4)**	**(822)**
(Charge)/credit to the Group income statement	(89)	15	(13)	12	14	140	(32)	47
(Charge)/credit to the Group statement of changes in equity	–	–	–	(11)	–	–	–	(11)
(Charge)/credit to the Group statement of comprehensive income/(loss)	–	–	719	–	–	–	27	746
Discontinued operations	9	–	–	(1)	–	–	–	8
Foreign exchange and other movements	(2)	(2)	–	–	1	–	–	(3)
At 25 February 2023 (restated[c])	**(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)**

(a) Property-related items include a deferred tax liability on rolled-over gains of £424m (2023: £421m), deferred tax assets on capital losses of £242m (2023: £242m) and deferred tax assets on IFRS 16 balances of £199m (2023: £235m). The remaining balance relates to accelerated tax depreciation.
(b) The deferred tax asset on post-employment retirement benefits includes a deferred tax asset of £nil (2023: £155m) arising from a one-off contribution of £2.5bn paid in December 2020 on which tax deductions are spread over four years, resulting in the closing balance entirely relating to pension schemes in deficit. Refer to Note 29 for further details.
(c) Comparatives have been restated following the adoption of IFRS 17. Refer to Notes 1 and 33 for further details.

The following is the analysis of the deferred tax balances after offset:

	2024 £m	2023 (restated*) £m
Deferred tax assets	32	84
Deferred tax liabilities	(269)	(119)
	(237)	**(35)**

* Comparatives have been restated following the adoption of IFRS 17. Refer to Notes 1 and 33 for further details.

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:

	2024 £m	2023 £m
Deductible temporary differences	38	45
Tax losses	180	186
	218	**231**

As at 24 February 2024, the Group has unused trading tax losses from continuing operations of £881m (2023: £1,177m) available for offset against future profits. A deferred tax asset has been recognised in respect of £310m (2023: £584m) of such losses, with £258m (2023: £571m) arising in the UK, £29m (2023: £nil) in Hungary, £11m (2023: £4m) in USA and £12m (2023: £9m) in other jurisdictions. No deferred tax asset has been recognised in respect of the remaining overseas trading tax losses of £571m (2023: £593m) due to the unpredictability of future profit streams, with £532m (2023: £552m) arising in the Netherlands, £33m (2023: £34m) in Germany and £6m (2023: £7m) in other jurisdictions. Capital losses of £92m (2023: £95m) in ROI have not been recognised as it is not expected they will be utilised. There are no losses that will expire included in unrecognised losses. A deferred tax asset of £38m (2023: £45m) has not been recognised in respect of deductible temporary differences as it is not expected they will be utilised. There is no expiry date for these temporary differences.

No deferred tax liability is recognised on temporary differences of £4.1bn (2023: £4.3bn) relating to the unremitted earnings of overseas subsidiaries and joint ventures 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 24 February 2024 is estimated to be £7m (2023: £6m) 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.

Notes to the Group financial statements continued

Note 6 Taxation continued

Changes in tax law or its interpretation

The Group is within the scope of the Organisation for Economic Co-operation and Development (OECD) Pillar Two model rules. Pillar Two legislation has been enacted in the UK introducing a global minimum effective tax rate of 15%. The legislation implements a domestic top-up tax and a multinational top-up tax, effective for accounting periods starting on or after 31 December 2023. The Group has applied the exception under IAS 12 to recognising and disclosing information about deferred tax assets and liabilities related to top-up income taxes. Under the legislation, the Group is liable to pay a top-up tax for the difference between its effective tax rate per jurisdiction and the 15% minimum rate. The Group has performed an assessment of the potential exposure to Pillar Two income taxes and there is not expected to be a material impact on the Group's tax charge.

Note 7 Discontinued operations

The following table presents a breakdown of the assets and liabilities of disposal groups and non-current assets classified as held for sale:

	2024			2023[b]
	Banking operations £m	**Other[a] £m**	**Total £m**	Total £m
Assets of the disposal group	7,698	–	7,698	11
Non-current assets classified as held for sale[c]	–	85	85	199
Total assets of the disposal group and non-current assets classified as held for sale	**7,698**	**85**	**7,783**	**210**
Liabilities of the disposal group	(7,122)	–	(7,122)	(14)
Total net assets of the disposal group and non-current assets classified as held for sale	**576**	**85**	**661**	**196**

(a) Other non-current assets classified as held for sale consist mainly of properties in the 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.

(b) The assets and liabilities of the disposal group in the comparative period included £(14)m of net debt relating to residual properties and leases with respect to the Group's operation in Poland. During the year, the net debt and £11m of assets were reclassified from the disposal group to continuing operations, as the residual balances no longer met the held for sale classification criteria.

(c) The movement in other non-current assets classified as held for sale in the current year includes a £12m gain arising from fair value remeasurement and £(126)m of assets reclassified to property, plant and equipment as these balances no longer met the held for sale criteria.

Disposal of Banking operations

In February 2024, the Group reached agreement on the terms of a proposed sale of its banking operations, comprising personal loans, credit cards, customer deposits, and associated operational capabilities (Banking operations) for consideration of £600m. The sale is subject to regulatory approval and is expected to complete within 12 months of the reporting date.

The related assets and liabilities have been classified as held for sale in the Banking operations disposal group within the Tesco Bank segment, with Group results re-presented to present Banking operations as a discontinued operation. Refer to Note 1 for further details.

Balance sheet of the disposal group

The following table presents a breakdown of the assets and liabilities of the Banking operations disposal group:

	2024 £m
Loans and advances to customers	7,669
Derivative financial instruments	54
Trade and other receivables	47
Cash and cash equivalents	346
Excess loss on remeasurement of the disposal group	(418)
Assets of the disposal group classified as held for sale	**7,698**
Trade and other payables	(81)
Borrowings	(549)
Provisions	(19)
Lease liabilities	(17)
Deposits from customers	(6,440)
Derivative financial instruments	(16)
Liabilities of the disposal group classified as held for sale	**(7,122)**

Upon classification as held for sale, the Group recognised a £(732)m loss on remeasuring the disposal group to fair value less costs to sell. The loss 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 remaining was then recognised as a reduction in the total assets of the disposal group, which primarily comprise loans and advances to customers measured under IFRS 9.

The Group has continued to measure financial assets within the disposal group under IFRS 9, as they are out of scope of the measurement requirements of IFRS 5. Loans and advances to customers and customer deposits are measured at amortised cost. Derivative financial instruments are measured at fair value as Level 2 instruments. In the year Tesco Bank issued £550m of notes, in relation to securitisation transactions, which form part of the Banking operations disposal group. Interest payable on these notes is based on sterling overnight index average (SONIA) plus a margin of 80 to 92 basis points (2023: no notes in issue).

Income statement of discontinued operations

	2024 Banking operations £m	2023[a] Banking operations £m	2023[a] Other £m	2023[a] Total £m
Revenue	710	568	–	568
Operating costs	(631)	(455)	–	(455)
Adjusted operating profit/(loss)	**79**	**113**	**–**	**113**
Adjusted finance (costs)/income	(1)	(2)	–	(2)
Adjusted profit/(loss) before tax	**78**	**111**	**–**	**111**
Taxation	(22)	(20)	–	(20)
Adjusted profit/(loss) after tax	**56**	**91**	**–**	**91**
Fair value remeasurement of assets of the disposal group[b]	(732)	–	–	–
Fair value remeasurement of non-current assets held for sale[c]	–	–	(9)	(9)
Other adjusting items[d]	(11)	(4)	–	(4)
Tax on adjusting items	115	–	–	–
Total adjusting items	**(628)**	**(4)**	**(9)**	**(13)**
Total profit/(loss) after tax of discontinued operations	**(572)**	**87**	**(9)**	**78**

(a) Comparatives have been re-presented to disclose Banking operations as a discontinued operation.

(b) Fair value remeasurement of assets of the disposal group includes £(211)m of goodwill impairment, £(96)m remeasurements on non-current assets, £(418)m loss in excess of the carrying amount of the non-current assets and £(7)m costs already incurred in relation to the sale. Refer to Note 14 for further details on goodwill.

(c) Fair value remeasurement of non-current assets held for sale in the prior year of £(9)m primarily relates to surplus properties in Poland.

(d) Other adjusting items of £(11)m in the current year comprises £(6)m indirect costs incurred in relation to the sale of Banking operations and £(5)m of costs relating to fair value remeasurement of financial assets. Other adjusting items of £(4)m in the prior year primarily relate to operational restructuring changes as part of the Save to Invest programme.

Cash flow statement of discontinued operations

	2024 Banking operations £m	2023 Banking operations £m
Net cash flows from operating activities	162	(30)
Net cash flows from investing activities	(22)	(28)
Net cash flows from financing activities	548	(2)
Net cash flows from discontinued operations	**688**	**(60)**

Expected credit losses (ECLs) of the Banking operations disposal group

The Banking operations disposal group has specific risks in relation to ECLs on loans and advances to customers. The financial risk for ECLs is that a retail customer or counterparty to a wholesale transaction will fail to meet its obligations in accordance with contractually agreed terms and Tesco Bank will incur losses as a result.

To minimise the potential exposure to bad debts that are outside risk appetite, processes, systems and limits have been established that cover the end-to-end retail credit risk customer life cycle. These include credit scoring, affordability, credit policies and guides, and monitoring and reporting. Controls and risk mitigants include daily monitoring of exposures, investing in counterparties with investment-grade ratings, restricting the amount that can be invested with one counterparty and credit-rating mitigation techniques. Assessment of the ECLs on loans and advances to customers has taken into account a range of macroeconomic scenarios.

The table below presents the maximum exposure of the disposal group to credit risk i.e. total gross exposure, by stages.

	2024							2023 (restated[a])						
	Stage 1	Stage 2				Stage 3	Total	Stage 1	Stage 2				Stage 3	Total
	£m	Not past due £m	<30 days past due £m	>30 days past due £m	Total £m	£m	£m	£m	Not past due £m	<30 days past due £m	>30 days past due £m	Total £m	£m	£m
Loans and advances to customers	6,687	1,141	44	30	1,215	233	8,135	5,687	1,559	40	24	1,623	202	7,512
Loan commitments – loans and advances to customers	12,257	574	8	1	583	10	12,850	11,508	690	6	–	696	8	12,212
Total gross exposure[b]	**18,944**	**1,715**	**52**	**31**	**1,798**	**243**	**20,985**	**17,195**	**2,249**	**46**	**24**	**2,319**	**210**	**19,724**
Total loss allowance[c]	**70**	**189**	**18**	**17**	**224**	**139**	**433**	**56**	**258**	**19**	**14**	**291**	**113**	**460**
Total net exposure – loans and advances to customers	**6,617**	**952**	**26**	**13**	**991**	**94**	**7,702**	**5,631**	**1,301**	**21**	**10**	**1,332**	**89**	**7,052**
Coverage – loans andadvances to customers	**1%**	**17%**	**41%**	**57%**	**18%**	**60%**	**5%**	**1%**	**17%**	**48%**	**58%**	**18%**	**56%**	**6%**

(a) Comparatives have been restated following the adoption of IFRS 17. Refer to Notes 1 and 33 for further details.

(b) For loans and advances to customers, the balances are based on gross carrying amounts. For loan commitments, the amounts represent the amount for which the Banking operations disposal group is contractually committed.

(c) The loss allowance in respect of loan commitments in relation to credit card products is included within the total loss allowance for loans and advances to customers above to the extent that it is below the gross carrying amount of loans and advances to customers. Where the loss allowance exceeds the gross carrying amount, any excess is included within the liabilities of the disposal group as a provision.

Notes to the Group financial statements continued

Note 7 Discontinued operations continued

There are four classifications of credit quality for all credit exposures: high, satisfactory, low and below standard. Credit exposures are segmented according to the probability of default (PD), with credit impaired reflecting a PD of 100%.

		2024				2023 (restated*)			
	12-month PD %	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
Loans and advances to customers:									
High quality	<=3.02	6,212	389	–	6,601	5,493	742	–	6,235
Satisfactory quality	>3.03 - 11.10	464	570	–	1,034	186	610	–	796
Low quality and below standard	=> 11.11	11	256	–	267	8	271	–	279
Credit impaired	100	–	–	233	233	–	–	202	202
		6,687	**1,215**	**233**	**8,135**	**5,687**	**1,623**	**202**	**7,512**

* Comparatives have been restated following the adoption of IFRS 17. Refer to Notes 1 and 33 for further details.

The ECLs on loans and advances to customers was updated at the reporting date to reflect changes in credit risk. A three-stage model for impairment has been applied and further details on ECLs are presented below.

The table below presents the reconciliation of ECL allowances on loans and advances to customers.

	2024				2023 (restated*)			
	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
Gross exposure	6,687	1,215	233	8,135	5,687	1,623	202	7,512
Loan commitments	12,257	583	10	12,850	11,508	696	8	12,212
Total exposure	**18,944**	**1,798**	**243**	**20,985**	**17,195**	**2,319**	**210**	**19,724**
Allowance for expected credit losses								
At the beginning of the year	**(56)**	**(291)**	**(113)**	**(460)**	**(93)**	**(266)**	**(128)**	**(487)**
Transfers:								
Transfers from stage 1 to stage 2	7	(7)	–	–	19	(19)	–	–
Transfers from stage 2 to stage 1	(104)	104	–	–	(20)	20	–	–
Transfers to stage 3	1	42	(43)	–	3	21	(24)	–
Transfers from stage 3	(1)	(1)	2	–	(1)	(2)	3	–
Movements recognised in the Group income statement:								
Net remeasurement following transfer of stage	75	(22)	(57)	(4)	8	(27)	(54)	(73)
New financial assets originated	(35)	(37)	(11)	(83)	(24)	(63)	(7)	(94)
Financial assets derecognised during the current financial year	6	14	3	23	6	5	3	14
Changes in risk parameters and other movements	36	(27)	(25)	(16)	48	41	(11)	78
Other movements:								
Write-offs and asset disposals	–	–	105	105	–	–	105	105
Transfers to provisions for liabilities and charges	1	1	–	2	(2)	(1)	–	(3)
At the end of the year	**(70)**	**(224)**	**(139)**	**(433)**	**(56)**	**(291)**	**(113)**	**(460)**
Net exposure	**6,617**	**991**	**94**	**7,702**	**5,631**	**1,332**	**89**	**7,052**
Fair value adjustment				(33)				(75)
Carrying value at the end of the year				**7,669**				**6,977**

* Comparatives have been restated following the adoption of IFRS 17. Refer to Notes 1 and 33 for further details.

Assessment of significant increases in credit risk

At each reporting date, the change in credit risk of the financial asset is observed using a set of quantitative and qualitative criteria, together with a backstop based on arrears status. For each financial asset, Tesco Bank compares the lifetime PD at the reporting date with the lifetime PD that was expected at the reporting date at initial recognition (PD threshold). Tesco Bank has established PD thresholds for each type of product which vary depending on initial term and term remaining. A number of qualitative criteria are in place such as: forbearance offered to customers in financial difficulty; risk-based pricing post-origination; credit indebtedness; credit limit decrease; and pre-delinquency information. As a backstop, Tesco Bank considers that if an account's contractual payments are more than 30 days past due then a significant increase in credit risk has taken place.

The ECLs calculation and the measurement of significant deterioration in credit risk both incorporate forward-looking information using a range of macroeconomic scenarios, with key variables being the Bank of England base rate, unemployment rate and gross domestic product.

There are four scenarios commissioned from a third-party provider:

Scenario	Scenario assumptions	Weighting (%)
Base	No further increase in base rate, inflation trends downwards toward 2% target by mid-2024. Unemployment expected to peak at 4.6%. Prospect of robust return to growth forecasted for 2025.	40
Upside	Improvements in energy supply and global supply chains leads to inflation of 2% by Q2 2024, base rates falling in Q2 2024 and commensurate increases in business and consumer confidence.	30
Downside 1	Disruption to energy supplies and commodities from geopolitical tensions drive wholesale price rises that are passed on to consumers leading to higher inflation, 7% base rates in Q4 2024 and economic contraction until 2026.	25
Downside 2	Similar to Downside 1, but inflation remains higher for longer and Sterling depreciates more markedly against the Dollar, base rates reach 8.7% in early 2025 and unemployment peaks to 7.9%.	5

The economic scenarios used include the following ranges of key indicators:

Five-year average	2024 Base 40%	2024 Upside 30%	2024 Downside 1 25%	2024 Downside 2 5%	2023 Base 40%	2023 Upside 30%	2023 Downside 1 25%	2023 Downside 2 5%
Bank of England base rate[(a)]	4.1%	3.5%	5.4%	7.2%	3.8%	3.0%	4.7%	5.8%
Gross domestic product[(b)]	1.5%	2.0%	0.8%	0.1%	1.0%	1.5%	0.4%	(0.1)%
Unemployment rate	4.4%	4.0%	5.5%	7.2%	5.2%	4.2%	6.5%	8.4%
Unemployment rate peak in year	4.4%	4.0%	5.7%	7.5%	5.4%	4.2%	6.8%	8.9%

(a) Simple average.
(b) Annual growth rates.

The table below sets out the changes in the ECL allowance that would arise from reasonably possible changes in these assumptions from those used in the ECL allowance calculations as at 24 February 2024 and excludes specific management overlays which are discussed further below:

Key assumption	Reasonably possible change	Impact on the loss allowance 2024 £m	Impact on the loss allowance 2023 (restated*) £m
Closing ECL allowance		**433**	**460**
Macroeconomic factors (100% weighted)	Upside scenario	(42)	(59)
	Base scenario	(20)	(11)
	Downside scenario 1	55	65
	Downside scenario 2	170	161
Probability of default	Increase of 2.5% (2023: 10%)	30	32
	Decrease of 2.5% (2023: 10%)	(29)	(31)
Loss given default	Increase of 2.5%	10	10
	Decrease of 2.5%	(10)	(10)
Probability of default threshold (staging)	Increase of 20%	(8)	(9)
	Decrease of 20%	13	13
Expected lifetime (revolving credit facility)	Increase of 1 year	4	3
	Decrease of 1 year	(5)	(5)

* Comparatives have been restated following the adoption of IFRS 17. Refer to Notes 1 and 33 for further details.

Despite stability in the performance of the underlying portfolio, the increased risk from a high inflationary environment and cost-of-living crisis creates uncertainty on future loss projections and the current model outputs. As a result, certain specific management overlays have been recognised to address the prevailing downside risks and ensure the potential impacts of future stress are adequately provided for as detailed below:

Overlay	Description of adjustment	2024 £m	2023 £m
Underestimation risk	Risk that the beneficial impact of recent credit loss trends incorporated into credit risk models are transitive and may reverse due to the uncertain economic climate	8	68
Cost of living	A portion of Tesco Bank's customers may be more impacted by cost-of-living pressures, with deterioration in their ability to repay unsecured lending balances	20	22
Total overlays		**28**	**90**

Default

An account is deemed to have defaulted when Tesco Bank considers that a customer is in significant financial difficulty and that the customer meets certain quantitative and qualitative criteria regarding their ability to make contractual payments when due. This includes: instances such as when the customer makes a declaration of significant financial difficulty; an account's contractual payments are more than 90 days past due; or where the customer is deceased.

A loan deemed uncollectable is written off against the related provision after all of the necessary procedures have been completed and the amount of the loss has been determined. The outstanding contractual amount of such assets written off was £99m (2023: £115m).

Forbearance

Forbearance is relief granted by a lender to assist customers in financial difficulty, through arrangements which temporarily allow the customer to pay an amount other than the contractual amounts due. The main aim of forbearance is to support customers in returning to a position where they are able to meet their contractual obligations. This routinely, but not exclusively, includes arrangements to repay arrears over a period of time, or short-term concessions, where the borrower is allowed to make reduced repayments (or in exceptional circumstances, no repayments) on a temporary basis.

	Gross loans and advances subject to forbearance programmes 2024 £m	Gross loans and advances subject to forbearance programmes 2023 £m	Forbearance programmes as a proportion of total loans and advances by category 2024 %	Forbearance programmes as a proportion of total loans and advances by category 2023 %	Proportion of forbearance programmes covered by allowance for expected credit losses 2024 %	Proportion of forbearance programmes covered by allowance for expected credit losses 2023 %
Credit cards	123	102	3	3	53	49
Loans	40	30	1	1	44	31

Notes to the Group financial statements continued

Note 8 Dividends

	2024 Pence/share	2024 £m	2023 Pence/share	2023 £m
Paid prior financial year final dividend[a]	7.05	506	7.70	574
Paid interim dividend[b]	3.85	271	3.85	284
Amounts recognised through equity as distributions to owners	**10.90**	**777**	**11.55**	**858**
Paid 2021 special dividend	50.93	1	50.93	1
Dividends paid in the financial year		**778**		**859**
Proposed final dividend at financial year end	**8.25**	**581**	**7.05**	**516**

(a) Excludes £6m prior financial year final dividend waived (2023: £7m) and includes the write-back of unclaimed dividends and forfeited shares of £4m (2023: £5m).
(b) Excludes £2m interim dividend waived (2023: £2m).

The proposed final dividend was approved by the Board of Directors on 9 April 2024 and is subject to the approval of shareholders at the AGM. The proposed dividend has not been included as a liability as at 24 February 2024. It will be paid on 28 June 2024 to shareholders who are on the register of members at close of business on 17 May 2024.

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 7 June 2024.

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. £2m (2023: £nil) of unclaimed dividends in relation to these shares have been adjusted for in retained earnings. Refer to Note 30 for further details.

Note 9 Earnings/(losses) per share and diluted earnings/(losses) per share

For the 52 weeks ended 24 February 2024 there were 79 million (2023: 67 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 24 February 2024			52 weeks ended 25 February 2023 (restated[a])		
	Basic	Dilutive share options and awards	Diluted	Basic	Dilutive share options and awards	Diluted
Profit/(loss) (£m)						
Continuing operations[b]	1,760	–	1,760	659	–	659
Discontinued operations	(572)	–	(572)	78	–	78
Total	**1,188**	**–**	**1,188**	**737**	**–**	**737**
Weighted average number of shares (millions)	**7,097**	**79**	**7,176**	**7,415**	**67**	**7,482**
Earnings/(losses) per share (pence)						
Continuing operations	24.80	(0.27)	24.53	8.89	(0.08)	8.81
Discontinued operations	(8.06)	0.09	(7.97)	1.05	(0.01)	1.04
Total	**16.74**	**(0.18)**	**16.56**	**9.94**	**(0.09)**	**9.85**

(a) Comparatives have been restated following the adoption of IFRS 17 and re-presented to disclose Banking operations as a discontinued operation. Refer to Notes 1, 7 and 33 for further details.
(b) Excludes profits/(losses) attributable to non-controlling interests of £4m (2023: £(1)m).

APM: Adjusted diluted earnings/(losses) per share

Continuing operations	Notes	52 weeks 2024	52 weeks 2023 (restated[a])
Profit before tax (£m)		2,289	882
Exclude: Adjusting items (£m)	4	(12)	1,072
Adjusted profit before tax (£m)		**2,277**	**1,954**
Adjusted profit before tax attributable to the owners of the parent (£m)[b]		2,273	1,955
Taxation on adjusted profit before tax attributable to the owners of the parent (£m)	6	(593)	(419)
Adjusted profit after tax attributable to the owners of the parent (£m)		**1,680**	**1,536**
Basic weighted average number of shares (millions)		7,097	7,415
Adjusted basic earnings per share (pence)		**23.67**	**20.71**
Diluted weighted average number of shares (millions)		7,176	7,482
Adjusted diluted earnings per share (pence)		**23.41**	**20.53**

(a) Comparatives have been restated following the adoption of IFRS 17 and re-presented to disclose Banking operations as a discontinued operation. Refer to Notes 1, 7 and 33 for further details.
(b) Excludes profits/(losses) before tax from non-controlling interests of £4m (2023: £(1)m).

Note 10 Goodwill and other intangible assets

	Goodwill £m	Software[a] £m	Customer relationships £m	Other intangible assets[b] £m	Total £m
Cost					
At 25 February 2023	**4,785**	**2,034**	**718**	**384**	**7,921**
Foreign currency translation	(8)	(19)	–	(1)	(28)
Additions	–	275	–	–	275
Acquired through business combinations	17	–	–	–	17
Reclassification	–	(10)	–	–	(10)
Transfer to disposal group classified as held for sale	(211)	(266)	–	–	(477)
Disposals	(68)	(177)	–	–	(245)
At 24 February 2024	**4,515**	**1,837**	**718**	**383**	**7,453**
Accumulated amortisation and impairment losses					
At 25 February 2023	**458**	**1,410**	**376**	**302**	**2,546**
Foreign currency translation	(3)	(17)	–	–	(20)
Amortisation charge for the year[c]	–	205	74	1	280
Impairment losses[d]	–	24	–	2	26
Reversal of impairment losses[d]	–	(13)	–	–	(13)
Reclassification	–	(16)	–	7	(9)
Transfer to disposal group classified as held for sale	–	(183)	–	–	(183)
Disposals	(68)	(172)	–	–	(240)
At 24 February 2024	**387**	**1,238**	**450**	**312**	**2,387**
Net carrying value					
At 24 February 2024	**4,128**	**599**	**268**	**71**	**5,066**
At 25 February 2023	**4,327**	**624**	**342**	**82**	**5,375**

(a) Software includes £522m (2023: £455m) net carrying value of internally generated development costs.
(b) Other intangible assets include pharmacy licences with a net carrying value of £27m (2023: £36m) and various other individually immaterial balances.
(c) Of the £75m (2023: £78m) amortisation of customer relationships and other intangible assets, £74m (2023: £76m) has been included within adjusting items. £74m (2023: £75m) of this balance arises from amortisation of intangible assets recognised upon the Booker acquisition and £nil (2023: £1m) relates to the amortisation of intangible assets recognised upon the acquisition of Best Food Logistics.
(d) Refer to Note 14.

	Goodwill £m	Software[a] £m	Customer relationships £m	Other intangible assets[b] £m	Total £m
Cost					
At 26 February 2022	**4,739**	**1,901**	**718**	**396**	**7,754**
Foreign currency translation	16	14	–	4	34
Additions	–	274	–	3	277
Acquired through business combinations	30	–	–	1	31
Reclassification	–	20	–	(20)	–
Disposals	–	(175)	–	–	(175)
At 25 February 2023	**4,785**	**2,034**	**718**	**384**	**7,921**
Accumulated amortisation and impairment losses					
At 26 February 2022	**448**	**1,344**	**300**	**302**	**2,394**
Foreign currency translation	10	15	–	–	25
Amortisation charge for the year[c]	–	200	76	2	278
Impairment losses[d]	–	28	–	–	28
Reversal of impairment losses[d]	–	(5)	–	(2)	(7)
Disposals	–	(172)	–	–	(172)
At 25 February 2023	**458**	**1,410**	**376**	**302**	**2,546**
Net carrying value					
At 25 February 2023	**4,327**	**624**	**342**	**82**	**5,375**
At 26 February 2022	4,291	557	418	94	5,360

Refer to previous table for footnotes.

Notes to the Group financial statements continued

Note 11 Property, plant and equipment

	2024			2023		
	Land and buildings[a] £m	Other[b] £m	Total £m	Land and buildings[a] £m	Other[b] £m	Total £m
Cost						
Opening balance	**22,650**	**5,844**	**28,494**	**21,977**	**5,649**	**27,626**
Foreign currency translation	(200)	(69)	(269)	204	65	269
Additions[c][d]	445	753	1,198	591	661	1,252
Acquired through business combinations	–	–	–	42	–	42
Reclassification	10	32	42	3	(4)	(1)
Transfers (to)/from assets classified as held for sale	161	8	169	(85)	(5)	(90)
Transfer to disposal group classified as held for sale	(10)	(10)	(20)	–	–	–
Disposals	(90)	(428)	(518)	(82)	(522)	(604)
Closing balance	**22,966**	**6,130**	**29,096**	**22,650**	**5,844**	**28,494**
Accumulated depreciation and impairment losses						
Opening balance	**7,780**	**3,852**	**11,632**	**6,814**	**3,752**	**10,566**
Foreign currency translation	(76)	(48)	(124)	75	45	120
Depreciation charge for the year	449	450	899	434	448	882
Impairment losses[e]	236	95	331	686	141	827
Reversal of impairment losses[e]	(395)	(61)	(456)	(168)	(19)	(187)
Reclassification	(1)	39	38	1	–	1
Transfers (to)/from assets classified as held for sale	58	3	61	(32)	(2)	(34)
Transfer to disposal group classified as held for sale	(9)	(7)	(16)	–	–	–
Disposals	(73)	(417)	(490)	(30)	(513)	(543)
Closing balance	**7,969**	**3,906**	**11,875**	**7,780**	**3,852**	**11,632**
Net carrying value[f]	**14,997**	**2,224**	**17,221**	**14,870**	**1,992**	**16,862**
Construction in progress included above[g]	**109**	**280**	**389**	**109**	**278**	**387**

(a) The estimated fair value of land and buildings is £15.0bn (2023: £15.6bn). Refer to Note 14 for details of the methodology applied to determine fair value.
(b) Other assets consist of fixtures and fittings with a net carrying value of £1,679m (2023: £1,496m), office equipment with a net carrying value of £234m (2023: £201m) and motor vehicles with a net carrying value of £311m (2023: £295m). Depreciation charge for the year is £(291)m (2023: £(292)m), £(69)m (2023: £(71)m) and £(90)m (2023: £(85)m), respectively.
(c) Includes £65m of land and buildings related to obtaining control of The Tesco Coral Limited Partnership, which was not impaired on acquisition (2023: £248m of land and buildings related to obtaining control of The Tesco Dorney Limited Partnership, which was impaired by £(7)m on acquisition).
(d) Includes £107m (2023: £29m) relating to other property buyback and store purchase transactions.
(e) Refer to Note 14.
(f) Includes £3,129m (2023: £2,814m) of assets pledged as security for secured bonds (refer to Note 21) and £829m (2023: £783m) 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 12 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.

On 17 January 2024, the Group obtained control of The Tesco Coral Limited Partnership, previously accounted for as a joint venture, following the withdrawal of the joint venture partner, at which point the associated property leases remaining in the joint venture became intercompany leases. Refer to Note 13 for further details.

Right of use assets

	2024			2023		
	Land and buildings £m	Other £m	Total £m	Land and buildings £m	Other £m	Total £m
Net carrying value						
Opening balance	**5,387**	**113**	**5,500**	**5,634**	**86**	**5,720**
Additions (including sale and leaseback transactions)[a]	305	39	344	378	64	442
Acquired through business combinations	–	–	–	4	–	4
Depreciation charge for the year	(508)	(36)	(544)	(501)	(38)	(539)
Impairment losses[b]	(213)	(1)	(214)	(394)	–	(394)
Reversal of impairment losses[b]	131	–	131	72	–	72
Derecognition on acquisition of property joint venture	(17)	–	(17)	(198)	–	(198)
Transfer to disposal group classified as held for sale	(9)	–	(9)	–	–	–
Other movements[c]	289	(2)	287	392	1	393
Closing balance	**5,365**	**113**	**5,478**	**5,387**	**113**	**5,500**

(a) Prior year includes £70m right of use assets related to obtaining control of The Tesco Dorney Limited Partnership.
(b) Refer to Note 14.
(c) 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:

	2024 £m	2023 £m
Current	584	595
Non-current	7,038	7,132
Total lease liabilities	**7,622**	**7,727**

Maturity analysis – contractual undiscounted lease payments	2024 £m	2023 £m
Within one year	944	944
Greater than one year but less than two years	928	901
Greater than two years but less than three years	903	878
Greater than three years but less than four years	872	856
Greater than four years but less than five years	831	824
Greater than five years but less than ten years	3,444	3,383
Greater than ten years but less than fifteen years	1,954	2,035
After fifteen years	881	1,076
Total undiscounted lease payments	**10,757**	**10,897**

A reconciliation of the Group's opening to closing lease liabilities balance is presented in Note 32.

Amounts recognised in the Group income statement

Continuing operations	52 weeks 2024 £m	52 weeks 2023 (restated*) £m
Interest on lease liabilities	373	371
Variable payment expenses not included in lease liabilities	1	1
Expenses relating to short-term leases	26	24
Expenses relating to leases of low value assets (excluding amounts already included in short-term leases above)	1	1

* Comparatives have been re-presented to disclose Banking operations as a discontinued operation. Refer to Notes 1 and 7 for further details.

Amounts recognised in the Group cash flow statement

	52 weeks 2024 £m	52 weeks 2023 £m
Total cash outflow for leases*	1,000	966

* Includes £2m (2023: £6m) related to Tesco Bank within continuing operations.

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 £9.7bn (2023: £9.1bn).

Future increases or decreases in rentals linked to an index or rate are not included in the lease liability until the change in cash flows takes effect. Approximately 76% (2023: 76%) of the Group's lease liabilities are subject to inflation-linked rentals, of which 85% (2023: 86%) have inflation caps, with a weighted average cap of 4.3% (2023: 3.4%). A further 17% (2023: 16%) 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, 31% (2023: 30%) of the lease liability value was hedged through index-linked swaps. Refer to Note 27.

The Group is committed to payments totalling £181m (2023: £110m) 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 2024 £m	52 weeks 2023 £m
Finance lease – interest income(a)	2	4
Operating lease – rental income(b)	96	90

(a) Includes £2m (2023: £4m) of sublease interest income.
(b) Includes £26m (2023: £23m) of sublease rental income.

Notes to the Group financial statements continued

Note 12 Leases continued

Finance lease payments receivable

The finance lease receivable (net investment in the lease) included in the Group balance sheet is £27m (2023: £36m).

Operating lease payments receivable maturity analysis

	2024 £m	2023 £m
Within one year	63	61
Greater than one year but less than two years	33	77
Greater than two years but less than three years	30	56
Greater than three years but less than four years	23	40
Greater than four years but less than five years	23	27
Greater than five years but less than 10 years	33	49
Greater than 10 years but less than 15 years	11	20
After 15 years	28	42
Total undiscounted operating lease payments receivable	**244**	**372**

Note 13 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 212 to 216 for a complete list of Group entities.

Subsidiaries

The accounting year ends of the subsidiaries consolidated in these financial statements are on or around 24 February 2024.

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 securitisation structured entities established in connection with Tesco Bank's credit card securitisation transactions as well as financing structured entities controlled as a result of the acquisition of 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. As such, these entities are effectively controlled by the Group, and are therefore accounted for as subsidiaries of the Group. The securitisation structured entities are included in the Banking operations disposal group.

The securitisation structured entities have financial year ends of 31 December. The management accounts of these entities are used to consolidate the results to 24 February 2024 within these financial statements. The financial year ends of the financing structured entities align to the Group financial year end.

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

The accounting period end dates of the joint ventures and associates consolidated in these financial statements range from 31 December 2023 to 24 February 2024. The accounting period end dates of joint ventures differ from those of the Group for commercial reasons and depend upon the requirements of the joint venture partner 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.

Tesco Coral acquisition

In January 2024, the Group obtained control of The Tesco Coral Limited Partnership, which held four stores and was previously accounted for as a joint venture, following the withdrawal of the joint venture partner. The joint venture partner took ownership of two stores, which it continues to lease to the Group.

The transaction was treated as an asset acquisition. The non-cash consideration, principally comprising the elimination of the loan to the joint venture and derecognition of pre-existing right of use assets and lease liabilities, was £54m. On acquisition, the Group recognised property, plant and equipment of £65m, cash of £7m, and £1m relating to other immaterial balances. The Group also realised £19m deferred profit, arising from the original sale to the JV, on the two properties retained by the joint venture partner. This profit was treated as an adjusting item included as part of property transactions. Refer to Note 4.

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	
	2024 £m	2023 £m
Summarised balance sheet		
Non-current assets[a]	1,829	2,032
Current assets (excluding cash and cash equivalents)	8	8
Cash and cash equivalents	12	21
Current liabilities[b]	(65)	(287)
Non-current liabilities[b]	(2,265)	(2,277)
Net liabilities	**(481)**	**(503)**
Summarised income statement		
Revenue	188	203
Profit/(loss) after tax[c]	**–**	**–**

(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 fair values in the financial statements of the UK property joint ventures are £2,717m (2023: £2,988m).
(b) The current and non-current liabilities of UK property joint ventures largely comprise loan balances of £(1,985)m (2023: £(2,248)m) and derivative swap balances of £(317)m (2023: £(287)m) entered into to hedge the cash flow variability exposures of the joint ventures.
(c) Profit/(loss) after tax includes £59m (2023: £65m) of interest cost.

	UK property joint ventures	
	2024 £m	2023 £m
Reconciliation to carrying amounts:		
Opening balance	–	–
Share of profits/(losses)*	7	12
Dividends received from joint ventures and associates	(7)	(12)
Closing balance	–	–
Group's share in ownership	50%	50%
Group's share of net liabilities	(241)	(252)
Deferred property profits offset against carrying amounts	(56)	(60)
Cumulative unrecognised losses*	138	168
Cumulative unrecognised hedge reserves*	159	144
Carrying amount	–	–

* The share of profit for the year for UK property joint ventures related to £7m (2023: £12m) dividends received from joint ventures with £nil carrying amounts (2023: £nil). £11m of profit (2023: £12m) and £15m of increase (2023: £75m 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.

Notes to the Group financial statements continued

Note 13 Group entities continued
As at 24 February 2024, the Group had £96m (2023: £106m) 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	
	2024 £m	2023 £m
Aggregate carrying amount of individually immaterial joint ventures	102	93
Group's share of losses for the year	(1)	(4)

The aggregate carrying amount and Group's share of profit/(losses) for the year of associates are immaterial.

Note 14 Impairment of non-current assets
Impairment losses and reversals

Goodwill
The Group previously held £500m of goodwill associated with the Tesco Bank segment. On classification of the Group's Banking operations as held for sale, £211m of goodwill was allocated to the disposal group, £171m to the money services business and £118m to the insurance business. Subsequent to this allocation, an assessment of the Banking operations disposal group's fair value less costs to sell resulted in a write down of that goodwill to £nil. See Note 7 for further detail. There was no impairment of the goodwill associated with money services and insurance.

There was no impairment of other goodwill balances in the current year (2023: £nil).

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 store 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 (2023: £nil) with respect to investments in joint ventures and associates and no impairments in other non-current assets in either money services or insurance (2023: Tesco Bank segment £nil). All impairment losses and reversals are classified as adjusting items.

	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	(518)	584	(46)	15	(564)	599	35
Administrative expenses	(1)	–	(7)	1	(8)	1	(7)
Total impairment (loss)/reversal from continuing operations	**(519)**	**584**	**(53)**	**16**	**(572)**	**600**	**28**

	UK & ROI		Central Europe		Total		Net
52 weeks ended 25 February 2023	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	(28)	6	–	1	(28)	7	(21)
Property, plant and equipment	(779)	181	(48)	6	(827)	187	(640)
Right of use assets	(373)	65	(21)	7	(394)	72	(322)
Investment property	(1)	2	–	–	(1)	2	1
Total impairment (loss)/reversal of other non-current assets	**(1,181)**	**254**	**(69)**	**14**	**(1,250)**	**268**	**(982)**
Group income statement							
Cost of sales	(1,155)	245	(69)	14	(1,224)	259	(965)
Administrative expenses	(26)	9	–	–	(26)	9	(17)
Total impairment (loss)/reversal from continuing operations	**(1,181)**	**254**	**(69)**	**14**	**(1,250)**	**268**	**(982)**

The gross impairment losses and reversals for the Group largely reflect normal fluctuations expected from store-level performance, as well as any specific store closures. The net impairment reversal in the UK & ROI is primarily due to a net improvement in performance across the portfolio, partially offset by decreases in UK property fair values and fluctuations in discount rates. The net impairment loss in Central Europe is primarily due to a net deterioration of performance, partially offset by a reduction in discount rates.

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 store cash-generating units. Money services and insurance are also presented on an aggregated basis on materiality grounds.

At 24 February 2024	UK & ROI £m	Central Europe £m	Money services & insurance £m	Total continuing operations £m
Net carrying value				
Other intangible assets	874	33	31	938
Property, plant and equipment	15,692	1,466	63	17,221
Right of use assets	5,038	439	1	5,478
Investment property	15	9	–	24
Other non-current assets	**21,619**	**1,947**	**95**	**23,661**
Goodwill[(a)]	3,839	–	289	4,128
Investments in joint ventures and associates[(b)]	102	–	–	102
Net carrying value of non-current assets	**25,560**	**1,947**	**384**	**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) Goodwill of £4,128m (2023: £4,327m) consists of UK £3,806m (2023: £3,793m), ROI £33m (2023: £34m), money services £171m and insurance £118m (2023: Tesco Bank £500m).
(b) The carrying value of the Group's investments includes Trent Hypermarket Private Limited £63m (2023: £55m).
(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 25 February 2023	UK & ROI £m	Central Europe £m	Tesco Bank £m	Total £m
Net carrying value				
Other intangible assets	888	37	123	1,048
Property, plant and equipment	15,331	1,459	72	16,862
Right of use assets	5,057	433	10	5,500
Investment property	15	9	–	24
Other non-current assets	**21,291**	**1,938**	**205**	**23,434**
Goodwill[(a)]	3,827	–	500	4,327
Investments in joint ventures and associates[(b)]	93	–	–	93
Net carrying value of non-current assets	**25,211**	**1,938**	**705**	**27,854**
Recoverable amount of impaired other non-current assets for which an impairment loss has been recognised or reversed, supported by:				
Value in use	3,657	140	–	3,797
Fair value less costs of disposal[(c)]	1,984	169	–	2,153
	5,641	**309**	**–**	**5,950**

Refer to previous table for footnotes.

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, money services and insurance represent separate cash-generating units (2023: dunnhumby and Tesco Bank).

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 represents a separate group. Tesco Bank previously represented one group, however subsequent to the classification of Banking operations as held for sale, the Group has determined that money services and insurance represent two 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.

Notes to the Group financial statements continued

Note 14 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. The forecasts are 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 for the Retail business are based on inflation forecasts by recognised bodies. 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 and global supply issues triggering further inflation, leading to weak consumer confidence and intensified competition. 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.

Management estimates discount rates using pre-tax rates that reflect the market assessment as at the balance sheet date of the time value of money and the risks specific to the cash-generating units. The pre-tax discount rates are derived from the Group's post-tax weighted average cost of capital, as adjusted for the specific risks relating to each geographical region and on a nominal basis. 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 beta are based on data from recognised bodies. The capital asset pricing model is used to calculate the cost of equity.

Money services and insurance

Value in use is calculated by discounting 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 discount rate is the cost of equity. The capital asset pricing model is used to calculate the cost of equity. The Group engages independent valuation specialists to determine appropriate risk-free rates and equity risk premia. The equity beta are derived 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. In some cases, fair values include residual valuations where stores may be viable for redevelopment. 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.

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 for each group of cash-generating units to which goodwill has been allocated are:

	UK*		ROI		Money services	Insurance	Tesco Bank
	2024 %	2023 %	**2024 %**	2023 %	**2024 %**	**2024 %**	2023 %
Pre-tax discount rates	8.6 – 13.9	8.6 – 8.8	7.8	7.4	14.0	9.8	16.0
Post-tax discount rates	6.4 – 10.4	6.5 – 6.6	6.8	6.5	10.5	7.4	12.0
Long-term growth rates	2.0	2.0	2.0	2.0	1.7	1.7	1.7

* dunnhumby aggregated with the UK due to materiality.

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	
	2024 %	2023 %	**2024 %**	2023 %
Pre-tax discount rates	7.8 – 8.5	7.4 – 8.6	8.2 – 12.6	8.0 – 16.8
Post-tax discount rates	6.4 – 6.8	6.5	6.5 – 8.3	6.3 – 11.1
Long-term growth rates	2.0	2.0	1.8 – 3.1	2.0 – 3.2

Sensitivity

The Group has carried out sensitivity analyses on the reasonably possible changes in key assumptions in the impairment tests for (a) each group of cash-generating units to which goodwill has been allocated and (b) for its portfolio of store cash-generating units. Management has reduced the reasonably possible movements in the future cash flows and long-term growth rate sensitivities disclosed given the level of volatility seen in these inputs has reduced compared to the prior year.

(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 any group of cash-generating units to which goodwill has been allocated.

(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. The impairment is not highly sensitive to the probability weightings assigned to the cash flow scenarios.

Key assumption	Reasonably possible change	Impact on impairment	2024 £m
Post-tax discount rates*	Increase of 1.0%pt for each geographic region	Increase	(429)
	Decrease of 1.0%pt for each geographic region	Decrease	389
Future cash flows	Increase of 5.0% for each geographic region	Decrease	154
	Decrease of 5.0% for each geographic region	Increase	(164)
Long-term growth rates	Increase of 0.5%pt for each geographic region	Decrease	149
	Decrease of 0.5%pt for each geographic region	Increase	(135)
Property fair values	Increase of 10.0% for each geographic region	Decrease	174
	Decrease of 10.0% for each geographic region	Increase	(179)

* Sensitivities are applied to post-tax discount rates used to derive the pre-tax discount rates.

Note 15 Other investments

	2024				2023			
	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 – Retail[b]	201	–	–	201	210	–	–	210
Investments in debt instruments – Bank	832	–	682	1,514	883	–	565	1,448
Investments in equity instruments – Retail	–	–	19	19	–	–	14	14
Property fund and other investments – Bank[c]	–	18	–	18	–	20	–	20
Other investments	**1,033**	**18**	**701**	**1,752**	**1,093**	**20**	**579**	**1,692**
Of which:								
Current	81	17	108	206	303	1	49	353
Non-current	952	1	593	1,546	790	19	530	1,339
	1,033	**18**	**701**	**1,752**	**1,093**	**20**	**579**	**1,692**

(a) The allowances for expected credit losses in the year are immaterial (2023: immaterial).
(b) Comprises secured bond assets, of which £196m (2023: £199m) relates to the purchase of debt held in UK property joint ventures.
(c) Includes £17m (2023: £19m) of property fund investments which were recognised following the acquisition of Tesco Underwriting Limited.

Note 16 Inventories

	2024 £m	2023 £m
Goods held for resale	2,632	2,507
Development properties	3	3
	2,635	**2,510**

Goods held for resale are net of commercial income. Refer to Note 20.

Cost of inventories from continuing operations recognised as an expense for the 52 weeks ended 24 February 2024 was £50,191m (52 weeks ended 25 February 2023: £48,822m). Inventory losses and provisions from continuing operations recognised as an expense for the 52 weeks ended 24 February 2024 were £1,355m (52 weeks ended 25 February 2023: £1,220m).

Notes to the Group financial statements continued

Note 17 Trade and other receivables

	2024 £m	2023 (restated[a]) £m
Trade receivables	576	531
Prepayments	129	133
Accrued income[b]	230	223
Other receivables	274	294
Amounts owed by joint ventures and associates (Note 31)[c]	176	133
Total trade and other receivables	**1,385**	**1,314**
Of which:		
Current	1,349	1,235
Non-current	36	79
	1,385	**1,314**

(a) Comparatives have been restated following the adoption of IFRS 17. Refer to Notes 1 and 33 for further details.
(b) Accrued income includes contract assets of £25m (2023: £32m) primarily relating to commission income on insurance policies managed and underwritten by a third party. The expected credit loss was immaterial as at 24 February 2024 (2023: immaterial).
(c) Expected credit losses on amounts owed by joint ventures and associates are immaterial (2023: immaterial).

Trade receivables include commercial income. Refer to Note 20. Trade receivables are generally non interest-bearing. Credit terms vary by country and the nature of the debt, ranging from seven to 60 days.

The tables below present the ageing of receivables and related allowances for expected credit losses:

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, released/(charged) 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)**

At 25 February 2023 (restated*)	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	505	53	7	9	574
Other receivables	259	19	16	19	313
Trade and other receivables	**764**	**72**	**23**	**28**	**887**
Allowance for expected credit losses:					
At the beginning of the year	**(22)**	**(4)**	**(5)**	**(25)**	**(56)**
Increase in allowance, including recoveries, charged to the Group income statement	(2)	(2)	(1)	(1)	(6)
At the end of the year	**(24)**	**(6)**	**(6)**	**(26)**	**(62)**

* Comparatives have been restated following the adoption of IFRS 17. Refer to Notes 1 and 33 for further details.

Note 18 Cash and cash equivalents and short-term investments

Cash and cash equivalents

	2024 £m	2023 £m
Cash at bank and on hand	2,300	2,426
Short-term deposits	40	39
Cash and cash equivalents in the Group balance sheet	**2,340**	**2,465**
Bank overdrafts	(812)	(900)
Cash and cash equivalents in the Group cash flow statement	**1,528**	**1,565**

Short-term investments

	2024 £m	2023 £m
Money market funds, deposits and similar instruments	2,128	1,628

Cash and cash equivalents include £30m (2023: £87m) of restricted amounts mainly relating to the Group's pension schemes and employee benefit trusts.

Note 19 Trade and other payables

	2024 £m	2023 (restated*) £m
Trade payables	6,644	6,359
Other taxation and social security	434	399
Other payables	1,864	1,741
Amounts payable to joint ventures and associates (Note 31)	7	7
Accruals	931	867
Contract liabilities	423	443
Total trade and other payables	**10,303**	**9,816**
Of which:		
Current	10,264	9,762
Non-current	39	54
	10,303	**9,816**

* Comparatives have been restated following the adoption of IFRS 17. Refer to Notes 1 and 33 for further details.

Trade and other payables are net of commercial income. Refer to Note 20.

Contract liabilities represent 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.

Trade payables include £853m (2023: £687m) that suppliers have chosen to early-fund under supplier financing arrangements. Refer to Note 1. Amounts in trade payables that are overdue for payment to the provider are immaterial.

Note 20 Commercial income

Below are the commercial income balances included within inventories and trade and other receivables, or netted against trade and other payables. Amounts received in advance of income being earned are included in accruals.

	2024 £m	2023 £m
Current assets		
Inventories	(12)	(18)
Trade and other receivables		
Trade/other receivables	86	67
Accrued income	136	127
Current liabilities		
Trade and other payables		
Trade payables	138	112
Accruals	–	(5)

Notes to the Group financial statements continued

Note 21 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	**2024 £m**	2023 £m
Bank loans and overdrafts[a]	–	–	838	928
Tesco Bank Senior MREL Notes[b]	£145m	Jul 2025	143	137
Secured bonds[c]				
5.5457% Secured Bond	£203m	Feb 2029	195	225
6.067% Secured Bond	£200m	Feb 2029	196	195
SONIA + 1.3193% Secured Bond	£50m	Feb 2029	49	49
6.0517% Secured Bond	£257m	Oct 2039	321	337
5.6611% Secured Bond	£283m	Oct 2041	366	378
5.4111% Secured Bond	£183m	Jul 2044	155	158
Unsecured bonds				
Fixed rate bonds				
5% MTN	£71m	Mar 2023	–	75
1.375% MTN	€750m	Oct 2023	–	651
2.5% MTN	€473m	Jul 2024	410	424
2.5% MTN	£400m	May 2025	390	378
0.875% MTN	€750m	May 2026	643	663
6% MTN	£38m	Dec 2029	42	43
2.75% MTN	£450m	Apr 2030	369	359
4.25% MTN	€500m	Feb 2031	454	–
5.5% MTN	£67m	Jan 2033	76	78
5.5% MTN	£250m	Feb 2035	258	–
6.15% USD Bond	$355m	Nov 2037	346	366
4.875% MTN	£14m	Mar 2042	14	14
5.125% MTN	€235m	Apr 2047	206	213
5.2% MTN	£14m	Mar 2057	14	14
LPI and RPI-linked bonds[d]				
3.322% LPI MTN	£210m	Nov 2025	415	396
1.982% RPI MTN	£196m	Mar 2036	382	349
Sustainability-linked bonds[e]				
1.875% MTN	£400m	Nov 2028	399	398
0.375% MTN	€750m	Jul 2029	538	523
			7,219	**7,351**
Of which:				
Current			1,536	1,770
Non-current			5,683	5,581
			7,219	**7,351**

(a) Bank loans and overdrafts includes £812m (2023: £900m) of bank overdrafts. £806m (2023: £895m) 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 18.

(b) These notes are 3.5% Tesco Bank MREL compliant senior debt and were issued on 25 July 2019. The subordinated loans mature in 2025 which the Group expects to redeem on their 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 £810m, £1,197m, £854m and £268m (2023: £802m, £1,065m, £708m and £239m) respectively. £55m (2023: £51m) 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) These are sustainability-linked bonds referencing the Group's KPI for Group Greenhouse Gas (GHG) Emissions reduction (Scope 1 and 2, in tCO_2e). The Sustainability Performance Target they are linked to is to reduce the Group GHG Emissions by 60% by 2025 with respect to a 2015/16 baseline.

Note 22 Provisions

	Property provisions £m	Restructuring provisions £m	Legal and regulatory provisions £m	Operational insurance provisions £m	Other provisions £m	Total £m
At 25 February 2023	**222**	**106**	**54**	**158**	**20**	**560**
Foreign currency translation	(1)	–	–	(1)	(1)	(3)
Amount released in the year	(18)	(9)	(27)	(24)	(1)	(79)
Amount provided in the year	12	59	45	71	2	189
Amount utilised in the year	(15)	(103)	(5)	(52)	2	(173)
Transfer to disposal group classified as held for sale	(2)	–	–	–	(17)	(19)
Unwinding of discount	6	–	–	–	–	6
At 24 February 2024	**204**	**53**	**67**	**152**	**5**	**481**

The balances are analysed as follows:

	2024 £m	2023 £m
Current	306	366
Non-current	175	194
	481	**560**

Provisions are discounted based on the relevant risk-free rate and are risk-adjusted through adjusting the cash flow estimates. Refer to Note 14 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 4.3% (2023: 3.8%).

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 preoccupancy 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 and improvements to the estimates for decommissioning provisions.

The expected undiscounted ageing of property provisions as at 24 February 2024:

	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	37	38	27	18	231	**351**

Restructuring provisions

Restructuring provisions of £53m (2023: £106m) primarily relating to expected employee costs, are expected to be fully utilised in the following financial year to 22 February 2025. 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.

Amounts provided in the year include a provision for customer redress in relation to invalid notices of sums in arrears in Tesco Bank.

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 provision amounts in the prior year principally related to expected credit loss provisions on loans to customers, where the IFRS 9 provision recognised exceeds the gross carrying amount of the related financial asset. In the current year these have been transferred to the Banking operations disposal group classified as held for sale. Refer to Note 7 for further details. The remaining balance relates to individually immaterial provisions that do not fall into any of the other categories.

Notes to the Group financial statements continued

Note 23 Loans and advances to customers

Loans and advances to customers were classified as held for sale in the year, as part of the Banking operations disposal group. Refer to Note 7 for further details. The maturity of loans and advances to customers held in the prior year is shown below:

	2023 (restated*) £m
Repayable on demand or at short notice	–
Within three months	4,108
Greater than three months but less than one year	116
Greater than one year but less than five years	2,667
After five years	546
	7,437
Expected credit loss allowance for loans and advances to customers	(460)
Loans and advances to customers	**6,977**
Of which:	
Current	3,948
Non-current	3,029
	6,977

* Comparatives have been restated following the adoption of IFRS 17. Refer to Notes 1 and 33 for further details.

Note 24 Insurance

Balances disclosed in this note relate to the Group's subsidiary, Tesco Underwriting Limited (TU), part of the Tesco Bank segment.

Insurance revenue

	52 weeks 2024 £m	52 weeks 2023 (restated[a]) £m
Contracts measured under premium allocation approach (PAA)	**449**	**329**
Expected incurred claims and other insurance service expenses	44	92
Change in non-financial risk adjustment for risk expired	2	5
Contractual service margin (CSM) recognised for services provided	19	32
Contracts not measured under PAA[b]	**65**	**129**
Insurance revenue	**514**	**458**

(a) Comparatives have been restated following the adoption of IFRS 17. Refer to Notes 1 and 33 for further details.
(b) For contracts not measured under PAA, the liability for remaining coverage is measured using the general measurement model (GMM).

Insurance service expenses

	52 weeks 2024 £m	52 weeks 2023 (restated*) £m
Incurred claims and other directly attributable expenses	506	491
Amortisation of insurance acquisition cash flows	(4)	–
Losses/(reversals) on onerous acquired claims	1	2
Changes to fulfilment cash flows relating to incurred claims	(49)	(85)
Insurance service expenses	**454**	**408**

* Following the Group's adoption of IFRS 17, comparatives have been restated. Refer to Notes 1 and 33 for further details.

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:

	2024			2023 (restated[a])		
	Insurance contract liabilities £m	**Reinsurance contracts held £m**	**Net (liabilities)/ assets £m**	Insurance contract liabilities £m	Reinsurance contracts held £m	Net (liabilities)/ assets £m
(Liabilities)/assets for remaining coverage	(260)	(178)	(438)	(274)	(107)	(381)
(Liabilities)/assets for incurred claims	(266)	303	37	(227)	242	15
	(526)	**125**	**(401)**	**(501)**	**135**	**(366)**
Contracts measured under PAA	(364)	62	(302)	(290)	63	(227)
Contracts not measured under PAA[b]	(162)	63	(99)	(211)	72	(139)
	(526)	**125**	**(401)**	**(501)**	**135**	**(366)**

(a) Comparatives have been restated following the adoption of IFRS 17. Refer to Notes 1 and 33 for further details.
(b) Contracts not measured under PAA are measured using the GMM.

Insurance contract liabilities

The following tables provide 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.

	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
As at 25 February 2023 (restated [a])	**272**	**2**	**209**	**18**	**501**
Insurance revenue	**(514)**	**–**	**–**	**–**	**(514)**
Insurance service expenses					
Incurred claims and other directly attributable expenses[b]	36	(1)	473	(2)	506
Amortisation of insurance acquisition cash flows	(4)	–	–	–	(4)
Losses on onerous acquired claims and reversals of those losses	–	1	–	–	1
Changes to fulfilment cash flows relating to incurred claims	–	–	(49)	–	(49)
Total insurance service expenses	**32**	**–**	**424**	**(2)**	**454**
Total insurance service result	**(482)**	**–**	**424**	**(2)**	**(60)**
Insurance finance (income)/expenses					
Insurance finance (income)/expenses recognised in the income statement	1	–	6	–	7
Insurance finance (income)/expenses recognised in other comprehensive income	8	–	(4)	–	4
Total insurance finance (income)/expenses	**9**	**–**	**2**	**–**	**11**
Insurance cash flows					
Premiums received for insurance contracts issued	555	–	–	–	555
Incurred claims and other expenses paid[b]	(21)	–	(385)	–	(406)
Insurance acquisition cash flows	(75)	–	–	–	(75)
Total insurance cash flows	**459**	**–**	**(385)**	**–**	**74**
As at 24 February 2024	**258**	**2**	**250**	**16**	**526**

(a) Comparatives have been restated following the adoption of IFRS 17. Refer to Notes 1 and 33 for further details.
(b) 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.

	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
As at 26 February 2022 (restated[a])	**414**	**–**	**149**	**25**	**588**
Insurance revenue	**(458)**	**–**	**–**	**–**	**(458)**
Insurance service expenses					
Incurred claims and other directly attributable expenses[b]	83	–	415	(7)	491
Losses on onerous acquired claims and reversals of those losses	–	2	–	–	2
Changes to fulfilment cash flows relating to incurred claims	–	–	(85)	–	(85)
Total insurance service expenses	**83**	**2**	**330**	**(7)**	**408**
Total insurance service result	**(375)**	**2**	**330**	**(7)**	**(50)**
Insurance finance (income)/expenses					
Insurance finance (income)/expenses recognised in the income statement	2	–	3	–	5
Insurance finance (income)/expenses recognised in other comprehensive income	(14)	–	(25)	–	(39)
Total insurance finance (income)/expenses	**(12)**	**–**	**(22)**	**–**	**(34)**
Insurance cash flows					
Premiums received for insurance contracts issued	336	–	–	–	336
Incurred claims and other expenses paid[b]	(77)	–	(248)	–	(325)
Insurance acquisition cash flows	(14)	–	–	–	(14)
Total insurance cash flows	**245**	**–**	**(248)**	**–**	**(3)**
As at 25 February 2023 (restated [a])	**272**	**2**	**209**	**18**	**501**

Refer to previous table for footnotes.

Notes to the Group financial statements continued

Note 24 Insurance 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:

	2024				2023			
	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[(a)(b)]	**138**	**7**	**66**	**211**	**309**	**16**	**25**	**350**
Changes that relate to current service								
CSM recognised for the year	–	–	(19)	(19)	–	–	(32)	(32)
Change in risk adjustment for non-financial risk for risk expired	–	(2)	–	(2)	–	(5)	–	(5)
Changes to fulfilment cash flows relating to incurred claims	(13)	–	–	(13)	(15)	–	–	(15)
Changes that relate to future service								
Changes in estimates that adjust the CSM	(24)	–	24	–	(66)	(4)	70	–
Changes in estimates that result in losses and reversals of losses on onerous acquired claims	–	–	2	2	–	–	3	3
Total insurance service result	**(37)**	**(2)**	**7**	**(32)**	**(81)**	**(9)**	**41**	**(49)**
Insurance finance (income)/expenses								
Insurance finance (income)/expenses recognised in the income statement	1	–	–	1	1	–	–	1
Insurance finance (income)/expenses recognised in other comprehensive income	8	–	–	8	(14)	–	–	(14)
Total insurance finance (income)/expenses	**9**	**–**	**–**	**9**	**(13)**	**–**	**–**	**(13)**
Insurance cash flows								
Incurred claims and other expenses paid	(26)	–	–	(26)	(77)	–	–	(77)
Total insurance cash flows	**(26)**	**–**	**–**	**(26)**	**(77)**	**–**	**–**	**(77)**
Closing balance[(a)(b)]	**84**	**5**	**73**	**162**	**138**	**7**	**66**	**211**

(a) Comparatives have been restated following the adoption of IFRS 17. Refer to Notes 1 and 33 for further details.
(b) 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.

Reinsurance contract assets

The following tables provide 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:

	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
As at 25 February 2023 (restated*)	**(107)**	**–**	**235**	**7**	**135**
Allocation of reinsurance premiums	(194)	–	–	–	(194)
Amounts recoverable from reinsurers					
Amounts recoverable for incurred claims and other incurred insurance service expenses	22	–	130	(1)	151
Changes to amounts recoverable for incurred claims	–	–	(5)	–	(5)
Net expenses from reinsurance contracts held	**(172)**	**–**	**125**	**(1)**	**(48)**
Reinsurance finance income/(expenses)					
Reinsurance finance income/(expenses) recognised in the income statement	–	–	1	–	1
Reinsurance finance income/(expenses) recognised in other comprehensive income	1	–	–	–	1
Total reinsurance finance income/(expenses)	**1**	**–**	**1**	**–**	**2**
Reinsurance cash flows					
Premiums paid for reinsurance contracts held	42	–	–	–	42
Amounts received from reinsurers relating to incurred claims	(2)	–	(4)	–	(6)
Total reinsurance cash flows	**40**	**–**	**(4)**	**–**	**36**
Other movements	**60**	**–**	**(60)**	**–**	**–**
As at 24 February 2024	**(178)**	**–**	**297**	**6**	**125**

* Comparatives have been restated following the adoption of IFRS 17. Refer to Notes 1 and 33 for further details.

	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
As at 26 February 2022 (restated*)	**(23)**	**–**	**183**	**11**	**171**
Allocation of reinsurance premiums	(175)	–	–	–	(175)
Amounts recoverable from reinsurers					
Amounts recoverable for incurred claims and other incurred insurance service expenses	50	–	73	(4)	119
Changes to amounts recoverable for incurred claims	–	–	19	–	19
Net expenses from reinsurance contracts held	**(125)**	**–**	**92**	**(4)**	**(37)**
Reinsurance finance income/(expenses)					
Reinsurance finance income/(expenses) recognised in the income statement	–	–	2	–	2
Reinsurance finance income/(expenses) recognised in other comprehensive income	(2)	–	(18)	–	(20)
Total reinsurance finance income/(expenses)	**(2)**	**–**	**(16)**	**–**	**(18)**
Reinsurance cash flows					
Premiums paid for reinsurance contracts held	45	–	–	–	45
Amounts received from reinsurers relating to incurred claims	(26)	–	–	–	(26)
Total reinsurance cash flows	**19**	**–**	**–**	**–**	**19**
Other movements	**24**	**–**	**(24)**	**–**	**–**
As at 25 February 2023 (restated*)	**(107)**	**–**	**235**	**7**	**135**

* Refer to previous table for footnote.

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:

	2024				2023			
	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[(a)(b)]	**38**	**2**	**32**	**72**	**89**	**4**	**18**	**111**
Changes that relate to current service								
CSM recognised for the year	–	–	(1)	(1)	–	–	(19)	(19)
Change in risk adjustment for non-financial risk for risk expired	–	–	–	–	–	(1)	–	(1)
Changes to incurred claims component	(7)	–	–	(7)	8	–	–	8
Changes that relate to future service								
Changes in estimates that adjust the CSM	6	1	(7)	–	(31)	(1)	32	–
Changes in estimates that result in losses and reversals of losses on onerous acquired claims	–	–	–	–	–	–	1	1
Total net expenses from reinsurance contracts held	**(1)**	**1**	**(8)**	**(8)**	**(23)**	**(2)**	**14**	**(11)**
Reinsurance finance income/(expenses)								
Reinsurance finance income/(expenses) recognised in other comprehensive income	1	–	–	1	(3)	–	–	(3)
Total reinsurance finance income/(expenses)	**1**	**–**	**–**	**1**	**(3)**	**–**	**–**	**(3)**
Reinsurance cash flows								
Amounts received from reinsurers relating to incurred claims	(2)	–	–	(2)	(25)	–	–	(25)
Total reinsurance cash flows	**(2)**	**–**	**–**	**(2)**	**(25)**	**–**	**–**	**(25)**
Closing balance[(a)(b)]	**36**	**3**	**24**	**63**	**38**	**2**	**32**	**72**

(a) Comparatives have been restated following the adoption of IFRS 17. Refer to Notes 1 and 33 for further details.
(b) Contract assets not measured under the PAA relate to reinsurance claims acquired on the acquisition of TU.

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:

	24 February 2024		25 February 2023	
	Insurance contract liabilities	**Reinsurance contract assets**	Insurance contract liabilities	Reinsurance contract assets
Less than one year	(20)	4	(17)	7
One to five years	(33)	13	(33)	15
More than five years	(20)	7	(16)	10
Total	**(73)**	**24**	**(66)**	**32**

Notes to the Group financial statements continued

Note 24 Insurance continued

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 excess of loss 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 77.5th 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 adjusted for credit risk and allows for the duration of the Group's liabilities. The GBP curve used is aligned with the currency of the Group's liabilities.

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 24 February 2024	4.9%	4.7%	4.6%	4.4%	4.3%
As at 25 February 2023	4.4%	4.6%	4.5%	4.2%	4.1%

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**	**Total £m**
At end of financial year	212	280	370	
One year later	201	287	–	
Two years later	182	–	–	
Current estimate of cumulative claims	**182**	**287**	**370**	**839**
Cumulative payments to date	(147)	(213)	(197)	(557)
Gross undiscounted liabilities for incurred claims	**35**	**74**	**173**	**282**
Value of risk adjustment				11
Effect of discounting				(34)
Gross claims liabilities				**259**
Ancillary claims and expense liabilities				7
Total gross liabilities for incurred claims				**266**

Claims development (net)

Estimate of net undiscounted ultimate claims costs	2022 £m	2023 £m	**2024 £m**	**Total £m**
At end of financial year	141	180	221	
One year later	126	163	–	
Two years later	115	–	–	
Current estimate of cumulative claims	**115**	**163**	**221**	**499**
Cumulative net payments to date assuming recoveries received	(92)	(132)	(109)	(333)
Net undiscounted liabilities for incurred claims	**23**	**31**	**112**	**166**
Value of risk adjustment				9
Effect of discounting				(13)
Net claims liabilities				**162**
Quota share funds withheld (receivable recoveries)				(203)
Ancillary claims and expense liabilities				4
Total net assets for incurred claims				**(37)**

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.

Notes to the Group financial statements continued

Note 25 Customer deposits and deposits from banks

	2024 £m	2023 £m
Customer deposits*	–	5,770
Deposits from banks	908	980
	908	**6,750**
Of which:		
Current	108	4,485
Non-current	800	2,265
	908	**6,750**

* Customer deposits were classified as held for sale in the year, as part of the Banking operations disposal group. Refer to Note 7 for further details.

Deposits from banks include balances of £908m (2023: £906m) drawn under the Bank of England's Term Funding Scheme with incentives for small and medium-sized enterprises (TFSME). These balances are not in the perimeter of the Banking operations disposal group. Balances of £nil (2023: £74m) were sold under sale and repurchase agreements.

Note 26 Financial instruments

In the current year, the tables below exclude the assets and liabilities of the Banking operations disposal group classified as held for sale.

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.

At 24 February 2024	Notes	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	18	2,305	35	–	2,340
Short-term investments	18	1,239	889	–	2,128
Trade receivables	17	576	–	–	576
Other receivables	17	274	–	–	274
Joint ventures and associates loan receivables	31	96	–	–	96
Other investments	15	1,033	18	701	1,752
Derivative financial instruments:					
Interest rate swaps		–	44	–	44
Cross-currency swaps		–	182	–	182
Index-linked swaps		–	583	–	583
Foreign currency forward contracts		–	25	–	25
Diesel forward contracts		–	2	–	2
		5,523	**1,778**	**701**	**8,002**
Financial liabilities					
Trade payables	19	(6,644)	–	–	(6,644)
Other payables	19	(1,864)	–	–	(1,864)
Accruals	19	(931)	–	–	(931)
Borrowings	21	(7,219)	–	–	(7,219)
Deposits from banks	25	(908)	–	–	(908)
Lease liabilities	12	(7,622)	–	–	(7,622)
Derivative financial instruments:					
Interest rate swaps		–	(105)	–	(105)
Cross-currency swaps		–	(139)	–	(139)
Foreign currency forward contracts		–	(20)	–	(20)
Diesel forward contracts		–	(2)	–	(2)
		(25,188)	**(266)**	**–**	**(25,454)**

At 25 February 2023 (restated*)	Notes	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	18	2,433	32	–	2,465
Short-term investments	18	968	660	–	1,628
Trade receivables	17	531	–	–	531
Other receivables	17	294	–	–	294
Joint ventures and associates loan receivables	31	106	–	–	106
Loans and advances to customers	23	6,977	–	–	6,977
Other investments	15	1,093	20	579	1,692
Derivative financial instruments:					
Interest rate swaps		–	123	–	123
Cross-currency swaps		–	211	–	211
Index-linked swaps		–	551	–	551
Foreign currency forward contracts		–	41	–	41
Diesel forward contracts		–	4	–	4
		12,402	**1,642**	**579**	**14,623**
Financial liabilities					
Trade payables	19	(6,359)	–	–	(6,359)
Other payables	19	(1,741)	–	–	(1,741)
Accruals	19	(867)	–	–	(867)
Borrowings	21	(7,351)	–	–	(7,351)
Customer deposits	25	(5,770)	–	–	(5,770)
Deposits from banks	25	(980)	–	–	(980)
Lease liabilities	12	(7,727)	–	–	(7,727)
Derivative financial instruments:					
Interest rate swaps		–	(159)	–	(159)
Cross-currency swaps		–	(141)	–	(141)
Foreign currency forward contracts		–	(72)	–	(72)
Diesel forward contracts		–	(15)	–	(15)
		(30,795)	**(387)**	**–**	**(31,182)**

* Comparatives have been restated following the adoption of IFRS 17. Refer to Notes 1 and 33 for further details.

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, accruals and deposits from banks where the carrying values approximate fair value. The levels in the table refer to the fair value measurement.

		2024		2023 (restated[a])	
	Level	**Carrying value £m**	**Fair value[b] £m**	Carrying value £m	Fair value[b] £m
Financial assets measured at amortised cost					
Loans and advances to customers[c]	3	–	–	6,977	6,954
Investments in debt instruments at amortised cost[d]	1 and 2	1,033	838	1,093	1,097
Joint ventures and associates loan receivables[e]	2	96	97	106	111
Financial liabilities measured at amortised cost					
Borrowings					
Amortised cost[f]	1	(5,067)	(4,794)	(5,227)	(4,882)
Bonds in fair value hedge relationships	1	(2,152)	(2,211)	(2,124)	(2,167)
Customer deposits[c]	3	–	–	(5,770)	(5,640)

(a) Comparatives have been restated following the adoption of IFRS 17. Refer to Notes 1 and 33 for further details.
(b) Refer to the fair value measurement section below for details on Level 2 and 3 methodology.
(c) Loans and advances to customers and customer deposits have been transferred to the Banking operations disposal group classified as held for sale. Refer to Note 7 for further details.
(d) These are principally Level 1 instruments.
(e) Joint ventures and associates loan receivables carrying amounts of £96m (2023: £106m) are presented in the Group balance sheet net of deferred profits of £nil (2023: £38m) historically arising from the sale of property assets to joint ventures.
(f) Comparative fair values have been restated from £(5,496)m to £(4,882)m for a revision in the fair value methodology applied to certain index-linked bonds, with no impact on their carrying values.

Notes to the Group financial statements continued

Note 26 Financial instruments continued

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 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
Investments at fair value through profit or 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/(liabilities)	**1,571**	**60**	**582**	**2,213**

At 25 February 2023	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Assets				
Investments at fair value through other comprehensive income	565	–	14	579
Short-term investments at fair value through profit or loss	660	–	–	660
Cash and cash equivalents at fair value through profit or loss	–	32	–	32
Investments at fair value through profit or loss	–	–	20	20
Derivative financial instruments:				
Interest rate swaps	–	123	–	123
Cross-currency swaps	–	41	170	211
Index-linked swaps	–	119	432	551
Foreign currency forward contracts	–	41	–	41
Diesel forward contracts	–	4	–	4
Total assets	**1,225**	**360**	**636**	**2,221**
Liabilities				
Derivative financial instruments:				
Interest rate swaps	–	(73)	(86)	(159)
Cross-currency swaps	–	(4)	(137)	(141)
Foreign currency forward contracts	–	(72)	–	(72)
Diesel forward contracts	–	(15)	–	(15)
Total liabilities	**–**	**(164)**	**(223)**	**(387)**
Net assets/(liabilities)	**1,225**	**196**	**413**	**1,834**

During the financial year, there were no transfers (2023: no transfers) between Level 1 and Level 2 fair value measurements.

Level 3 instruments

For Level 3 assets and liabilities, uncollateralised derivatives are valued as per Level 2 but include certain data sources which are significantly less liquid; whilst unlisted investments are valued based on less observable inputs such as recent funding rounds. Uncollateralised derivative financial instruments are held by the Group as part of financial risk management, and include interest rate and inflation swaps, cross-currency swaps and foreign exchange and diesel forward contracts. These are valued using relevant inputs which are considered observable (Level 2), such as 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 £12m (2023: £11m).

The following table presents the changes in Level 3 instruments:

	2024		2023	
	Uncollateralised derivatives £m	**Unlisted investments £m**	Uncollateralised derivatives £m	Unlisted investments £m
At the beginning of the year	**379**	**34**	**749**	**14**
Gains/(losses) recognised in finance costs[a]	9	(2)	(114)	–
Gains/(losses) recognised in other comprehensive income not reclassified to the income statement	–	–	–	2
Gains/(losses) recognised in other comprehensive income that may subsequently be reclassified to the income statement	15	–	6	–
Additions	–	5	–	–
Disposals	–	–	(39)	–
Transfers of assets/(liabilities) to Level 3[b][c]	142	–	(223)	18
At the end of the year	**545**	**37**	**379**	**34**

(a) All gains or losses are unrealised.
(b) There were £nil transfers of unlisted investments (2023: £18m) and £142m of derivative assets (2023: £(223)m derivative liabilities) to Level 3 from Level 2 and £nil (2023: £nil) to Level 3 from Level 1. Transfers to Level 3 relate to the FVA applied to all uncollateralised cross-currency, interest rate and Inflation rate swaps fair value previously classified as Level 2 due to FVA being considered unobservable inputs (Level 3).
(c) There were £nil transfers from Level 3 to Level 2 (2023: £nil) and £nil transfers from Level 3 to Level 1 (2023: £nil).

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.

				Related amounts not offset in the Group balance sheet		
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**	**Financial instruments £m**	**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)**

				Related amounts not offset in the Group balance sheet		
At 25 February 2023	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	Financial instruments £m	Collateral (received)/ pledged £m	Net amount £m
Financial assets						
Derivative financial instruments	930	–	930	(142)	(104)	684
Trade receivables	601	(70)	531	–	–	531
Total assets	**1,531**	**(70)**	**1,461**	**(142)**	**(104)**	**1,215**
Financial liabilities						
Derivative financial instruments	(387)	–	(387)	142	–	(245)
Trade payables	(6,429)	70	(6,359)	–	–	(6,359)
Repurchases, securities lending and similar agreements*	(74)	–	(74)	–	74	–
Total liabilities	**(6,890)**	**70**	**(6,820)**	**142**	**74**	**(6,604)**

* Repurchases, securities lending and similar agreements have been transferred to the Banking operations disposal group classified as held for sale in the current year. Refer to Note 7 for further details.

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.

Notes to the Group financial statements continued

Note 26 Financial instruments continued

Derivative financial instruments classified as held for sale and transferred to the Banking operations disposal group include gross asset amounts of £54m and gross liability amounts of £(16)m that are subject to enforceable master netting arrangements.

Note 27 Financial risk management

The Group's financial risk management is carried out under policies approved and authority delegated by the Board of Directors, including parameters for risk management across the Group. The financial risk management in relation to Retail is carried out by a central treasury department. Tesco Bank has a separate formal structure for reporting, monitoring and managing its financial risks appropriate to the nature of its business as a regulated financial institution.

The main financial risks faced by the Group and 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. This excludes risks relating to the expected credit losses (ECLs) on loans and advances to customers that were transferred to the Banking operations disposal group in the current year. Refer to Note 7.

(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 180.

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.
Different repricing dates of the assets and liabilities in Tesco Bank's banking activities and unexpected changes to the yield curve, giving rise to volatility in earnings and economic value of these assets and liabilities.	Tesco Bank has established limits for risk appetite and stress tests are performed using sensitivity to fluctuations in underlying interest rates in order to monitor this risk. Tesco Bank also use the capital at risk approach, which assesses the sensitivity of a reduction in the Bank's capital to movements in interest rates. The scenarios considered include both parallel and non-parallel movements of the yield curve and have been designed to assess impacts across a suitable range of severe but plausible movements in interest rates.	Tesco Bank uses interest rate swap contracts as fair value hedges, to swap fixed rate exposures of investment securities, loans and advances to customers and customer deposits, back to a benchmark floating rate where no existing offset is available.

The table below shows the interest rate risk profile for the Group's financial instruments:

	2024			2023 (restated[a])		
	Fixed £m	**Floating £m**	**Total £m**	Fixed £m	Floating £m	Total £m
Cash and cash equivalents	28	2,312	2,340	–	2,465	2,465
Short-term investments	–	2,128	2,128	–	1,628	1,628
Investments in debt instruments at amortised cost	577	456	1,033	617	476	1,093
Investments at fair value through other comprehensive income	687	14	701	570	9	579
Investments at fair value through profit or loss	18	–	18	20	–	20
Joint ventures and associates loan receivables	96	–	96	106	–	106
Lease liabilities	(7,622)	–	(7,622)	(7,727)	–	(7,727)
Bank and other borrowings	(5,974)	(1,245)	(7,219)	(6,054)	(1,297)	(7,351)
Loans and advances to customers	–	–	–	3,210	3,767	6,977
Assets of the Banking operations disposal group[b]	4,090	3,925	8,015	–	–	–
Customer deposits	–	–	–	(5,770)	–	(5,770)
Liabilities of the Banking operations disposal group[c]	(4,806)	(2,183)	(6,989)	–	–	–
Deposits from banks	–	(908)	(908)	–	(980)	(980)
Derivative effect:						
Interest rate swaps[d]	(720)	720	–	190	(190)	–
Cross-currency swaps	920	(920)	–	959	(959)	–
Index-linked swaps	(379)	379	–	(346)	346	–
Total	**(13,085)**	**4,678**	**(8,407)**	**(14,225)**	**5,265**	**(8,960)**
Percentage of interest-bearing debt at fixed rate[e]			**83%**			**75%**
Weighted average rate of interest paid on senior unsecured debt, excluding joint ventures and associates[e]			**4.80%**			**3.87%**

(a) Comparatives have been restated following the adoption of IFRS 17. Refer to Notes 1 and 33 for further details.
(b) Comprises loans and advances to customers of £7,669m and cash and cash equivalents of £346m. Refer to Note 7.
(c) Comprises borrowings of £(549)m and customer deposits of £(6,440)m. Refer to Note 7.
(d) Includes interest rate swap effects of £(1,945)m fixed and £1,945m floating in relation to the Banking operations disposal group.
(e) Relates to Retail business only.

Inflation risk management

Description of risks	Management policy	Hedging strategy
Index-linked debt, where the principal is indexed to increase/decrease in line with 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 derivatives 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 derivatives contracts which economically hedge the lease liability inflation uplift.

Refer to Note 12 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.

Financial instruments not qualifying for hedge accounting

The Group's policy does not permit 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.

Notes to the Group financial statements continued

Note 27 Financial risk management continued

Sensitivity analysis

The impact on the financial statements of the Group (including the Banking operations disposal group in the current year) 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 24 February 2024. 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:

	2024	
	Income gain/(loss) £m	Equity gain/(loss) £m
1% increase in interest rates	3	2
5% appreciation of the Euro	(5)	(49)
5% appreciation of the US Dollar	2	38
50 basis points parallel upward shift in the forward inflation curve	93	23
10% increase in commodity prices*	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.

The fair value and notional amounts of derivatives analysed by hedge type are shown on page 181.

	2024				2023			
	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	44	916	(103)	1,152	122	2,692	(147)	2,552
Cross-currency swaps	–	–	(126)	640	–	–	(137)	662
Banking operations disposal group[a]	50	3,355	(16)	1,543	–	–	–	–
Cash flow hedges								
Interest rate swaps	–	–	(2)	50	–	–	(3)	50
Index-linked swaps[b]	265	790	–	–	240	738	–	–
Foreign currency forward contracts	20	818	(17)	862	30	1,091	(58)	1,352
Diesel forward contracts	2	31	(2)	57	4	14	(13)	119
Derivatives not in a formal hedge relationship								
Interest rate swaps	–	–	–	–	1	38	(9)	696
Cross-currency swaps	182	790	(13)	94	211	822	(4)	100
Index-linked swaps	318	2,074	–	–	311	2,074	–	–
Foreign currency forward contracts	5	379	(3)	433	11	821	(14)	539
Diesel forward contracts	–	1	–	4	–	2	(2)	13
Banking operations disposal group[a]	4	315	(1)	–	–	–	–	–
Total	**890**	**9,469**	**(283)**	**4,835**	**930**	**8,292**	**(387)**	**6,083**

(a) Interest rate swaps within the Banking operations disposal group.
(b) The notional values included in the table have been adjusted to reflect the impact of inflation indexation on the principal. The notional values before indexation for derivatives designated in a cash flow hedge was £406m (2023: £406m).

The following table sets out the maturity profile and average interest rates and foreign currency exchange rates of the hedging instruments used in the Group's hedging strategies.

	2024			2023		
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	150	726	766	1,366	2,663	553
Interest rate swaps – EUR	–	–	426	662	–	–
Cross currency swaps (GBP: EUR)[a]	–	–	640	–	–	662
Banking operations disposal group[b]	2,695	2,157	46	–	–	–
Cash flow hedges						
Index-linked swaps	–	411	379	–	392	346
Interest rate swaps	–	50	–	–	–	50
Average net interest rate (pay)/receive						
Fair value hedges						
Interest rate swaps – GBP	4.39%	(3.58)%	(3.67)%	(1.78)%	(1.43)%	(3.40)%
Interest rate swaps – EUR	–	–	(0.88)%	(1.81)%	–	–
Cross currency swaps (GBP: EUR)[a]	–	–	(5.91)%	–	–	(4.65)%
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	–	0.29%	–	–	–	(4.46)%

(a) Average exchange rate for cross-currency swaps (GBP:EUR) is 1.128 (2023: 1.128).
(b) Interest rate swaps within the Banking operations disposal group.

At 24 February 2024, foreign currency forward contracts, designated as cash flow hedges, equivalent to £1.7bn were outstanding (2023: £2.4bn). These forward contracts are largely in relation to purchases of Euros (notional €0.4bn) (2023: notional €0.4bn) and US Dollars (notional $0.8bn) (2023: notional $1.1bn) with varying maturities up to February 2025.

For the above currencies the rates ranged from EUR/GBP 1.134 to 1.171 (2023: 1.107 to 1.181) and USD/GBP from 1.181 to 1.306 (2023: 1.102 to 1.264).

Forward commodity contracts hedging diesel purchases for own use as at 24 February 2024 had a GBP notional of £93m (2023: £148m) at a rate of £493 to £828 (2023: £494 to £980) per tonne.

The notional and fair values of these contracts is shown in the table above.

Notes to the Group financial statements continued

Note 27 Financial risk management continued

The following table sets out the details of the hedged exposures covered by the Group's fair value hedges:

		2024			2023		
	Balance sheet classification	**Carrying amount assets/(liabilities) £m**	**Accumulated amounts of fair value adjustments on hedged item assets/(liabilities) £m**	**Changes in fair value for calculating hedge ineffectiveness £m**	Carrying amount assets/(liabilities) £m	Accumulated amounts of fair value adjustments on hedged item assets/(liabilities) £m	Changes in fair value for calculating hedge ineffectiveness £m
Interest rate risk							
Fixed-rate loans	Loans and advances to customers	–	–	–	2,393	(75)	(44)
Fixed-rate loans[a]	Assets of the disposal group	3,355	33	41	–	–	–
Fixed-rate savings	Customer deposits	–	–	–	(695)	2	1
Fixed-rate savings[a]	Liabilities of the disposal group	(1,543)	(1)	1	–	–	–
Fixed-rate investment securities	Investments in debt instruments at amortised cost	377	32	12	406	(44)	(33)
Fixed-rate bonds[b]	Borrowings	(2,615)	142	50	(2,605)	198	(141)

(a) Loans and advances to customers and customer deposits within the Banking operations disposal group.
(b) 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 were £(77)m for fixed-rate bonds (2023: £(82)m).

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:

		2024			2023		
	Hedging instrument	**Change in value of hedging instrument for calculating hedge ineffectiveness £m**	**Change in value of hedged item for calculating hedge ineffectiveness £m**	**Cumulative impact on hedging reserve[a] £m**	Change in value of hedging instrument for calculating hedge ineffectiveness £m	Change in value of hedged item for calculating hedge ineffectiveness £m	Cumulative impact on hedging reserve[a] £m
Interest rate/inflation risk							
Index-linked bonds	Index-linked swaps	25	(17)	16	9	24	42
Borrowings	Interest rate swaps	1	(1)	7	8	(8)	8
Foreign currency risk							
Trade payables	Foreign currency forward contracts	31	(31)	6	47	(47)	(25)
Commodity risk							
Trade payables	Diesel forward contracts	9	(9)	(1)	7	(7)	(10)
Interest rate/foreign currency risk							
MTNs[b]	Cross-currency swaps	–	–	75	–	–	34

(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:

		2024	2023
	Line item in Group income statement that includes hedge ineffectiveness	**Hedge ineffectiveness recognised in profit or loss £m**	Hedge ineffectiveness recognised in profit or loss £m
Fair value hedges – interest rate risk			
Borrowings	Finance income/(cost)	(9)	4

The following table presents a reconciliation by risk category of the cash flow hedge and cost of hedging reserves 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][c] £m
At 26 February 2022	**68**	**1**	**27**	**15**	**19**	**130**
Net fair value gains/(losses)	9	8	–	47	7	71
Amount reclassified to finance income/(cost) in Group income statement	(54)	(2)	(2)	(3)	–	(61)
Amount reclassified to inventories	–	–	–	(87)	(40)	(127)
Tax	11	(2)	–	4	7	20
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**

(a) Net fair value gains/(losses) relates to inventory cash flow hedges of £(38)m (2023: £54m) and other cash flow hedges of £nil (2023: £nil).
(b) Includes £6m (2023: £6m) relating to non-controlling interests.
(c) The Group's cost of hedging reserve is £nil (2023: £nil).

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 26 February 2022	**(1,260)**	**1,260**	**(729)**
Change in value for calculating ineffectiveness	(65)	65	(65)
At 25 February 2023	**(1,325)**	**1,325**	**(794)**
De-designated 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)**

(a) As at 24 February 2024, the discontinued hedge balance is £(760)m (2023: £(765)m).
(b) During the 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 (2023: £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 £(116)m (2023: increase by £120m). 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 Retail and Tesco Bank businesses, 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 (every two years at Tesco Bank) and may be updated throughout the financial year. During the year, loans and advances previously held in the Tesco Bank segment were transferred to the Banking operations disposal group classified as held for sale. Refer to Note 7 for details on the ECL of these assets. Refer to page 184 for information on the ECLs for the remaining assets of the Group.

Notes to the Group financial statements continued

Note 27 Financial risk management continued

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. Joint ventures and associates loan receivables in the table below are gross of deferred profits historically arising from the sale of property assets to joint ventures (refer to Note 31). The Group's maximum exposure to credit risk is £28.6bn (2023: £26.9bn restated).

The net counterparty exposure under derivative contracts is £0.7bn (2023: £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 and cash balances with central banks:

	2024 £m	2023 (restated[a]) £m
Cash and cash equivalents[b]	2,340	2,465
Short-term investments	2,128	1,628
Trade receivables	576	531
Other receivables	274	294
Joint ventures and associates loan receivables	96	144
Loans and advances to customers	–	6,977
Assets of the Banking operations disposal group[c]	7,698	–
Other investments	1,752	1,692
Derivative financial assets:		
Interest rate swaps	44	123
Cross-currency swaps	182	211
Index-linked swaps	583	551
Foreign currency forward contracts	25	41
Diesel forward contracts	2	4
Off balance sheet:		
Loan commitments[d]	12,850	12,212
Maximum exposure to credit risk	**28,550**	**26,873**

(a) Following the Group's adoption of IFRS 17, comparatives have been restated. Refer to Notes 1 and 33 for further details.
(b) Cash balances with central banks of £0.4bn (2023: £1.6bn) are included within cash and cash equivalents.
(c) Refer to Note 7 for a breakdown of the assets of the Banking operations disposal group.
(d) Loan commitments in the current year represents the undrawn amount contractually committed by the Banking operations disposal group.

Counterparty credit rating

The table below provides detail of financial assets by long-term credit rating of investment-grade rated counterparties:

	2024					2023				
Rating	**AAA**	**AA**	**A**	**BBB**	**Total**	AAA	AA	A	BBB	**Total**
Money market funds, deposits and similar instruments	889	203	986	50	**2,128**	660	200	468	300	**1,628**
Investments in debt instruments at amortised cost[a]	391	48	393	196	**1,028**	486	57	339	199	**1,081**
Investments at fair value through other comprehensive income[b]	117	100	287	178	**682**	94	84	233	154	**565**
Investments at fair value through profit or loss[c]	–	1	–	–	**1**	–	1	–	–	**1**
Assets of the Banking operations disposal group[d]	–	54	–	–	**54**	–	–	–	–	**–**
Derivative financial assets:										
Interest rate swaps	–	36	8	–	**44**	–	121	2	–	**123**
Cross-currency swaps	–	–	181	1	**182**	–	–	186	25	**211**
Index-linked swaps	–	–	134	449	**583**	–	–	120	431	**551**
Foreign currency forward contracts	–	2	18	5	**25**	–	–	31	10	**41**
Diesel forward contracts	–	–	1	1	**2**	–	–	–	4	**4**

(a) Excludes £5m (2023: £12m) of investments in debt instruments which do not have a credit rating.
(b) Excludes £19m (2023: £14m) of investments in equity instruments which do not have a credit rating.
(c) Excludes £17m (2023: £19m) of property fund investments that do not have a credit rating.
(d) Comprises interest rate swaps of the disposal group.

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, except those investments held in Tesco Bank, as these are held with counterparties with investment-grade ratings (BBB or above) or are short-term in nature. The ECL is immaterial.

Expected credit losses (ECLs)

For details of credit risk, including comparative information, relating to the ECLs on loans and advances to customers that were transferred to the Banking operations disposal group and classified as held for sale in the year, refer to Note 7. The narrative below discloses information on the ECLs for the continuing operations of the Group.

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 £96m (2023: £144m) are presented net of loss allowances of £nil (2023: £nil) and deferred profits of £nil (2023: £38m) 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 187 for the credit rating of the reinsurers.

(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 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.	
The risk that Tesco Bank has insufficient liquidity resources to meet its obligations as they fall due. Funding risk is the risk that Tesco Bank does not have sufficiently stable and diverse sources of funding.	Tesco Bank, including TU, operates within a liquidity risk management policy framework (LRMP) to ensure that sufficient funds are available at all times to meet demands from depositors, to fund agreed advances, to meet other commitments as and when they fall due, and to ensure risk appetite is met. Liquidity and funding risks are assessed through the individual liquidity adequacy assessment process on at least an annual basis. Formal limits are set within the LRMP to maintain liquidity risk exposures within the liquidity risk appetite set by Tesco Bank's Board of Directors and key liquidity measures are monitored on a regular basis. Tesco Bank maintains a conservative liquidity and funding profile to confirm that it is able to meet its financial obligations under normal and stressed market conditions.	

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.

	2024			2023		
	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-	Stable	A–3	BBB–	Stable

The Group has a £15.0bn Euro Medium Term Note programme, of which £3.9bn was in issue at 24 February 2024 (2023: £3.8bn), plus £0.4bn equivalent of USD-denominated notes issued under 144A documentation (2023: £0.4bn).

Borrowing facilities

The Group has the following undrawn committed facilities available at 24 February 2024, in respect of which all conditions precedent had been met as at that date:

	2024 £m	2023 £m
Expiring in less than one year	238	38
Expiring between one and two years	–	200
Expiring in more than two years	2,500	2,500
Total	**2,738**	**2,738**

The Group has a £2.5bn undrawn committed facility available as at 24 February 2024 (25 February 2023: £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.

In addition, Tesco Bank has a separate £200m committed repurchase facility, maturing in 2024.

There were no withdrawals from either facility during the year (2023: £nil).

Notes to the Group financial statements continued

Note 27 Financial risk management continued

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 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						
Bank and other borrowings	(1,416)	(891)	(706)	(71)	(718)	(4,148)
Interest payments on borrowings	(205)	(221)	(130)	(153)	(149)	(906)
Customer deposits – Tesco Bank	–	–	–	–	–	–
Deposits from banks – 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	1,282	8	8	7	7	735
Gross settled derivative contracts – payments	(1,343)	(41)	(38)	(36)	(36)	(780)
Total on balance sheet	**(17,961)**	**(3,404)**	**(2,477)**	**(1,284)**	**(1,883)**	**(11,398)**
Off balance sheet						
Contractual lending commitments[b]	(12,850)	–	–	–	–	–
Total	**(30,811)**	**(3,404)**	**(2,477)**	**(1,284)**	**(1,883)**	**(11,398)**

(a) Comprises customer deposits, lease liabilities, trade and other payables, borrowings, and derivatives. Refer to Note 7.
(b) Contractual lending commitments are included in the Banking operations disposal group.

At 25 February 2023 (restated*)	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						
Bank and other borrowings	(1,685)	(618)	(893)	(728)	(71)	(3,654)
Interest payments on borrowings	(192)	(175)	(159)	(131)	(122)	(891)
Customer deposits – Tesco Bank	(4,593)	(935)	(160)	(29)	(119)	–
Deposits from banks – Tesco Bank	(124)	(142)	(814)	–	–	–
Lease liabilities	(944)	(901)	(878)	(856)	(824)	(6,494)
Trade payables	(6,359)	–	–	–	–	–
Other payables	(1,694)	(10)	(4)	(1)	(2)	(30)
Accruals	(867)	–	–	–	–	–
Derivative financial liabilities						
Net settled derivative contracts – receipts	51	34	31	8	17	30
Net settled derivative contracts – payments	(82)	(44)	(19)	(48)	(15)	(22)
Gross settled derivative contracts – receipts	1,788	80	9	116	2	667
Gross settled derivative contracts – payments	(1,899)	(115)	(40)	(147)	(30)	(708)
Total on balance sheet	**(16,600)**	**(2,826)**	**(2,927)**	**(1,816)**	**(1,164)**	**(11,102)**
Off balance sheet						
Contractual lending commitments	(12,212)	–	–	–	–	–
Total	**(28,812)**	**(2,826)**	**(2,927)**	**(1,816)**	**(1,164)**	**(11,102)**

* Comparatives have been restated following the Group's adoption of IFRS 17. Refer to Notes 1 and 33 for further details.

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.

	2024		2023 (restated*)	
	£m	**%**	£m	%
Due within one year	121	34	125	34
Due within one and two years	67	19	71	19
Due within two and three years	54	15	56	15
Due within three and four years	34	10	37	10
Due within four and five years	22	6	22	6
Due beyond five years	56	16	60	16
Total	**354**	**100**	**371**	**100**

* Comparatives have been restated following the Group's adoption of IFRS 17. Refer to Notes 1 and 33 for further details.

Insurance contract liabilities issued, and reinsurance contracts held have zero amounts that are payable on demand.

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, 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.

Notes to the Group financial statements continued

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 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 a Partial Internal Model for capital which was approved by the Prudential Regulation Authority (PRA) in 2020. TU models a range of stress and scenario tests that are published in its annual Solvency and Financial Condition Report. These show that TU's capital position is resilient to a range of possible scenarios. TU also maintains a capital contingency plan supported by its direct shareholder, Tesco Personal Finance plc. **Tesco Bank capital** Although Banking operations have been classified as a discontinued operation in the year, Tesco Bank remained a regulated entity at the balance sheet date and has complied with the supervisory requirements of the PRA.	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 22 for details on operational insurance provisions.

Insurance capital

Available capital has remained above the SCR requirement during the period to 24 February 2024 and capital coverage of TU's SCR at the end of February 2024 was 170% (2023: 159%) (unaudited).

During the year, the Group was compliant with the externally imposed capital requirements.

Banking capital resources

The following table analyses the regulatory capital resources of Tesco Personal Finance Group PLC (Tesco Bank), being the regulated entity at the balance sheet date:

	2024 £m	2023 £m
Common equity tier 1 capital:		
Shareholders' funds and non-controlling interests, net of tier 1 regulatory adjustments	949	1,548
Tier 2 capital:		
Qualifying subordinated debt	235	235
Other interests	–	–
Total tier 2 regulatory adjustments	(42)	(42)
Total regulatory capital	**1,142**	**1,741**

IFRS 9 became effective for annual periods beginning on or after 1 January 2018 and is reflected in the Tesco Bank disclosures. Tesco Bank has elected to use the transitional arrangements available under Article 473a of the Capital Requirements Regulations (CRR). These arrangements allow the IFRS 9 impact on capital to be phased in over a period of five years. On 27 June 2020, the CRR was further amended to accelerate specific CRR2 measures and implement a new IFRS 9 transitional relief calculation which applies additional relief to increases in ECL provisions arising as a result of the COVID-19 pandemic.

The resulting impact is the IFRS 9 transitional arrangements have been extended by two years and a new modified calculation has been introduced.

Note 28 Share-based payments

The table below shows amounts charged to the Group income statement in respect of share-based payments:

	2024 £m	2023 £m
Income statement		
Equity-settled share-based payment charge*	123	101
Cash-settled National Insurance contributions*	5	11
	128	**112**

* Includes £8m (2023: £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:

	2024 £m	2023 £m
Share-based payment charge included in income statement	**(128)**	**(112)**
Share-based payments non-cash movement	78	59
Increase/(decrease) in trade and other payables*	50	53
Included in Group operating cash flows	**–**	**–**
Cash paid to purchase own shares including related fees and taxes	(146)	(134)
Cash received from employees exercising SAYE options	53	48
Included in Group financing cash flows	**(93)**	**(86)**

* 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:

	2024 £m	2023 £m
(Increase)/decrease in own shares held*	**184**	**157**
Shares delivered to employees	(184)	(157)
Cash received from employees exercising SAYE options	53	48
Share-based payments charge to the income statement	123	101
Movements in shares withheld to settle employee tax	4	4
Reclassification	15	–
Other movements	–	3
Increase/(decrease) to retained earnings	**11**	**(1)**
Included in the Group statement of changes in equity	**195**	**156**

* Decrease in own shares held is the gross amount of shares that the employees are entitled to receive.

Notes to the Group financial statements continued

Note 28 Share-based payments continued

Share option, share bonus and incentive schemes

The Company had ten 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 average 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 Booker Group PLC Savings Related Share Option Plan (2008) (Booker SAYE)[(a)]	Booker colleagues	Three years.	The options over Tesco Shares are capable of being exercised at the end of the term at a subscription price equivalent to not less than 80% of the average of the middle-market quotations of a Booker Share over the three dealing days immediately preceding the offer date.
The Global Save As You Earn Plan (2023)	India colleagues	Three 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 average of the middle-market quotations of an Ordinary share over the three dealing days immediately preceding the offer date.
Discretionary option schemes[(b)]			
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)[(a)]	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[(c)]			
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 the 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) Following completion of the acquisition of Booker Group PLC by Tesco PLC in March 2018, Booker colleagues elected to roll over their existing options over Booker Shares under the Booker SAYE into equivalent options over Ordinary shares in Tesco PLC (Tesco Shares), and Booker senior colleagues elected to roll over their existing Booker PSP and Booker CSOP Options over Booker Shares into equivalent options over Tesco Shares. There were no outstanding options at the end of the year and no options will be granted in future under the Booker SAYE scheme.

(b) 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.

(c) 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.

The following tables reconcile the number of share options outstanding and the weighted average exercise price (WAEP):

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		–		–

* 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 24 February 2024 was 270.31p (25 February 2023: 248.40p).

For the 52 weeks ended 25 February 2023

	Savings-related Share Option Schemes		Irish Savings and International Savings-related Share Option Schemes		Nil cost Share Option Schemes		Booker Group PLC Savings Related Share Option Plan		Booker Group PLC Performance Share Plan Scheme	
	Options	WAEP	Options	WAEP	Options	WAEP	Options	WAEP	Options	WAEP
Outstanding at 26 February 2022	**160,485,413**	**208.34**	**6,801,511**	**212.23**	**2,012,486**	**–**	**10,417**	**152.01**	**541,516**	**–**
Granted	69,276,094	182.00	2,012,450	182.00	99,189	–	–	–	–	–
Forfeited	(28,999,777)	216.86	(1,278,338)	214.54	–	–	(10,417)	152.01	(43,288)	–
Exercised	(24,725,935)	188.54	(811,416)	187.99	–	–	–	–	(131,589)	–
Outstanding at 25 February 2023	**176,035,795**	**199.35**	**6,724,207**	**205.67**	**2,111,675**	**–**	**–**	**–**	**366,639**	**–**
Exercise price range (pence)		168.00 to 242.00		168.00 to 260.00		–		–		–
Weighted average remaining contractual life (years)*		2.83		2.53		3.22		–		–
Exercisable at 25 February 2023	**73,974**	**188.23**	**840**	**188.00**	**2,111,675**	**–**	**–**	**–**	**366,639**	**–**
Exercise price range (pence)		188.00 to 190.00		188.00 to 188.00		–		–		–
Weighted average remaining contractual life (years)*		–		–		3.22		–		–

Refer to previous table for footnote.

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. No assumption has been made to incorporate the effects of expected early exercise.

	2024 SAYE	2023 SAYE
Expected dividend yield (%)	4.48–4.61	4.96–5.43
Expected volatility (%)	19.35–21.42	22.25–22.53
Risk-free interest rate (%)	3.59–3.74	3.54–3.59
Expected life of option (years)	3 or 5	3 or 5
Weighted average fair value of options granted (pence)	66.76	46.32
Probability of forfeiture (%)	6–12	7–9
Share price (pence)	290.50	202.35
Weighted average exercise price (pence)	220.00	182.00

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:

	2024		2023	
	Number of shares	**WAFV pence**	Number of shares	WAFV pence
Group Bonus Plan and Deferred Bonus Plan	15,144,646	270.27	19,076,406	265.58
Performance Share Plan and Long-Term Incentive Plan	25,497,401	253.25	22,817,391	254.91

Notes to the Group financial statements continued

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.

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 £415m (2023: £375m) have been recognised in the Group income statement. This includes £166m (2023: £143m) of salaries paid as pension contributions.

Defined benefit schemes

The Group has a defined benefit pension deficit of £657m (2023: £400m), and a defined benefit pension surplus of £22m (2023: £6m), 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 104% (2023: 102%) 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.

In June 2023, the UK High Court (Virgin Media Limited v NTL Pension Trustees II Limited) ruled that certain historical amendments for contracted-out defined benefit schemes were invalid if they were not accompanied by the correct actuarial confirmation notice, the judgement of which is being appealed. The Trustee and Group are monitoring the development of this case and will consider if there are any implications for the schemes, if the ruling is upheld.

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 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 24 February 2024.

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 was paying £25m per annum to meet expenses of the Scheme, including the Pension Protection Fund levy. This expense payment fell to £17m per annum from October 2022. In addition, the market value of assets held as security in favour of the Scheme is at least £775m (2023: £775m).

The most recent Booker Pension Scheme triennial funding valuation showed a funding deficit of £139m at 31 March 2022, with agreed contributions of £17m per annum until the end of 2028. The most recent Budgens Pension Scheme triennial funding valuation showed a funding surplus of £0.4m at 31 March 2021. No contributions were required for the Budgens Scheme.

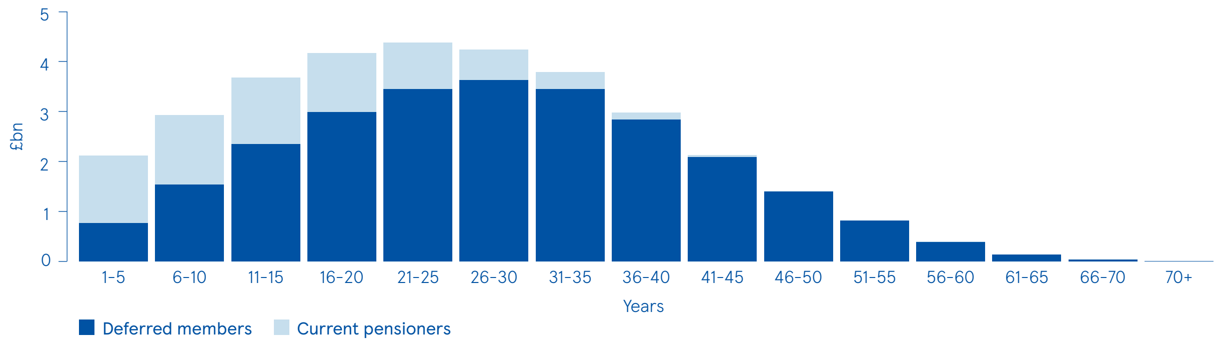
IFRIC 14

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 17 years.

Around 35% 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 estimated undiscounted benefit payments expected to be paid out over the life of the Scheme are shown below.



The defined benefit obligation held by the Scheme is broken down as follows:

	%
Deferred members	78
Current pensioners	22

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 operations and audit pensions committee was set up in 2015 to further strengthen the Scheme's Trustee governance and provide greater oversight and stronger internal control over the Group's risks. The Group pensions committee was also set up in 2018 to provide 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:

	2024 %	2023 %
Discount rate	5.1	4.9
Price inflation	2.9	3.0
Rate of increase in deferred pensions*	2.5	2.6
Rate of increase in pensions in payment*		
Benefits accrued before 1 June 2012	2.8	2.9
Benefits accrued after 1 June 2012	2.5	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% (2023: 0.43%). 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 0.46% lower than RPI (2023: 0.48%).

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 2022, with a long-term improvement rate of 1.00% p.a., a 0% weighting applied to both 2020 and 2021 data and a 50% weighting applied to 2022, 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.

		2024 Years	2023 Years
Retiring at the balance sheet date at age 65:	Male	19.5	20.0
	Female	22.1	22.5
Retiring at the balance sheet date +25 years at age 65:	Male	20.6	21.4
	Female	23.3	24.2

Sensitivity analysis of significant actuarial assumptions

The sensitivity of significant assumptions upon the Scheme defined benefit obligation are detailed below:

Financial assumptions – Increase/(decrease) in UK defined benefit obligation	2024 Discount rate £m	2024 Inflation rate £m	2023 Discount rate £m	2023 Inflation rate £m
Impact of 0.1% increase of the assumption	(191)	167	(213)	201
Impact of 0.1% decrease of the assumption	191	(167)	226	(201)
Impact of 1.0% increase of the assumption	(1,686)	1,770	(1,921)	2,147
Impact of 1.0% decrease of the assumption	2,153	(1,483)	2,498	(1,783)

Mortality assumptions – Increase/(decrease) in UK defined benefit obligation	2024 £m	2023 £m
Impact of 1 year increase in longevity	335	364
Impact of 1 year decrease in longevity	(371)	(402)

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. An external actuary, using the projected unit credit method, carried out the latest assessment of the ROI schemes as at 24 February 2024. At the financial year end, the accounting surplus relating to ROI was £16m (2023: £nil).

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 24 February 2024 of £4m (25 February 2023: £4m) was determined in accordance with the advice of external actuaries. During the current financial year, £nil (2023: £nil) has been charged to the Group income statement and £nil (2023: £nil) of 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.

The table below shows a breakdown of the combined investments held by the Group's schemes:

	2024 Quoted £m	2024 Unquoted £m	2024 Total £m	2024 %	2023 Quoted £m	2023 Unquoted £m	2023 Total £m	2023 %
Equities								
UK	58	–	58	–	32	–	32	–
Europe	55	–	55	–	76	–	76	1
Rest of the world	1,303	–	1,303	12	516	–	516	4
	1,416	**–**	**1,416**	**12**	**624**	**–**	**624**	**5**
Bonds								
Government	570	–	570	5	363	–	363	3
Corporates – investment grade	875	–	875	7	570	–	570	4
Corporates – non-investment grade	155	–	155	1	211	–	211	2
	1,600	**–**	**1,600**	**13**	**1,144**	**–**	**1,144**	**9**
Property								
UK	–	854	854	7	2	1,094	1,096	8
Rest of the world	–	521	521	4	2	567	569	4
	–	**1,375**	**1,375**	**11**	**4**	**1,661**	**1,665**	**12**
Alternative assets								
Hedge funds	–	30	30	–	–	64	64	–
Private equity	–	982	982	8	–	1,032	1,032	8
Other	93	1,701	1,794	15	162	1,793	1,955	15
	93	**2,713**	**2,806**	**23**	**162**	**2,889**	**3,051**	**23**
LDI portfolio	**5,723**	**(1,527)**	**4,196**	**35**	**8,173**	**(2,491)**	**5,682**	**44**
Cash	**763**	**–**	**763**	**6**	**859**	**–**	**859**	**7**
Total fair value of plan assets	**9,595**	**2,561**	**12,156**	**100**	**10,966**	**2,059**	**13,025**	**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 £6,556m (2023: £8,376m) and associated repurchase agreements and swaps of £(2,360)m (2023: £(2,694)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 attributable to the increase in gilt yields during the year.

The plan assets include £239m (2023: £240m) relating to property used by the Group. Group property with net carrying value of £829m (2023: £783m) (refer to Note 11) and a value to the Scheme of at least £775m (2023: £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)	
	2024 £m	2023 £m	**2024 £m**	2023 £m	**2024 £m**	2023 £m
Opening balance	**13,025**	22,390	**(13,416)**	(19,543)	**(391)**	2,847
Current service cost	–	–	(15)	(24)	(15)	(24)
Finance income/(cost)	619	607	(637)	(527)	(18)	80
Included in the Group income statement	**619**	**607**	**(652)**	**(551)**	**(33)**	**56**
Remeasurement gain/(loss):						
Financial assumptions gain/(loss)	–	–	720	7,652	720	7,652
Demographic assumptions gain/(loss)	–	–	261	(228)	261	(228)
Experience gain/(loss)	–	–	(182)	(1,244)	(182)	(1,244)
Return on plan assets excluding finance income	(1,050)	(9,518)	–	–	(1,050)	(9,518)
Foreign currency translation	(10)	15	10	(18)	–	(3)
Included in the Group statement of comprehensive income/(loss)	**(1,060)**	**(9,503)**	**809**	**6,162**	**(251)**	**(3,341)**
Employer contributions	15	24	–	–	15	24
Additional employer contributions	24	20	–	–	24	20
Benefits paid	(467)	(513)	472	516	5	3
Other movements	**(428)**	**(469)**	**472**	**516**	**44**	**47**
Closing balance	**12,156**	**13,025**	**(12,787)**	**(13,416)**	**(631)**	**(391)**
Withholding tax on surplus[a]					(4)	(3)
Closing balance, net of withholding tax					**(635)**	**(394)**
Consisting of:						
Schemes in deficit					(657)	(400)
Schemes in surplus[b]					22	6
Deferred tax asset/(liability)[c]					162	100
Surplus/(deficit) in schemes at the end of the year, net of deferred tax					**(473)**	**(294)**

(a) 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 35% withholding tax.
(c) Including £(2)m deferred tax liability relating to the ROI scheme in surplus where no withholding tax is applicable (2023: £nil).

Note 30 Share capital and other reserves

Share capital

	2024 Ordinary shares of 6 ⅓p each		2023 Ordinary shares of 6 ⅓p each	
	Number	**£m**	Number	£m
Allotted, called-up and fully paid:				
At the beginning of the year	**7,318,341,195**	**463**	**7,637,986,531**	**484**
Shares cancelled	(279,410,755)	(18)	(319,645,336)	(21)
At the end of the year	**7,038,930,440**	**445**	**7,318,341,195**	**463**

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 corporate responsibility strategy. During the current financial year, the Group received £2m (2023: £nil) proceeds from sale of untraced shares and £2m (2023: £5m) write-back of unclaimed dividends, which are reflected in retained earnings.

As at 24 February 2024, the Directors were authorised, on behalf of the Company, to purchase up to a maximum in aggregate of 732 million (2023: 762 million) Ordinary shares until the conclusion of the 2024 AGM.

Other reserves

The tables below set out the movements in other reserves:

	Notes	Capital redemption reserve £m	Hedging reserve[a] £m	Translation reserve £m	Own shares held[b] £m	Merger reserve £m	Insurance finance reserve[c] £m	Total £m
At 25 February 2023 (as previously reported)		**43**	**27**	**322**	**(359)**	**3,090**	**–**	**3,123**
Cumulative adjustment on initial application of IFRS 17 (net of tax)		–	–	–	–	–	16	16
At 25 February 2023 (restated [c])		**43**	**27**	**322**	**(359)**	**3,090**	**16**	**3,139**
Other comprehensive income/(loss)								
Retranslation of net assets of overseas subsidiaries, joint ventures and associates, net of hedging instruments		–	–	(116)	–	–	–	(116)
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[c]		–	–	–	–	–	(4)	(4)
Finance income/(expenses) from reinsurance contracts held[c]		–	–	–	–	–	1	1
Tax relating to components of other comprehensive income	6	–	(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**

(a) Movements in cost of hedging reserve in the 52 weeks ended and balances as at 24 February 2024 were £nil (25 February 2023: £nil).
(b) Includes 70.0 million shares held by the Tesco International Employee Benefit Trust (2023: 55.6 million). The number of shares held by the Tesco International Employee Benefit Trust represents 0.99% of called-up share capital at the end of the year (2023: 0.76%).
(c) Comparatives have been restated following the adoption of IFRS 17. Refer to Notes 1 and 33 for further details.

	Notes	Capital redemption reserve £m	Hedging reserve[a] £m	Translation reserve £m	Own shares held[b] £m	Merger reserve £m	Insurance finance reserve[c] £m	Total £m
At 26 February 2022 (as previously reported)		**22**	**130**	**202**	**(365)**	**3,090**	**–**	**3,079**
Cumulative adjustment on initial application of IFRS 17 (net of tax)		–	–	–	–	–	1	1
At 26 February 2022 (restated[c])		**22**	**130**	**202**	**(365)**	**3,090**	**1**	**3,080**
Other comprehensive income/(loss)								
Retranslation of net assets of overseas subsidiaries, joint ventures and associates, net of hedging instruments		–	–	120	–	–	–	120
Gains/(losses) on cash flow hedges		–	63	–	–	–	–	63
Cash flow hedges reclassified and reported in the Group income statement		–	(61)	–	–	–	–	(61)
Finance income/(expenses) from insurance contracts issued[c]		–	–	–	–	–	39	39
Finance income/(expenses) from reinsurance contracts held[c]		–	–	–	–	–	(20)	(20)
Tax relating to components of other comprehensive income	6	–	22	–	–	–	(4)	18
Total other comprehensive income/(loss)		**–**	**24**	**120**	**–**	**–**	**15**	**159**
Inventory cash flow hedge movements								
(Gains)/losses transferred to the cost of inventory		–	(127)	–	–	–	–	(127)
Total inventory cash flow hedge movements		**–**	**(127)**	**–**	**–**	**–**	**–**	**(127)**
Transactions with owners								
Own shares purchased for cancellation		–	–	–	(758)	–	–	(758)
Own shares cancelled		21	–	–	795	–	–	816
Own shares purchased for share schemes		–	–	–	(188)	–	–	(188)
Share-based payments	28	–	–	–	157	–	–	157
Total transactions with owners		**21**	**–**	**–**	**6**	**–**	**–**	**27**
At 25 February 2023		**43**	**27**	**322**	**(359)**	**3,090**	**16**	**3,139**

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.

Notes to the Group financial statements continued

Note 30 Share capital and other reserves continued

The table below presents the reconciliation of own shares purchased for cancellation between the Group statement of changes in equity and the Group cash flow statement:

Own shares purchased for cancellation	2024 £m	2023 £m
Included in the Group statement of changes in equity[a]	**(752)**	**(758)**
Payments in relation to prior year financial liabilities	–	(23)
Included in the Group cash flow statement[b]	**(752)**	**(781)**

(a) 279.4 million (2023: 319.6 million) shares, representing 4.0% of the called-up share capital as at 24 February 2024 (25 February 2023: 4.4%), with total consideration of £752m (2023: £795m) including expenses of £2m (2023: £9m), were cancelled and charged to retained earnings.
(b) 279.4 million (2023: 314.8 million) shares purchased at an average price of £2.69 per share (2023: £2.48).

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	2024 £m	2023 £m
Included in the Group statement of changes in equity	**(140)**	**(188)**
Payments in relation to prior year financial liabilities	(55)	(50)
Outstanding amount recognised as financial liabilities*	–	55
Shares withheld to settle employee tax	49	49
Cash received from employees exercising SAYE options	53	48
Included in the Group cash flow statement	**(93)**	**(86)**

* Shares to be delivered under an uncancellable share repurchase agreement with an external bank, included in other payables.

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 £18m (2023: £21m).

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	
	2024 £m	2023 £m
Sales to related parties	606	599
Purchases from related parties	126	122
Dividends received	9	14
Injection of equity funding	9	10

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	
	2024 £m	2023 £m
Amounts owed to related parties	(7)	(7)
Amounts owed by related parties	80	27
Lease liabilities payable to related parties[a]	(1,844)	(1,950)
Loans to related parties (net of deferred profits)[b]	96	106

(a) Lease liabilities payable to related parties represent leases entered into by the Group for properties held by joint ventures. Refer to Note 13 for further details.
(b) Loans to related parties of £96m (2023: £106m) are presented net of deferred profits of £nil (2023: £38m), historically arising from the sale of property assets to joint ventures. Refer to Note 13 for further details. For loans to related parties, 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.

There were no transactions or balances held with associates in the current or prior financial year.

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.

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:

	2024 £m	2023 £m
Salaries and short-term benefits	28	23
Pensions and cash in lieu of pensions	1	1
Share-based payments	22	21
	51	**45**
Attributable to:		
The Board of Directors (including Non-executive Directors)	13	13
Executive Committee (members not on the Board of Directors)	38	32
	51	**45**

During the year, 7,586,273 (2023: 7,730,565) performance shares and 2,302,633 (2023: 2,807,091) 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.

Of the key management personnel who had transactions with Tesco Bank during the financial year, the following balances were held at the financial year end:

	Credit card and personal loan balances		Current and saving deposit accounts	
	Number of key management personnel	£m	Number of key management personnel	£m
At 24 February 2024	**5**	**–**	**4**	**1**
At 25 February 2023	6	–	6	1

Note 32 Analysis of changes in net debt

The Net debt APM, as defined in the Glossary, excludes the net debt of Tesco Bank but includes the net debt of Retail discontinued operations. Balances and movements in respect of the total Group and Tesco Bank are presented to allow reconciliation between the Group balance sheet and the Group cash flow statement.

	2024			2023		
	Group £m	Tesco Bank £m	Retail £m	Group £m	Tesco Bank £m	Retail £m
Bank and other borrowings, excluding overdrafts[(a)]	(6,407)	(380)	(6,027)	(6,451)	(375)	(6,076)
Lease liabilities	(7,622)	(2)	(7,620)	(7,727)	(23)	(7,704)
Net financing derivatives	544	(3)	547	472	(9)	481
Share purchase obligations	–	–	–	(55)	–	(55)
Liabilities from financing activities	**(13,485)**	**(385)**	**(13,100)**	**(13,761)**	**(407)**	**(13,354)**
Cash and cash equivalents in the balance sheet	2,340	442	1,898	2,465	444	2,021
Overdrafts[(b)]	(812)	–	(812)	(900)	–	(900)
Cash and cash equivalents (including overdrafts) in the cash flow statement	1,528	442	1,086	1,565	444	1,121
Short-term investments	2,128	–	2,128	1,628	–	1,628
Joint venture loans	96	–	96	106	–	106
Interest and other receivables	23	–	23	8	–	8
Net operating and investing derivatives	26	23	3	71	114	(43)
Net debt of disposal group[(c)]	(182)	(182)	–	(14)	–	(14)
Exclude: Share purchase obligations	–	–	–	55	–	55
Net debt APM			**(9,764)**			**(10,493)**

(a) Retail bank and other borrowings is presented net of a £235m long-term intercompany loan with Tesco Bank (2023: £235m).
(b) 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 18.
(c) £(14)m of items within net debt in the prior year relate to residual properties and leases with respect to the Group's operation in Poland.

Notes to the Group financial statements continued

Note 32 Analysis of changes in net debt continued

The table below sets out the movements in liabilities arising from financing activities:

	Bank and other borrowings, excluding overdrafts £m	Lease liabilities £m	Net financing derivatives[a] £m	Share purchase obligations[b] £m	Liabilities from Group financing activities[c] £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	308	373	125	–	806
Non-cash movements:					
Fair value gains/(losses)	(124)	–	50	–	(74)
Foreign exchange	101	46	–	–	147
Interest income/(charge)	(333)	(373)	(108)	–	(814)
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) Net financing derivatives comprise those derivatives which hedge the Group's exposures in respect of lease liabilities and borrowings. Net operating and investing derivatives, which form part of the Group's Net debt APM, are not included.

(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 (2023: £(29)m) cash outflows relating to other cancellable arrangements and prepayments, and £53m (2023: £48m) cash received from employees exercising SAYE options.

(c) Liabilities from Group financing activities include liabilities from share purchase obligations of £nil (2023: £(55)m) and exclude net operating and investing derivatives of £26m (2023: £71m).

	Bank and other borrowings, excluding overdrafts £m	Lease liabilities £m	Net financing derivatives[a] £m	Share purchase obligations[b] £m	Liabilities from Group financing activities[c] £m
At 26 February 2022	**(6,825)**	**(7,958)**	**553**	**(73)**	**(14,303)**
Cash flows arising from financing activities	709	593	139	886	2,327
Cash flows arising from operating activities:					
Interest paid	241	373	44	–	658
Non-cash movements:					
Fair value gains/(losses)	199	–	(170)	–	29
Foreign exchange	(160)	(45)	–	–	(205)
Interest income/(charge)	(227)	(373)	(55)	–	(655)
Acquisitions and disposals[d]	(388)	381	(39)	–	(46)
Lease additions, terminations, modifications and reassessments	–	(698)	–	–	(698)
Share purchase agreements	–	–	–	(868)	(868)
At 25 February 2023	**(6,451)**	**(7,727)**	**472**	**(55)**	**(13,761)**

(a)-(c) Refer to previous table for footnotes.

(d) Acquisitions and disposals in the prior year include a derecognition of £385m of lease liabilities and an increase of £(384)m in borrowings and £(39)m in net financing derivatives from the acquisition of The Tesco Dorney Limited Partnership.

Note 33 Changes in accounting policies – IFRS 17 'Insurance contracts'

This note explains the impact of the adoption of IFRS 17 'Insurance contracts' on the Group's financial position, financial performance, and cash flows. IFRS 17 primarily impacts Tesco Bank and there is no material impact on the Retail segment.

IFRS 17 is effective for the accounting period commencing 26 February 2023. IFRS 17 has been applied fully retrospectively and comparatives for prior periods have been restated from a transition date of 27 February 2022. Refer to Note 1 for the Group's insurance accounting policies.

The Group applies the premium allocation approach to measure its portfolio of insurance contracts issued and reinsurance contracts purchased, except for claims liabilities acquired as part of the acquisition of Tesco Underwriting Limited on 4 May 2021. Unlike post-acquisition contracts issued with a term of one year, the Group has applied the general measurement model (GMM) to the acquired claims liabilities because the settlement of these claims and their associated insurance risk will spread over multiple years. This measurement leads to the recognition of revenue and expenses in relation to these acquired claims over a longer period of time. It includes a contractual service margin (CSM), which represents the difference between the consideration paid for the acquired claims at acquisition and the risk-adjusted discounted fulfilment cash flows and will be allocated to the Group income statement over time to reflect the pattern of actual claims settlement.

To aid comparability, the tables below also include the impact of the restatements resulting from the classification of the Group's Banking operations as a discontinued operation, as described in Note 7.

Group income statement restatement

The table below sets out the impact of IFRS 17 and restatements to present Banking operations as a discontinued operation on the comparative period Group income statement for the 52 weeks ended 25 February 2023.

	Reported Total[a]	IFRS 17 restatements		Discontinued operation[b]	Restated Total
		Reclassification	Remeasurements	Re-presentation	
	£m	£m	£m	£m	£m
Continuing operations					
Revenue from sale of goods and services	65,453	(21)	–	(568)	64,864
Insurance revenue	309	21	128	–	458
Revenue	**65,762**	**–**	**128**	**(568)**	**65,322**
Cost of sales	(61,877)	5	1	355	(61,516)
Insurance service expenses	(175)	(84)	(149)	–	(408)
Net expenses from reinsurance contracts held	(49)	–	12	–	(37)
Gross profit/(loss)	**3,661**	**(79)**	**(8)**	**(213)**	**3,361**
Administrative expenses	(2,136)	79	–	106	(1,951)
Operating profit/(loss)	**1,525**	**–**	**(8)**	**(107)**	**1,410**
Share of post-tax profits of joint ventures and associates	8	–	–	–	8
Finance income	85	–	2	–	87
Finance costs	(618)	–	(5)	–	(623)
Profit/(loss) before tax	**1,000**	**–**	**(11)**	**(107)**	**882**
Taxation	(247)	–	3	20	(224)
Profit/(loss) for the year from continuing operations	**753**	**–**	**(8)**	**(87)**	**658**
Discontinued operations					
Profit/(loss) for the year from discontinued operations	(9)	–	–	87	78
Profit/(loss) for the year	**744**	**–**	**(8)**	**–**	**736**
Attributable to:					
Owners of the parent	745	–	(8)	–	737
Non-controlling interests	(1)	–	–	–	(1)
	744	**–**	**(8)**	**–**	**736**
Earnings per share from continuing and discontinued operations					
Basic	10.05p	–	(0.11)p	–	9.94p
Diluted	9.96p	–	(0.11)p	–	9.85p
Earnings per share from continuing operations					
Basic	10.17p	–	(0.11)p	(1.17)p	8.89p
Diluted	10.08p	–	(0.11)p	(1.16)p	8.81p

(a) The income statement has been re-presented to separately present insurance revenue, insurance service expenses, and net expenses from reinsurance contracts held.
(b) In addition to the adoption of IFRS 17, comparatives have also been re-presented to present Banking operations as a discontinued operation. Refer to Notes 1 and 7 for further details.

Notes to the Group financial statements continued

Note 33 Changes in accounting policies – IFRS 17 'Insurance contracts' continued

IFRS 17 impact	Description
Reclassification	Primarily relates to directly attributable insurance expenses, previously included in administrative expenses and cost of sales, which were reclassified to insurance service expenses.
Remeasurements	Primarily relates to the impact of acquired claims and other remeasurements under IFRS 17. Under the GMM, the profit in relation to acquired claims is deferred on the balance sheet at the transition date and recognised in the income statement in subsequent periods. The unwinding of the related CSM balance accordingly increased revenue and profit in the comparative period. However, this increase was offset by the deferral of net gains on the release of claims reserves in relation to acquired claims.

Group balance sheet restatement

The table below sets out the impact of IFRS 17 on the transition balance sheet at 26 February 2022 and on the comparative period balance sheet as at 25 February 2023.

	25 February 2023				26 February 2022			
	Reported £m	Reclassification £m	Remeasurements £m	Restated £m	Reported £m	Reclassification £m	Remeasurements £m	Restated £m
Non-current assets								
Reinsurance contract assets	145	(36)	26	135	184	(46)	33	171
Deferred tax assets	82	–	2	84	85	–	3	88
Current assets								
Trade and other receivables	1,315	(80)	–	1,235	1,263	(45)	–	1,218
Loans and advances to customers	4,052	(105)	1	3,948	3,349	(100)	2	3,251
Reinsurance contract assets	72	(72)	–	–	61	(61)	–	–
Current liabilities								
Trade and other payables	(9,818)	53	3	(9,762)	(9,181)	138	3	(9,040)
Insurance contract liabilities	(570)	106	(37)	(501)	(623)	87	(52)	(588)
Non-current liabilities								
Trade and other payables	(153)	99	–	(54)	(53)	–	(1)	(54)
Insurance contract liabilities	(35)	35	–	–	(27)	27	–	–
Net assets impact		**–**	**(5)**			**–**	**(12)**	
Equity								
Other reserves	3,123	–	16	3,139	3,079	–	1	3,080
Retained earnings	3,490	–	(21)	3,469	6,932	–	(13)	6,919
Equity impact		**–**	**(5)**			**–**	**(12)**	

IFRS 17 impact	Description
Reclassification	Before the transition, the rights and obligations arising from a portfolio of insurance contracts and reinsurance contracts were presented in various line items in the Group balance sheet depending on their nature. IFRS 17 requires all insurance and reinsurance related balances to be classified within either insurance contract liabilities or reinsurance contract assets. Premiums receivable, previously included in loans and advances to customers, were reclassified to insurance contract liabilities (2023: £105m and 2022: £100m); and funds withheld arising from quota share arrangements, previously included in trade and other payables, were reclassified to reinsurance contract assets (2023: £124m and 2022: £115m). All other relevant balances have also been reclassified accordingly. All insurance contract liabilities have been classified as current and all reinsurance contract assets as non-current, as contracts are now considered on a portfolio basis rather than on an individual contract basis and are not permitted to be split between current and non-current.
Remeasurements	Primarily relates to the recognition and allocation of CSM in relation to acquired claims, deferred acquisition cost balances and the impact of the risk adjustment and discounting.

Group cash flow statement restatement

The table below sets out the impact of IFRS 17 and restatements to present Banking operations as a discontinued operation on the comparative period Group cash flow statement for the 52 weeks ended 25 February 2023.

	52 weeks ended 25 February 2023			
	Reported £m	IFRS 17 impact £m	Discontinued operations re-presentation*	Restated £m
Cash flows generated from/(used in) operating activities				
Operating profit/(loss) of continuing operations	**1,525**	**(8)**	**(107)**	**1,410**
Operating profit/(loss) of discontinued operations	**(9)**	**–**	**107**	**98**
Tesco Bank (increase)/decrease in loans and advances to customers	(696)	6	–	(690)
Tesco Bank (increase)/decrease in trade, reinsurance and other receivables	60	23	–	83
Tesco Bank increase/(decrease) in customer and bank deposits, trade, insurance liabilities and other payables	369	(21)	–	348
Tesco Bank increase/(decrease) in provisions	(7)	–	–	(7)
Tesco Bank (increase)/decrease in working capital	(274)	8	–	(266)
Cash generated from/(used in) operations impact		**–**	**–**	

* In addition to the adoption of IFRS 17, comparatives have been re-presented to present Banking operations as a discontinued operation. Refer to Notes 1 and 7 for further details.

IFRS 17 has no impact on net cash generated from operating, investing and financing activities for the year, or cash and cash equivalents at the end of the year.

Note 34 Commitments and contingencies

Capital commitments

At 24 February 2024, there were commitments for capital expenditure contracted for, but not incurred, of £160m (2023: £200m), principally relating to store development.

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 Management Limited	2460426	Tesco Food Sourcing Limited	7502096
Booker Wholesale Holdings Limited	5137980	Spen Hill Properties (Holdings) PLC	2412674	Tesco Freetime Limited	4345023
Buttoncase Limited	5298861	Spen Hill Regeneration Limited	6418300	Tesco Fuchsia (3LP) Limited	10127851
Dillons Newsagents Limited	140624	T & S Stores Limited	1228935	Tesco Gateshead Property Limited	8312532
dunnhumby Overseas Limited	6601821	Tapesilver Limited	5205362	Tesco Maintenance Limited	6003554
dunnhumby Trustees Limited	3565371	Tesco Atrato (1LP) Limited	6969529	Tesco Mobile Communications Limited	4780729
Giant Booker Limited	65519	Tesco Atrato (GP) Limited	6969536	Tesco Mobile Services Limited	4780734
Launchgrain Limited	5260856	Tesco Blue (3LP) Limited	10127682	Tesco Navona (1LP) Limited	7459436
Makro Holding Limited	4310463	Tesco Brislington Limited	10701640	Tesco Passaic (1LP) Limited	7121667
Makro Properties Limited	1273672	Tesco Bury Limited	3854371	Tesco Property Partner (GP) Limited	4945955
Oakwood Distribution Limited	5721635	Tesco Distribution Holding Limited	3193655	Tesco Property Partner (No.1) Limited	4945945
Reskammel Property Company Limited	13264276	Tesco Dorney (1LP) Limited	8255488	Tesco Sarum (1LP) Limited	7849948
TSFM Limited	14263834	Tesco Dorney (GP) Limited	8255493	Tesco Sarum (GP) Limited	7849882
Spen Hill Developments Limited	4827219	Tesco Family Dining Limited	8514605	Transcend Retail Solutions Limited	14772291

Tesco PLC will guarantee all outstanding liabilities that these subsidiaries are subject to as at the financial year ended 24 February 2024 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.

Tesco Bank

At 24 February 2024, Tesco Bank had contractual lending commitments totalling £12.8bn (2023: £12.2bn). The contractual amounts represent the amounts that would be at risk should the available facilities be fully drawn upon and not the amounts at risk at the reporting date.

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 49,000 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 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 45% 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 35 Events after the reporting period

There were no material events after the reporting period requiring disclosure.

Tesco PLC – Parent Company balance sheet

	Notes	24 February 2024 £m	25 February 2023 £m
Non-current assets			
Investments	6	16,990	16,970
Receivables	7	234	234
Derivative financial instruments	8	949	935
		18,173	**18,139**
Current assets			
Receivables	7	537	860
Cash on hand		231	103
Derivative financial instruments	8	–	2
		768	**965**
Current liabilities			
Payables	9	(756)	(244)
Borrowings	10	(55)	(141)
		(811)	**(385)**
Net current assets/(liabilities)		**(43)**	**580**
Non-current liabilities			
Payables	9	(1,131)	(2,132)
Borrowings	10	(1,473)	(1,450)
Derivative financial instruments	8	(13)	(5)
Deferred tax liabilities	11	(23)	(19)
		(2,640)	**(3,606)**
Net assets		**15,490**	**15,113**
Equity			
Share capital	14	445	463
Share premium		5,165	5,165
Other reserves	14	2,865	2,793
Retained earnings (including profit/(loss) for the financial year of £1,866m (2023: £2,064m))		7,015	6,692
Total equity		**15,490**	**15,113**

The notes on pages 206 to 211 form part of these financial statements.

Ken Murphy **Imran Nawaz**
Directors

The Parent Company financial statements on pages 204 to 211 were approved and authorised for issue by the Directors on 9 April 2024.

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 25 February 2023	**463**	**5,165**	**2,793**	**6,692**	**15,113**
Profit/(loss) for the year	–	–	–	1,866	1,866
Other comprehensive income/(loss)					
Gains/(losses) 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 (Note 11)	–	–	(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**

	Share capital (Note 14) £m	Share premium £m	Other reserves (Note 14) £m	Retained earnings £m	Total equity £m
At 26 February 2022	**484**	**5,165**	**2,804**	**6,242**	**14,695**
Profit/(loss) for the year	–	–	–	2,064	2,064
Other comprehensive income/(loss)					
Gains/(losses) on cash flow hedges	–	–	7	–	7
Cash flow hedges reclassified and reported in the Company income statement	–	–	(58)	–	(58)
Tax relating to components of other comprehensive income	–	–	13	–	13
Total other comprehensive income/(loss)	**–**	**–**	**(38)**	**–**	**(38)**
Total comprehensive income/(loss)	**–**	**–**	**(38)**	**2,064**	**2,026**
Transactions with owners					
Own shares purchased for cancellation	–	–	(758)	–	(758)
Own shares cancelled	(21)	–	816	(795)	–
Own shares purchased for share schemes	–	–	(188)	–	(188)
Share-based payments	–	–	157	39	196
Dividends	–	–	–	(858)	(858)
Total transactions with owners	**(21)**	**–**	**27**	**(1,614)**	**(1,608)**
At 25 February 2023	**463**	**5,165**	**2,793**	**6,692**	**15,113**

The Company has considered the profits available for distribution to shareholders. At 24 February 2024, the Company had retained earnings of £7.0bn (2023: £6.7bn), of which £4.2bn is available for distribution (2023: £3.9bn).

The notes on pages 206 to 211 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 24 February 2024 were approved by the Board of Directors on 9 April 2024 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 24 February 2024 (prior financial year 52 weeks to 25 February 2023).

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 significant 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.

Interest-bearing borrowings

Interest-bearing bank loans and overdrafts are initially recognised at fair value and net of attributable transaction costs. Subsequent to initial recognition, interest-bearing 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.

Fair value hedging

Derivative financial instruments are classified as fair value hedges when they hedge the Company's exposure to changes in the fair value of a recognised asset or liability. Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the Company income statement, together with any changes in the fair value of the hedged item that are 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 Company income statement over the remaining period to maturity.

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.

Pillar Two legislation has been enacted in the UK introducing a global minimum effective tax rate of 15%. The legislation implements a domestic top-up tax, effective for accounting periods starting on or after 31 December 2023. The Company has applied the exception under IAS 12 to recognising and disclosing information about deferred tax assets and liabilities related to top-up 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 assumption to which the recoverable amounts are most sensitive is disclosed in Note 6.

New standards and amendments effective for the current financial year

New standards, interpretations and amendments effective in the current financial year, including IFRS 17 'Insurance contracts', 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 3 to the Group financial statements.

Note 4 Dividends

For details of dividends see Note 8 to the Group financial statements.

Notes to the Parent Company financial statements continued

Note 5 Employment costs, including Directors' remuneration

	Notes	2024 £m	2023 £m
Wages and salaries		10	12
Social security costs		2	2
Pension costs	13	1	1
Share-based payments expense	12	5	9
Total		**18**	**24**

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 12 (2023: 12).

The Schedule 5 requirements of SI 2008/410 for Directors' remuneration are included within the Directors' remuneration report on pages 90 to 114.

Note 6 Investments

	2024 £m
Cost	
At 25 February 2023	**17,883**
Capital contributions	121
Return of capital contributions	(101)
Disposals	(392)
At 24 February 2024	**17,511**
Accumulated impairment losses	
At 25 February 2023	**(913)**
Disposals	392
At 24 February 2024	**(521)**
Net carrying value	
At 24 February 2024	**16,990**
At 25 February 2023	16,970

There were no impairments in the current year.

As set out in Note 7 of the Group financial statements, the Group reached agreement on the terms of a proposed sale of its Banking operations, comprising personal loans, credit cards, customer deposits, and associated operational capabilities (Banking operations) for consideration of £600m. The Group recognised a loss on remeasuring the disposal group to fair value less costs to sell on classification as held for sale, which triggered an impairment review of the Company's investment in Tesco Personal Finance Group PLC.

The recoverable amount was estimated as the equity value of the subsidiary, comprising the value in use of the money services and insurance businesses and fair value less costs to sell of the Banking operations, net of any net debt on the subsidiary balance sheet. The methodology for calculating the value in use of money services and insurance is set out in Note 14 of the Group financial statements. The recoverable amount of the investment is significantly higher than the carrying amount and no impairment was recognised.

For the other investments in subsidiaries, the key source of estimation uncertainty in determining the recoverable amount of trading subsidiaries is the discount rate. Discount rates are calculated as set out in Note 14 of the Group financial statements. If the discount rates were to increase by 1.0%pt, the carrying amount of investments would decrease by £520m.

The list of the Company's subsidiary undertakings and joint ventures is shown on pages 212 to 216.

Note 7 Receivables

	2024 £m	2023 £m
Amounts owed by Group undertakings*	747	1,072
Other receivables	24	22
Total receivables	**771**	**1,094**
Of which:		
Current	537	860
Non-current	234	234
	771	**1,094**

* Amounts owed by Group undertakings are either interest-bearing or non interest-bearing depending on the type and duration of the receivable relationship, with interest rates ranging from 5.9% to 7.5% (2023: 4.4% to 6.0%) and with maturities up to and including March 2025.

The expected credit loss on receivables is immaterial (2023: immaterial).

Note 8 Derivative financial instruments

	2024				2023			
	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 and similar instruments	–	–	–	–	2	65	–	–
Cash flow hedges								
Index-linked swaps*	263	790	–	–	235	738	–	–
Derivatives not in a formal hedge relationship								
Cross-currency swaps	152	386	(13)	94	170	404	(5)	100
Index-linked swaps	534	3,089	–	–	530	3,089	–	–
Total	**949**	**4,265**	**(13)**	**94**	**937**	**4,296**	**(5)**	**100**

* The notional values included in the table have been adjusted to reflect the impact of inflation indexation on the principal. The notional values before indexation for derivatives designated in a cash flow hedge was £406m (2023: £406m).

Note 9 Payables

	2024 £m	2023 £m
Amounts owed to Group undertakings*	1,861	2,302
Other payables	23	71
Taxation and social security	3	3
Total payables	**1,887**	**2,376**
Of which:		
Current	756	244
Non-current	1,131	2,132
	1,887	**2,376**

* 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 5.8% to 6.2% (2023: 2.7% to 5.2%) and with maturities up to and including February 2051.

IFRS 17 is effective for the accounting period commencing 26 February 2023. The impact on the Company of the adoption of IFRS 17 is limited to financial guarantee contracts, which are recognised as a liability on the Company balance sheet, included in other payables. Under the policy choice permitted by IFRS 17, the Company has elected to recognise and measure financial guarantee contracts in accordance with IFRS 9 'Financial instruments'. The resulting impact is not material and as such prior period information has not been restated. The principal guarantees provided by the Company and the maximum exposure are set out below:

The Company has entered into financial guarantee contracts to guarantee indebtedness held on the balance sheets of Group undertakings amounting to £3.5bn (2023: £3.4bn). 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 (2023: £0.2bn).

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 £5.1bn (2023: £5.1bn).

The Company has also guaranteed £0.9bn (2023: £0.9bn) drawn by Tesco Bank under the Bank of England's Term Funding Scheme with incentives for small and medium-sized enterprises (TFSME).

Note 10 Borrowings

	Par value	Maturity	2024 £m	2023 £m
Bank loans and overdrafts			32	43
LPI and RPI-linked bonds*				
3.322% LPI MTN	£210m	Nov 2025	416	396
1.982% RPI MTN	£196m	Mar 2036	382	349
Other borrowings				
5% MTN	£71m	Mar 2023	–	75
6% MTN	£38m	Dec 2029	42	43
5.5% MTN	£67m	Jan 2033	76	78
6.15% USD Bond	$355m	Nov 2037	346	366
4.875% MTN	£14m	Mar 2042	14	14
5.125% MTN	€235m	Apr 2047	206	213
5.2% MTN	£14m	Mar 2057	14	14
			1,528	**1,591**
Of which:				
Current			55	141
Non-current			1,473	1,450
			1,528	**1,591**

* 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:

	2024 £m
At 25 February 2023	**(19)**
Movement in other comprehensive income for the year	(4)
At 24 February 2024	**(23)**

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 24 February 2024, there were 9,890 options outstanding (2023: 9,890) with a weighted average exercise price (WAEP) of 182.00p (2023: 182.00p) and a weighted average remaining contractual life of 2.52 years (2023: 3.52 years). There were no options granted, exercised or forfeited in the 52 weeks ended 24 February 2024 (52 weeks ended 25 February 2023: 9,890 options granted at a WAEP of 182.00p, nil exercised, nil forfeited). There were nil options exercisable at 24 February 2024 (2023: nil).

Share bonus and incentive schemes

Executive Directors participate in the Group 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 Executive Directors who have completed a required service period and depend on the achievement of the 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:

	2024		2023	
	Number of shares	**WAFV pence**	Number of shares	WAFV pence
Group Bonus Plan	728,059	273.60	810,608	274.10
Performance Share Plan	2,312,987	252.00	2,252,917	255.40

Note 13 Pensions

The total cost of participation in the Tesco Retirement Savings Plan (a defined contribution scheme) to the Company was £1m (2023: £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.

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 25 February 2023	**43**	**59**	**(359)**	**3,050**	**2,793**
Other comprehensive income/(loss)					
Gains/(losses) 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 (Note 11)	–	(4)	–	–	(4)
Total other comprehensive income/(loss)	**–**	**(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**

	Capital redemption reserve £m	Hedging reserve £m	Own shares held £m	Merger reserve £m	Total £m
At 26 February 2022	**22**	**97**	**(365)**	**3,050**	**2,804**
Other comprehensive income/(loss)					
Gains/(losses) on cash flow hedges	–	7	–	–	7
Cash flow hedges reclassified and reported in the Company income statement	–	(58)	–	–	(58)
Tax relating to components of other comprehensive income	–	13	–	–	13
Total other comprehensive income/(loss)	**–**	**(38)**	**–**	**–**	**(38)**
Transactions with owners					
Own shares purchased for cancellation	–	–	(758)	–	(758)
Own shares cancelled	21	–	795	–	816
Own shares purchased for share schemes	–	–	(188)	–	(188)
Share-based payments	–	–	157	–	157
Total transactions with owners	**21**	**–**	**6**	**–**	**27**
At 25 February 2023	**43**	**59**	**(359)**	**3,050**	**2,793**

Note 15 Contingent liabilities

Contingent liabilities

Refer to Note 34 to the Group financial statements.

Note 16 Events after the reporting period

There were no material events after the reporting period requiring disclosure.

Related undertakings of the 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 24 February 2024 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
Acklam Management Company Limited	1	Limited by Guarantee	–
Armitage Finance Unlimited	1	GBP0.90 Ordinary	100
Bath Upper Bristol Road Management Company Limited	1	Limited by Guarantee	–
Berry Lane Management Company Limited	1	Limited by Guarantee	–
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 Ordinary A1	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
Canterbury Road Management Limited	1	Limited by Guarantee	–
Cardiff Cathays Terrace Management Company Limited	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
dunnhumby Limited	4	GBP0.05 Ordinary GBP0.10 A Ordinary GBP0.10 Deferred	100 100 100
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 Ordinary A GBP1.00 Ordinary B	100 100
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†(a)	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
Oxford Fox and Hounds Management Company Limited	1	Limited by Guarantee	–
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†(b)	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
Station House Welling Management Limited	1	Limited by Guarantee	–
Statusfloat 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 Aqua (FinCo2) 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

Name of undertaking	Registered address	Class of share held	% held by Group
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 Corporate Treasury Services PLC†	1	GBP1.00 Ordinary	100
Tesco Coral (GP) Limited	1	GBP1.00 A Ordinary GBP1.00 B Ordinary	100 100
Tesco Coral (Nominee) Limited	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 GBP1.00 B Ordinary	100 100
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
Tesco Employees' Share Scheme Trustees Limited†(c)	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
Tesco International Services Limited†	1	GBP1.00 Preference GBP1.00 Ordinary	100 100
Tesco Lagoon GP Limited	5	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 Ordinary A GBP1.00 Ordinary B	100 100
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 Ordinary A GBP1.00 Ordinary B	100 100
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(d)	1	GBP1.00 Ordinary	100
Tesco Pension Trustees Limited†	1	GBP1.00 Ordinary	100
Tesco Personal Finance Group PLC†	6	GBP0.10 A Ordinary GBP0.10 B Ordinary GBP0.10 C Ordinary	100 100 100
Tesco Personal Finance PLC	6	GBP0.10 Ordinary	100
Tesco Property (Nominees) Limited	11	GBP1.00 Ordinary	100

Name of undertaking	Registered address	Class of share held	% held by Group
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 GBP0.25 Ordinary(e)	100 100
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
Tesco Property Nominees (No.6) Limited	1	GBP1.00 Ordinary	100
Tesco Property Partner (GP) Limited†	1	GBP1.00 A Ordinary GBP1.00 B Ordinary	100 100
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 Ordinary A GBP1.00 Ordinary B	100 100
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 GBP1.00 A Preference GBP1.00 B Preference	100 100 100
Tesco Underwriting Limited	31	GBP1.00 A Ordinary GBP1.00 B Ordinary	100 100
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
Weymouth Avenue (Dorchester) Limited	1	GBP1.00 Ordinary	100
Waterside General Partner Limited	13	GBP1.00 Ordinary	100

Related undertakings of the Group continued

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 Korea Limited	65	KRW5,000 Ordinary	100
dunnhumby (Malaysia) Sdn Bhd	10	MYR1.00 Ordinary	100
dunnhumby (Thailand) Limited	72	THB100 Ordinary	100
dunnhumby Australia Pty Ltd	64	AUD1.00 Ordinary	100
dunnhumby Brasil Consultoria Ltda	76	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.	73	COP1,000 Ordinary	100
dunnhumby Consulting Services India Private Limited	59	INR10.00 Ordinary	100
dunnhumby Czech s.r.o.	7	CZK1.00 Ordinary	100
dunnhumby Denmark ApS	56	DKK1.00 Ordinary	100
dunnhumby Finland Oy	30	EUR25 Ordinary	100
dunnhumby France SAS	18	EUR2.00 Ordinary	100
dunnhumby Germany GmbH	14	EUR1.00 Ordinary	100
dunnhumby Hungary Kft	32	Ordinary HUF1.00	100
dunnhumby Inc.	35	No par value Common 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	INR10.00 Ordinary	100
dunnhumby Italia Srl.	37	EUR1.00 Ordinary	100
dunnhumby Japan K.K.	38	JPY10,000 Ordinary	100
dunnhumby México S. de R.L. de C.V.	68	MXN30.00 Partner Quota MXN2,970 Partner Quota	100 100
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 Singapore Pte. Ltd	19	SGD1.00 Ordinary	100
dunnhumby SARL	60	EUR100 Ordinary	100
dunnhumby Serviços de Promoção Digital Ltda	16	BRL1.00 Ordinary	100
dunnhumby Slovakia s.r.o.	57	EUR5,000 Issued Capital	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
Joyce's Supermarkets (Oranmore) ULC	23	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
Opal Jewel sp. z.o.o.	74	PLN50 Ordinary	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 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 Sourcing Chile SpA	22	CLP564,92 Nominal	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 Franchise Stores SR s.r.o.	67	EUR2,249,500 registered capital	100
Tesco-Global Stores Privately Held Company Limited	32	HUF10 Common	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	75	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. z.o.o.	3	PLN50 Ordinary	100
Tesco Trustee Company of Ireland Limited†	24	EUR1.25 Ordinary	100
TESCO-BST Üzleti és Technológiai Szolgáltatások Zártkörüen Múködó Részvénytársaság	25	HUF100,000 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
dunnhumby Holding Limited	9	GBP1.00 Ordinary	100
Paper Chain (East Anglia) Limited	9	GBP0.000737844019 Ordinary	100
Reefknot Technology Limited[f]	9	GBP1.00 Ordinary	100
Stewarts Supermarkets Limited†	9	GBP1.00 Ordinary	100
Tesco Aqua (GP) Limited	1	GBP0.0001 A Ordinary	100
		GBP0.0001 B Ordinary	100
Tesco International Internet Retailing Limited†	9	GBP0.0000013543 Ordinary	100
Tesco PEG Limited	9	GBP0.01 Ordinary	100
Tesco PENL Limited	9	GBP1.00 Ordinary	100
Tesco Property Partner (GP No.2) Limited	1	GBP1.00 A Ordinary	100
		GBP1.00 B Ordinary	100
Tesco Red (GP) Limited	1	GBP0.00001 Ordinary A	100
		GBP0.00001 Ordinary B	100
Tesco TLB Properties Limited	1	GBP0.0000001 A Ordinary	100
		GBP0.0000001 B Ordinary	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 Capital No.2 Limited	17	GBP0.01 Floating Rate Redeemable Preference	100
		GBP1.00 Ordinary	100

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
Holmscroft H.C. Limited	23	GBP0.10 Ordinary	14.29
Shire Park Limited	15	GBP1.00 Ordinary	48.57
Tesco Jade (GP) Limited	29	GBP1.00 A Ordinary	30
		GBP1.00 B Ordinary	30
Tesco Jade (Nominee) Limited	29	GBP1.00 Ordinary	30
Tesco Mobile Limited*	1	GBP0.10 A Ordinary	100
		GBP0.90 B Ordinary	100
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
The Arena Unit Trust	33	–	50
The Blackpool Unit Trust	33	–	50
The Broadstairs Unit Trust	33	–	50
The Coventry Unit Trust	33	–	50
Booker India Limited	76	INR5 Equity	49
China Wisdom dunnhumby Limited	52	No Par Value Ordinary	50
China Wisdom dunnhumby (Shanghai) Limited	62	CNY1.00 Ordinary	50
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	26	INR10 10% Non-Convertible Redeemable Preference	49
		INR10 0.01% Non-Cumulative Redeemable Preference	49
		INR10 Equity	49
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.	71	EUR1.00 Ordinary	50
THPL Support Services Limited	76	INR100 Equity	50
Trent Hypermarket Private Limited	76	INR10 Equity	50

Consolidated structured entities

Name of undertaking	Registered address	Nature of business
Delamare Cards Holdco Limited	47	Securitisation entity
Delamare Cards MTN Issuer PLC	47	Securitisation entity
Delamare Cards Receivables Trustee Limited	47	Securitisation entity
Delamare Cards Funding 1 Limited	47	Securitisation entity
Delamare Cards Funding 2 Limited	47	Securitisation entity
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) 95% held by Tesco PLC.
(b) 66.6% held by Tesco PLC.
(c) 50% held by Tesco PLC.
(d) 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.
(e) One ordinary share of the same class partly paid.
(f) Company was dissolved on 13 March 2024.

Related undertakings of the 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 C/O Morton Fraser LLP, 5th Floor, Quartermile Two, 2 Lister Square, Edinburgh, Scotland, EH3 9GL, United Kingdom
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 Suite 3, 7th Floor, 50 Broadway, London, SW1H 0DB, United Kingdom
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 c/o Ernst & Young LLP, Castle Street, St Helier, JE1 1EY, Jersey
18 Spaces les Halles - Spaces 40 rue du Louvre 75001, Paris, France
19 50 Raffles Place #19-00, Singapore Land Tower, Singapore 04862
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 Church Road, Headford, 0000 Galway, 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 C/O TMF Group, 13th Floor, One Angel Court, London, EC2R 7HJ, United Kingdom
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 Foro Buonaparte 67, 20121 Milano, 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, EPIP Area, Whitefield, Bangalore, 560066, India
42 ul. Grzybowska 2/29, 00-131 Warsaw, Poland
43 c/o Eversheds Sutherland, 3rd Floor, 54 Melrose Boulevard, Melrose Arch, Gauteng, 2196, 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 Paseo de General Martinez Campos, nº 9 1º izquierda, 28010 Madrid, Spain
51 Centre de Commerces et de, Loisirs, Cite Europe, 62231 Coquelles, France
52 Suite 1106-8, 11/F Tai Yau Building, No 181 Johnston Road, Wanchai, Hong Kong
53 Barratt House Cartwright Way Forest Business Park, Bardon Hill, Coalville, Leicestershire, LE67 1UF, United Kingdom
54 Kojimachiterrace 4F, Kojimachi 3-1, Chiyoda-ku, Tokyo, Japan
55 Rosenkrantzgate 16, Oslo 0160, Norway
56 c/o Coop Danmark, Roskildevej 65, 2620 Albertslund, 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 3F-5F, 23 Jongno 12-gil, Jongno-gu, 03190 Seoul, South Korea
66 Floor 3, 2 Harbour Square, Crofton Road, Dun Laoghaire, Dublin A96D6R0, Ireland
67 Veterná 7310/40, 917 01 Trnava, Slovakia
68 Av President Masarik No. 111, Piso 1, Colina Polance V Seccion Delegacion Miguel Hidalgo, Mexico 11560, Mexico
69 Regus Amsterdam Sloterdijk Teleport Towers, Kingsfordweg 151, 1043 GR Amsterdam, The Netherlands
70 Dorey Court, Admiral Park, St. Peter Port, GY1 4AT, Guernsey
71 Einsteinova 24, Bratislava 851 01, Slovakia
72 No 319 Chamchuri Square Building, 24th Floor, Office no. 24116, Phayathai road, Pathumwan sub district, Pathumwan District, Bangkok 10330, Thailand
73 Calle CR 48 NO 32B SUR 139 OF 909 P 9, Envigado, Antioquia, Colombia
74 ul. Gorczewska 216, 01-460 Warsaw, Poland
75 Unit 01, 02, 06, 07, 08, 09, Floor 17, No. 610 Xujiahui Road, Huangpu District, Shanghai, People's Republic of China
76 Taj Building, 2nd Floor, 210, Dr D.N. Road, Fort, Mumbai 400001, India

Supplementary information (unaudited)

One-year like-for-like sales performance (exc. VAT, exc. fuel)

	Like-for-like sales						
	Q1 2023/24	Q2 2023/24	Q3 2023/24	Q4 2023/24	H1 2023/24	H2 2023/24	FY 2023/24
UK & ROI	**8.8%**	**8.0%**	**7.3%**	**5.2%**	**8.4%**	**6.2%**	**7.3%**
UK	9.0%	8.4%	7.9%	5.8%	8.7%	6.8%	7.7%
ROI	7.3%	6.5%	8.3%	5.4%	6.9%	6.7%	6.8%
Booker	8.4%	6.6%	3.9%	2.5%	7.5%	3.2%	5.4%
Central Europe	**1.1%**	**0.7%**	**(1.4)%**	**0.2%**	**0.9%**	**(0.5)%**	**0.2%**
Total Retail	**8.2%**	**7.5%**	**6.6%**	**4.8%**	**7.8%**	**5.7%**	**6.8%**

Total sales performance (exc. VAT, exc. fuel)

	Actual rates			Constant rates		
	H1 2023/24	H2 2023/24	FY 2023/24	H1 2023/24	H2 2023/24	FY 2023/24
UK & ROI	**8.9%**	**6.3%**	**7.6%**	**8.8%**	**6.4%**	**7.6%**
UK	9.1%	7.2%	8.1%	9.1%	7.2%	8.1%
ROI	13.0%	6.1%	9.3%	10.0%	7.3%	8.5%
Booker	6.9%	2.2%	4.6%	6.9%	2.2%	4.6%
Central Europe	**6.7%**	**(0.2)%**	**3.1%**	**1.4%**	**(0.1)%**	**0.6%**
Total Retail	**8.7%**	**5.8%**	**7.3%**	**8.2%**	**5.9%**	**7.0%**

Country detail – Retail

	Revenue (exc. VAT, inc. fuel)			
	Local currency (m)	£m	Average exchange rate	Closing exchange rate
UK	50,907	50,907	1.0	1.0
ROI	3,340	2,891	1.2	1.2
Booker	9,082	9,082	1.0	1.0
Czech Republic	43,384	1,554	27.9	29.7
Hungary	665,208	1,512	440.0	455.5
Slovakia	1,652	1,430	1.2	1.2

UK sales area by size of store

	24 February 2024			25 February 2023		
Store size (sq. ft.)	**No. of stores**	**Million sq. ft.**	**% of total sq. ft.**	No. of stores	Million sq. ft.	% of total sq. ft.
0-3,000	2,675	5.8	14.9%	2,605	5.6	14.6%
3,001-20,000	279	2.9	7.5%	276	2.9	7.6%
20,001-40,000	288	8.3	21.3%	286	8.2	21.2%
40,001-60,000	182	8.8	22.6%	182	8.8	22.8%
60,001-80,000	119	8.4	21.6%	119	8.4	21.6%
80,001-100,000	45	3.7	9.5%	45	3.7	9.6%
Over 100,000	8	1.0	2.6%	8	1.0	2.6%
Total*	**3,596**	**38.9**	**100.0%**	**3,521**	**38.6**	**100.0%**

* Excludes Booker and franchise stores.

Supplementary information (unaudited) continued

Group space summary

Actual Group space – store numbers[a]

	2022/23 year end	Openings	Closures/ disposals	Net gain/ (reduction)[b]	**2023/24 year end**	Repurposing/ extensions[c]
Large[d]	806	7	(4)	3	809	–
Convenience[d]	1,997	60	(9)	51	2,048	–
Dotcom only	6	–	–	–	6	–
Total Tesco	**2,809**	**67**	**(13)**	**54**	**2,863**	**–**
One Stop[e]	712	27	(6)	21	733	–
Booker	191	–	(1)	(1)	190	–
UK[e]	3,712	94	(20)	74	3,786	–
ROI	166	5	(1)	4	170	–
UK & ROI[e]	**3,878**	**99**	**(21)**	**78**	**3,956**	**–**
Czech Republic[e]	187	2	(5)	(3)	184	6
Hungary	197	–	–	–	197	21
Slovakia[e]	157	12	–	12	169	9
Central Europe[e]	**541**	**14**	**(5)**	**9**	**550**	**36**
Group[e]	**4,419**	**113**	**(26)**	**87**	**4,506**	**36**
UK (One Stop)	291	43	(17)	26	317	–
Czech Republic	124	3	(8)	(5)	119	–
Slovakia	25	6	(31)	(25)	–	–
Franchise stores	**440**	**52**	**(56)**	**(4)**	**436**	**–**
Total Group	**4,859**	**165**	**(82)**	**83**	**4,942**	**36**

Actual Group space – '000 sq. ft.[a]

	2022/23 year end	Openings	Closures/ disposals	Repurposing/ extensions[c]	Net gain/ (reduction)	**2023/24 year end**
Large[d]	31,427	128	(50)	–	78	31,505
Convenience[d]	5,344	151	(40)	–	111	5,455
Dotcom only	716	–	–	–	–	716
Total Tesco	**37,487**	**279**	**(90)**	**–**	**189**	**37,676**
One Stop[e]	1,169	49	(10)	–	39	1,208
Booker	8,181	–	(87)	–	(87)	8,094
UK[e]	46,837	328	(187)	–	141	46,978
ROI	3,478	38	(17)	–	21	3,499
UK & ROI[e]	**50,315**	**366**	**(204)**	**–**	**162**	**50,477**
Czech Republic[e]	4,146	20	(22)	(43)	(45)	4,101
Hungary	5,670	–	–	(298)	(298)	5,372
Slovakia[e]	3,147	67	–	(1)	66	3,213
Central Europe[e]	**12,963**	**87**	**(22)**	**(342)**	**(277)**	**12,686**
Group[e]	**63,278**	**453**	**(226)**	**(342)**	**(115)**	**63,163**
UK (One Stop)	420	61	(22)	–	39	459
Czech Republic	114	3	(9)	–	(6)	108
Slovakia	23	6	(29)	–	(23)	–
Franchise stores	**557**	**70**	**(60)**	**–**	**10**	**567**
Total Group	**63,835**	**523**	**(286)**	**(342)**	**(105)**	**63,730**

(a) Continuing operations.
(b) The net gain/(reduction) reflects the number of store openings less the number of store closures/disposals.
(c) Repurposing of retail selling space.
(d) 2022/23 UK store numbers have been updated to reflect an extension of a Convenience store to a Large store and to reflect the conversion of Jack's stores last year.
(e) Excludes franchise stores.

Group space forecast to 22 February 2025 – ’000 sq. ft[a]

	2023/24 year end	Openings	Closures/ disposals	Repurposing/ extensions[b]	Net gain/ (reduction)[c]	2024/25 year end
Large	31,505	61	–	5	66	31,571
Convenience	5,455	201	(29)	–	172	5,627
Dotcom only	716	–	–	–	–	716
Total Tesco	**37,676**	**262**	**(29)**	**5**	**238**	**37,914**
One Stop[d]	1,208	57	(13)	–	44	1,252
Booker	8,094	–	–	–	–	8,094
UK[d]	46,978	319	(42)	5	282	47,260
ROI	3,499	100	–	–	100	3,599
UK & ROI[d]	**50,477**	**419**	**(42)**	**5**	**382**	**50,859**
Czech Republic[d]	4,101	61	–	(38)	23	4,124
Hungary	5,372	2	–	(108)	(106)	5,266
Slovakia[d]	3,213	51	–	(31)	20	3,233
Central Europe[d]	**12,686**	**114**	**–**	**(177)**	**(63)**	**12,623**
Group[d]	**63,163**	**533**	**(42)**	**(172)**	**319**	**63,482**
UK (One Stop)	459	129	(14)	–	115	574
Czech Republic	108	1	(4)	–	(3)	105
Slovakia	–	–	–	–	–	–
Franchise stores	**567**	**130**	**(18)**	**–**	**112**	**679**
Total Group	**63,730**	**663**	**(60)**	**(172)**	**431**	**64,161**

(a) Continuing operations.
(b) Repurposing of retail selling space.
(c) The net gain/(reduction) reflects the number of store openings less the number of store closures/disposals and repurposing/extensions.
(d) Excludes franchise stores.

Tesco Bank income statement

	2024[a] £m	2023[a] (restated[b]) £m
Revenue		
Interest income	94	38
Fees and commissions income	203	170
Insurance revenue	514	458
	811	**666**
Direct costs		
Interest payable	(67)	(34)
Fees and commissions expense	(1)	–
Insurance service expenses[c]	(454)	(408)
Net expenses from reinsurance contracts held	(48)	(37)
	(570)	**(479)**
Other income/(expenses)	(1)	(5)
Gross profit	**240**	**182**
Other expenses		
Staff costs	(50)	(46)
Premises and equipment	(37)	(36)
Other administrative expenses	(72)	(64)
Depreciation and amortisation[c]	(12)	(14)
Adjusted operating profit	**69**	**22**
Adjusting items[d]	(3)	(5)
Operating profit/(loss)	**66**	**17**
Finance income/(costs): movements on derivatives and hedge accounting	5	–
Finance income/(costs): interest	(15)	(8)
Finance income/(costs): insurance	(6)	(3)
Profit/(loss) before tax from continuing operations	**50**	**6**
Discontinued operations		
Profit/(loss) before tax from discontinued operations	(665)	107
Profit/(loss) before tax	**(615)**	**113**

(a) These results are for the 12 months ended 29 February 2024 and the previous period represents the 12 months ended 28 February 2023.
(b) Comparatives have been restated following the adoption of IFRS 17 and re-presented to disclose Banking operations as a discontinued operation. Refer to Notes 1, 7 and 33 for further details.
(c) Depreciation and amortisation of £(5)m (2023: £(5)m) form part of insurance service expenses.
(d) Adjusting items of £nil in 2024 (2023: £(5)m) relate to operational restructuring changes, as part of the multi-year Save to Invest programme. Refer to Note 4 for further details.

Glossary – 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 4.

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

To align with how management consider property disposals, store buybacks, and properties acquired through business combinations, the Directors have amended the Retail free cash flow and Capex definitions to exclude store property purchases. These transactions are excluded because of their unpredictable or irregular timing.

During the financial year, Tesco Bank paid a £250m special dividend that represented a one-off return of excess capital from the Bank to the Retail segment. As this is not expected to recur, management have excluded it from the Retail free cash flow measure, as this best helps comparability of the Retail segment over time.

In addition to the change described above, the Retail free cash flow description and reconciliation has been simplified to list the investing cash flows that are included in the APM rather than those that are excluded.

The Directors have clarified the definition of Net debt in light of Banking operations (within the Tesco Bank segment) being classified as discontinued. Net debt continues to exclude Tesco Bank. Only Retail continuing and discontinued operations are included in Net debt.

The Directors have also removed Net interest margin from the APMs, as it no longer forms part of how management considers the long-term performance of the business.

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 to demonstrate the Group's performance in the Retail and financial services businesses. It removes volatilities outside of the control of management, associated with the movement in fuel prices. – This is a key management incentive metric. – This measure is also presented on a Retail and Tesco Bank basis.
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. 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.
Like-for-like (LFL)	No direct equivalent	– Ratio N/A	– LFL 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 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.

APM	Closest equivalent IFRS measure	Adjustments to reconcile to IFRS measure	Definition and purpose
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 historical inorganic business combinations and does not reflect the Group's ongoing trading performance (related revenue and other costs from acquisitions are not adjusted). – This is a key management incentive metric. – This measure is also presented on a Retail basis.
Adjusted total finance costs	Finance costs	– Adjusting items[b]	– Adjusting items within 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 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	– Operating margin is calculated as adjusted operating profit divided by revenue. Progression in 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.
Retail EBITDA (earnings before adjusting items, interest, tax, depreciation and amortisation)	Retail 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 and Total indebtedness ratios, 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. It is not defined per IFRS, however, is a generally accepted profit measure.
(b) Refer to Note 1 and Note 4.

Glossary – Alternative performance measures 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 Tesco Bank and includes the net debt of Retail discontinued operations to reflect the net debt obligations of the Retail business. – Net debt comprises bank and other 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 Retail 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.
Total indebtedness	No direct equivalent	– N/A	– Total indebtedness is Net debt plus the IAS 19 deficit in any pension schemes (net of associated deferred tax) to provide an overall view of the Group's obligations, including the long-term commitments to the Group's pension schemes. Pension surpluses are not included. It is an important measure of the long-term obligations of the Group and is a measure widely used by credit rating agencies.
Total indebtedness ratio	No direct equivalent	– Ratio N/A	– Total indebtedness ratio is calculated as Total indebtedness divided by the rolling 12-month Retail EBITDA. It is a measure of the Group's ability to meet its payment obligations and 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 Retail 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, 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.
Cash flow measures			
Retail free cash flow	No direct equivalent	– N/A	Retail free cash flow includes: – Continuing cash flows from operating activities of the Retail business less adjusting Retail operating cash flows. – Retail investing cash flows relating to: the purchase of property, plant and equipment, investment property and other long-term assets (excluding property buybacks and store purchases); purchase of intangible assets and investment property; dividends received from Tesco Bank (excluding special dividends); dividends received from joint ventures and associates; and interest received. – Financing cash flows relating to: market purchase of shares net of proceeds from shares issued in relation to share schemes; and Retail repayment of obligations under leases. – Directors and management believe this provides a view of free cash flow generated by the Group's retail trading operations that is more predictable and comparable over time, and reflects the cash available to shareholders. – This is a key management incentive metric.

(a) Operating profit is presented on the Group income statement. It is not defined per IFRS, however, is a generally accepted profit measure.
(b) Refer to Note 1 and Note 4.

APMs: Reconciliation of income statement measures

Retail EBITDA

Continuing operations	Notes	APM 2024 £m	APM 2023 (restated*) £m
Operating profit	2	**2,821**	**1,410**
Exclude: Adjusting items	2	8	1,099
Adjusted operating profit	2	**2,829**	**2,509**
Exclude: Tesco Bank adjusted segmental profit	2	(148)	(22)
Exclude: Tesco Bank adjusted operating profit from discontinued operations	2	79	–
Retail adjusted operating profit	2	**2,760**	**2,487**
Include: Retail depreciation and amortisation before adjusting items	2	1,602	1,570
Retail EBITDA		**4,362**	**4,057**

* Comparatives have been restated following the adoption of IFRS 17 and to present Banking operations as a discontinued operation. Refer to Notes 1, 7 and 33 for further details.

APMs: Reconciliation of balance sheet measures

Net debt

A reconciliation of Net debt is provided in Note 32.

Reconciliation from Retail free cash flow to Net debt

	Notes	APM 2024 £m	APM 2023 £m
Opening Net debt	32	**(10,493)**	**(10,516)**
Retail free cash flow		**2,063**	**2,133**
Other cash movements:			
Own shares purchased for cancellation	2	(752)	(781)
Dividends paid to equity owners	2	(778)	(859)
Special dividends received from Tesco Bank	2	250	–
Adjusting items included in operating cash flow activities	2	(98)	(61)
Retail repayments of capital element of obligations under leases	2	623	589
Retail interest paid on lease liabilities		372	371
Retail net other interest paid/(received)	2	188	202
Retail proceeds from sale of property, plant and equipment, investment property, intangible assets and assets held for sale	2	55	341
Cash outflows attributable to property buybacks and store purchases	2	(121)	(75)
Other investing cash movements	2	(2)	(281)
Non-cash movements in Net debt:			
Retail fair value movements		(71)	(18)
Retail foreign exchange movements		126	(191)
Retail net interest charge		(161)	(187)
Retail non-cash movements in lease liabilities		(914)	(1,113)
Retail movement in net debt of disposal group		14	–
Retail non-cash movement arising from acquisitions and disposals		(68)	(46)
Other non-cash movements		3	(1)
Closing Net debt	32	**(9,764)**	**(10,493)**

Net debt/EBITDA and Total indebtedness ratio

	Notes	APM 2024 £m	APM 2023 (restated*) £m
Net debt	32	9,764	10,493
Retail EBITDA		4,362	4,057
Net debt/EBITDA ratio		**2.2**	**2.6**
Net debt	32	9,764	10,493
Include: Defined benefit pension deficit, net of deferred tax	29	493	300
Total indebtedness		**10,257**	**10,793**
Retail EBITDA		**4,362**	**4,057**
Total indebtedness ratio		**2.4**	**2.7**

* Comparatives have been restated following the adoption of IFRS 17 and to present Banking operations as a discontinued operation. Refer to Notes 1, 7 and 33 for further details.

Glossary – Alternative performance measures continued

Fixed charge cover

	Notes	APM 2024 £m	APM 2023 (restated*) £m
Net finance costs	5	538	536
Exclude: Net pension finance income/(costs)	5	(18)	80
Exclude: Fair value remeasurements of financial instruments	5	38	(53)
Adjusted total finance costs		**558**	**563**
Exclude: Finance charges payable on lease liabilities	5	(373)	(371)
Adjusted total finance cost, excluding capitalised interest and finance charges payable on lease liabilities		**185**	**192**
Include: Total lease liability payments	12	1,000	966
Exclude: Discontinued operations total lease liability payments		(3)	(2)
		1,182	1,156
Retail EBITDA		**4,362**	**4,057**
Fixed charge cover (ratio)		**3.7**	**3.5**

* Comparatives have been restated following the adoption of IFRS 17 and to present Banking operations as a discontinued operation. Refer to Notes 1, 7 and 33 for further details.

Capex

	Notes	APM 2024 £m	APM 2023 £m
Property, plant and equipment additions[a]	11	**1,198**	**1,252**
Other intangible asset additions[a]	10	**275**	**277**
Exclude: Additions from obtaining control of property joint venture[b]	11	(65)	(248)
Exclude: Additions from property buybacks	11	(78)	(29)
Exclude: Additions from store purchases	11	(29)	–
Exclude: Additions relating to decommissioning provisions and similar items		13	(17)
Capex		**1,314**	**1,235**

(a) Excluding amounts acquired through business combinations.
(b) Acquisition of The Tesco Coral Limited Partnership in 2024 and The Tesco Dorney Limited Partnership in 2023.

APMs: Reconciliation of cash flow measures

	Notes	APM 2024 £m	APM 2023 £m
Cash generated from/(used in) operating activities	2	**3,839**	**3,722**
Exclude: Cash (generated from)/used in operating activities in Tesco Bank	2	35	–
Exclude: Cash (generated from)/used in operating activities in discontinued operations	2	(162)	30
Retail cash generated from/(used in) operating activities	2	**3,712**	**3,752**
Exclude: Retail adjusting net cash (generated from)/used in operating activities	2	98	61
Retail adjusted cash generated from/(used in) operating activities		**3,810**	**3,813**
Include the following cash flows generated from/(used in) investing activities:			
Retail purchase of property, plant and equipment, investment property and other long-term assets – other capital expenditure[a]	2	(1,039)	(902)
Retail purchase of intangible assets	2	(250)	(241)
Dividends received from joint ventures and associates	2	9	14
Dividends received from Tesco Bank[b]	2	–	54
Retail interest received	2	249	70
Include the following cash flows generated from/(used in) financing activities:			
Own shares purchased for share schemes	2	(93)	(86)
Retail repayment of capital element of obligations under leases	2	(623)	(589)
Retail free cash flow		**2,063**	**2,133**

(a) Excludes property buybacks and store purchases.
(b) Excludes Tesco Bank special dividend.

The following table reconciles the Retail free cash flow APM to that previously presented for remuneration purposes. Refer to page 95:

	Notes	APM 2024 £m	APM 2023 £m
Retail free cash flow	2	**2,063**	**2,133**
Retail proceeds from sale of property, plant and equipment, investment property, intangible assets and assets classified as held for sale	2	55	341
Retail purchase of property, plant and equipment and investment property and other long-term assets – property buybacks and store purchases	2	(59)	(54)
Retail cash outflows exceeding the incremental increase in assets in a property buyback	2	(62)	(21)
Retail disposal of subsidiaries, net of cash disposed	2	15	–
Retail acquisition of businesses, net of cash acquired	2	(17)	(66)
Special dividend received from Tesco Bank	2	250	–
Retail (investments in)/proceeds from sale of joint ventures and associates	2	–	(10)
Retail (investments in)/proceeds from sale of other investments	2	–	(205)
Retail adjusting net cash generated from/(used in) operating activities	2	(98)	(61)
Memo: Retail free cash flow including cash flows from acquisitions and disposals, cash flows from the sale or buyback of properties and Retail adjusting cash flows from operating activities		**2,147**	**2,057**

Glossary – Other

Other

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.

Retail capital employed
This is calculated as Retail net assets excluding the pension deficit/surplus net of deferred tax, net assets of the disposal group and non-current assets classified as held for sale less Net debt.

Retail return on capital employed (ROCE)
Retail adjusted operating profit divided by the average of opening and closing Retail capital employed.

RPI
Retail price index.

Total capital ratio
This is calculated by dividing total regulatory capital by total risk-weighted assets.

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 adoption of IFRS 17 and the re-presentation of Banking operations as a discontinued operation, 2023 comparatives have been restated. For financial years prior to 2023, these statistics are not restated and represent the comparatives from the following 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. The 2020 statistics have been restated to be consistent with 2021 to present Asia and Poland as discontinued operations.

Refer to the Glossary for a full list of APMs and their definitions.

	2020[a][b]	2021	2022	2023[c]	**2024**
Financial statistics (£m)					
Sales					
UK & ROI	45,752	48,848	49,984	52,369	56,344
Central Europe	3,968	3,862	3,862	4,181	4,322
Tesco Bank[c]	1,068	735	922	666	811
Group sales[d]	**50,788**	**53,445**	**54,768**	**57,216**	**61,477**
Revenue					
UK & ROI	52,898	53,170	56,404	60,246	62,880
Central Europe	4,125	3,982	4,018	4,410	4,496
Tesco Bank[c]	1,068	735	922	666	811
Group revenue	**58,091**	**57,887**	**61,344**	**65,322**	**68,187**
Adjusted operating profit/(loss)[d]					
UK & ROI	2,202	1,839	2,481	2,307	2,670
Central Europe	176	124	168	180	90
Tesco Bank[c]	193	(175)	176	22	69
Group adjusted operating profit/(loss)[d]	**2,571**	**1,788**	**2,825**	**2,509**	**2,829**
Adjusted operating margin	**4.4%**	**3.1%**	**4.6%**	**3.8%**	**4.1%**
Operating profit/(loss)					
UK & ROI	1,923	1,890	2,191	1,249	2,689
Central Europe	209	127	193	144	66
Tesco Bank[c]	74	(470)	176	17	66
Group operating profit/(loss)	**2,206**	**1,547**	**2,560**	**1,410**	**2,821**
Share of post-tax profits/(losses) of joint ventures and associates	(8)	26	15	8	6
Net finance costs	(1,170)	(937)	(542)	(536)	(538)
Profit/(loss) before tax	**1,028**	**636**	**2,033**	**882**	**2,289**
Taxation	(290)	(104)	(510)	(224)	(525)
Profit/(loss) for the year from continuing operations	**738**	**532**	**1,523**	**658**	**1,764**
Discontinued operations[c]	235	5,426	(40)	78	(572)
Profit/(loss) for the year	973	5,958	1,483	736	1,192
Attributable to:					
Owners of the parent	971	5,954	1,481	737	1,188
Non-controlling interests	2	4	2	(1)	4
Adjusted profit before tax[d]	**1,869**	**1,134**	**2,197**	**1,954**	**2,277**
Other financial statistics					
Diluted earnings/(losses) per share – continuing operations	7.54p	5.58p	19.64p	8.81p	24.53p
Adjusted diluted earnings per share (adjusted for share consolidation)[e]	18.98p	11.58p	21.86p	20.53p	23.41p
Dividend per share[f]	9.15p	9.15p	10.90p	10.90p	11.70p
Cash generated from retail operating activities (£m)	3,580	321	3,614	3,752	3,712
Retail free cash flow (£m)[Δ]	1,493	1,340	2,277	2,133	2,063
Retail return on capital employed (ROCE)[d]	9.7%	8.7%	12.1%	11.8%	13.4%
Total shareholder return[d]	5.2%	2.6%	32.4%	(10.5)%	17.8%
Net debt (£m)[d]	12,298	11,955	10,516	10,493	9,764
Pension deficit, net of deferred tax – Group (£m)	2,573	1,004	242	300	493
Total indebtedness (£m)[d]	**14,871**	**12,959**	**10,758**	**10,793**	**10,257**
Enterprise value (£m)[d]	34,676	29,336	32,403	28,562	29,452
Group retail statistics					
Number of stores[g]	4,613	4,673	4,752	4,859	4,942
Total sales area ('000 sq.ft.)[g]	63,971	63,980	64,034	63,835	63,730
Average employees	354,451	367,321	354,744	336,926	337,518
Average full-time equivalent employees (FTE)	243,031	242,911	231,223	222,306	225,659
UK & ROI retail statistics					
Number of stores[g]	3,968	4,008	4,074	4,169	4,273
Total sales area ('000 sq.ft.)[g]	50,401	50,443	50,588	50,735	50,936
Average full-time equivalent employees (FTE)	210,771	214,470	204,974	196,911	201,694
Revenue (exc. fuel) (per FTE – £)	217,070	227,761	243,855	267,765	279,354
Weekly revenue (exc. fuel) (per sq.ft. – £)	17.11	18.63	19.03	19.88	21.31

Δ See APM reconciliations in Glossary section on pages 223 to 225.

(a) 53 weeks.

(b) Following the disposal of Asia during 2021, the 2020 statistics have been restated to be consistent with 2021 to present Asia as discontinued operations and therefore no longer as a separate reportable segment.

(c) The 2023 statistics have been restated following the adoption of IFRS 17 and to present Banking operations as discontinued operations. Years prior to 2023 have not been restated.

(d) See Glossary for definitions. Return on capital employed is presented on a Retail basis. Prior years have been re-presented.

(e) The share base used in Adjusted diluted EPS in 2020 and 2021 is adjusted to capture the full impact of the share consolidation which followed the sale of the Group's businesses in Thailand and Malaysia, as if it took place at the start of the 2020/21 financial year. As such, Adjusted diluted EPS (adjusted for share consolidation) is presented on a basis other than in accordance with IAS 33.

(f) Dividend per share relating to the interim and proposed final dividend.

(g) Including franchise stores.

Additional Directors' report disclosures

This section of the Tesco PLC Annual Report and Financial Statements 2024 forms part of the Directors' report.

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.

For additional information concerning the Directors who served during the year and changes to the composition of the Board, see **pages 52 to 55**.

Political donations

The Group did not make any political donations or incur any political expenditure during the year 2023/24 (2022/23: £nil).

Directors' and their interests

The biographical details of the current serving Directors are set out on **pages 52 to 54**. 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 114**. 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 56**.

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.

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 194**. 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 2023 AGM to replace the existing authority (as granted by shareholders at the AGM held on 17 June 2022) 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 2023. 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 2023 AGM to replace the existing authority (as granted by shareholders at the AGM held on 17 June 2022) 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

During the year 2023/24, the Group undertook a share forfeiture programme following a tracing and notification exercise.

For further details, see **page 72 and 80**.

Share buyback programme

On 10 April 2024, the Company announced the continuation of the share buyback programme and the intention to buy back £1bn worth of shares, by no later than April 2025. This includes £250m of share buybacks funded by the special dividend received from Tesco Bank in August 2023. A further update on plans for the return of the proceeds generated from the sale of our banking operations will be provided following completion of the transaction. The share buyback programme will be carried out by the Company using the authority to purchase its own shares as approved by shareholders.

For further details, see **pages 85 and 234** and **Note 30 on page 195**.

Employment policies

We have made significant improvements to many of our employment policies this year in response to feedback from our UK colleague networks (Armed Forces, Disability, LGBTQ+, Parents and Carers, Race and Ethnicity and Gender Equality - other markets have variations of these networks), our recognised trade union USDAW, as well as pending legislative changes that we have decided to implement sooner than legally required.

This included the right to request flexible working from day one, an enhancement to our maternity and adoption leave policy, fertility leave, the introduction of neonatal care leave, unpaid carers leave and a new kinship leave policy to support colleagues who are assuming parental responsibility for a child via a Special Guardianship Order.

In response to the nationwide increase in shoplifting and violence against shopworkers, we have amended our colleague safety policy to provide clear guidance for colleagues on what process to follow when identifying a potential shoplifter and the importance of not putting themselves in harm's way. We have also launched a new guide for lone working, so that colleagues who work alone are aware of the precautions they should take to ensure they remain safe.

Our equal opportunities and diversity, equity and inclusion policy supports managers and colleagues in creating a diverse and inclusive culture where everyone is welcome. 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, sex or sexual orientation.

Our aim is to attract and retain a diverse range of applicants from all different backgrounds. All of our applicants and colleagues are treated fairly and we have a zero-tolerance approach, not only to harassment, but also to discrimination and bullying of any kind from start to finish of employment. This year, every colleague will receive training on our zero-tolerance approach to bullying and harassment in any form. This will be rolled out yearly with timely examples and trends seen within the retail space.

We also support existing colleagues and young people through a breadth of apprenticeship programmes from Level 2 Retail to Level 6 Business Management. A total of 1,130 apprentices are currently on the programme across the Group. In the UK, two new apprenticeships will be launching in 2024, including the Senior Leader Apprenticeship Level 7 and the Level 2 Stronger Starts Retail Apprenticeship in September. Our graduate programme also continues to provide both specialist and generalist programmes, with 57 new starters in the UK in 2023.

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 hold a productive meeting with Jason Tarry and the GCA earlier in the year.

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 training sessions with our buyers on our request for cost price changes (RFCPC) process and included various scenarios in our annual microlearning programme, ensuring that the GCA's 7 Golden Rules are upheld.

Furthermore, we have streamlined our Supplier Toolkit functionalities. Suppliers are now able to download the invoices directly instead of raising a query, making this process quicker and more efficient. In the GCA's annual supplier survey for 2023, 95% of our suppliers recognised that we comply 'consistently well' or 'mostly well' with the Code.

In our own Supplier Viewpoint survey, conducted in January 2024, 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 87.2%. Our UK satisfaction score was 86.9% and broadly level versus last year's score of 87%. Among topics relevant to the Code, our strongest UK score in Viewpoint continues to be 'Tesco pays promptly (within policy terms)' at 95.5%. 85.7% of suppliers agreed that 'Tesco treats me fairly', which was an increase on the year.

Also, in the 2023 independent, industry-wide Advantage survey of retailers, we were pleased to be ranked first for overall performance for the eighth 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, 1,091 colleagues completed the GSCOP annual refresher training, with the majority being trained via role-based microlearning scenarios. 86% 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, 146 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.

This year, 12 Code-related issues were raised by suppliers and two issues were carried over from 2022/23. In six of the 12 cases raised during the reporting period, the supplier was seeking guidance regarding our invoice processes. One matter from the previous reporting period had escalated to a formal Dispute (as defined by Part 5, Article 11 of the GSCOP Order) and was resolved this year. This year, one matter was escalated to a formal Dispute and was not resolved by the end of the reporting period.

At the end of the reporting period, we had resolved all but three of the issues that were raised during the year. We are working to resolve these issues following further discussion between the buying team and the relevant supplier, or between our Code Compliance Officer and the supplier.

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 45**. 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 to decarbonised transport.
- Addressing transport emissions associated with our distribution fleet, trialling fuel alternatives while working directly with manufacturers on even more sustainable long-term solutions.
- Installing electric hook up points for our refrigerated trucks and low emission refrigeration units powered by electricity.

For further information, see **pages 39 to 45**.

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.

This modern slavery statement can be viewed at **www.tescoplc.com**.

The statement covers the activities of Tesco PLC and certain UK subsidiaries and 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.

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 Group level, and also with the Audit Committee.

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.

This longer-term viability statement is set out on **pages 46 to 47**.

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.

Non-financial and sustainability information statement

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 CEO review Market context KPIs Planet Principal risks and uncertainties Nature and TCFD Sustainability Committee report Audit Committee report: environmental disclosures Directors' report (SECR) Details of our sustainability strategy together with our ESG factsheets can be found on our website at **www.tescoplc.com**	08 09 12 16 18 30 38 78 82 230
Colleagues	Code of Business Conduct Health and safety policy Bullying and harassment policy Diversity, equity and inclusion strategy Group whistleblowing policy Colleague engagement	What we stand for KPIs Principal risks and uncertainties Corporate governance report: Purpose, values and culture Board leadership in action Our colleagues Stakeholder engagement Nominations and Governance Committee report: diversity, equity and inclusion Directors' remuneration report Additional Directors' report disclosures: employment policies	08 16 30 62 68 69 70 76 90 229
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 Sustainability Committee report Group charitable donations policy Groceries Supply Code of Practice (GSCOP) Details of our sustainability strategy together with our ESG factsheets can be found on our website at **www.tescoplc.com**	63 78 228 230
Respect for human rights	Responsible sourcing	Health and safety policy Group whistleblowing policy Sustainability Committee report Human rights policy Details of our modern slavery statement can be found on our website at **www.tescoplc.com**	34 63 78 230
Anti-corruption and anti-bribery	Code of Business Conduct GSCOP Group anti-bribery policy Group gift and entertainment policy Tesco's political donations policy Cyber security Data privacy	Principal risks and uncertainties Corporate governance report: Purpose, values and culture Directors' report: political donations, anti-bribery matters, modern slavery statement	30 62 228
How we manage risk	Schedule of matters reserved for the Board Audit Committee terms of reference	Principal risks and uncertainties TCFD: climate-related risks Governance framework Audit Committee report	30 42 58 82
Business model	Strategic drivers Performance framework Schedule of matters reserved for the Board	Our business model	17
Non-financial key performance indicators		KPIs TCFD	16 39

Additional information for shareholders

Additional information for shareholders.

Managing your shares and shareholder communication

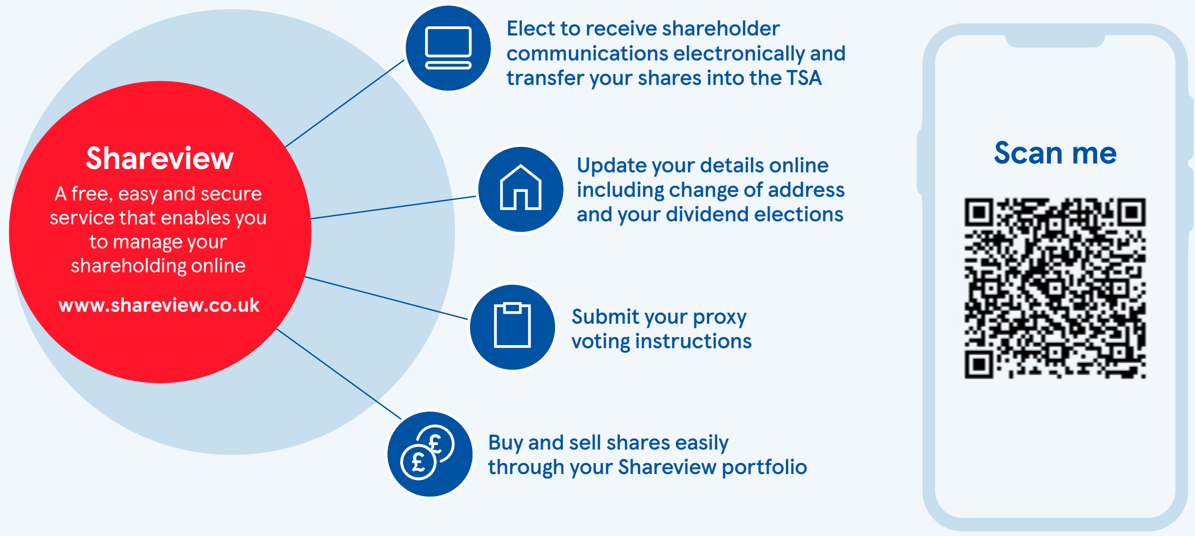
The Company's share register is maintained by our registrar, Equiniti. Shareholders can manage their holdings online or elect to receive shareholder documentation in electronic form by setting up a Shareview portfolio. Please see below for more details.

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 below:



E-comms

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**.

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 2024 AGM will be held on Friday, 14 June 2024 at 11.30am in the Heart building on our Welwyn Garden City campus. The Notice of Meeting and the Annual Report and Financial Statements 2024 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/AGM2024**. The webcast is not interactive, and it is not possible to vote or ask questions remotely.

Dividend

An interim dividend of 3.85 pence per Ordinary share was paid on 24 November 2023. Shareholders will be asked to approve a final dividend of 8.25 pence per Ordinary share for the year ended 24 February 2024 at this year's AGM. If approved, this will be paid on 28 June 2024 to all shareholders who are on the register of members at the close of business on 17 May 2024.

For more information on dividends, please see **pages 27, 116 and Note 8 on page 154**.

Financial calendar 2024/25

February 2024 → **June 2024** → **October 2024** → **January 2025** → **February 2025**

24 February 2024
Financial year end 2023/24

14 June 2024
Annual General Meeting and Q1 trading statement

28 June 2024
Proposed payment date for final dividend

3 October 2024
Interim results announcement

9 January 2025
Q3 and Christmas trading statement

22 February 2025
Financial year end 2024/25

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 announced the continuation of the share buyback programme and the intention to buy back £1bn worth of shares, by no later than April 2025. This includes £250m of share buybacks funded by the special dividend received from Tesco Bank in August 2023. A further update on plans for the return of the proceeds generated from the sale of our banking operations will be provided following completion of the transaction. The share buyback programme will be carried out by the Company using the authority to purchase its own shares as approved by shareholders.

For more information on the share buyback programme, see **Note 30 on page 198**.

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 24 February 2024 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 24 February 2024, the Company had 7,038,930,440 shares in issue (25 February 2023: 7,318,341,195) and 204,911 registered holders of Ordinary shares (25 February 2023: 218,685). Shareholdings are analysed below:

Range of shareholding	Number of holdings	% of issued share capital
1 – 500	135,144	0.22%
501 – 1,000	18,526	0.19%
1,001 – 5,000	35,482	1.18%
Over 5,001	15,759	98.41%
Total	**204,911**	**100%**

Breakdown of holders with over 5,000 shares

Range of shareholding	Number of holdings	% of issued share capital
5,001 – 10,000	8,363	0.83%
10,001 – 50,000	5,951	1.56%
50,001 – 100,000	389	0.38%
100,001 – 500,000	453	1.55%
500,001 – 1,000,000	173	1.74%
1,000,001 – 5,000,000	247	7.73%
Over 5,000,001	183	84.62%
Total	**15,579**	**98.41%**

Category of shareholders

	Number of holdings	% of total registered holders	Number of Ordinary shares	% of issued share capital
Private	202,873	99%	381,294,339	5.42%
Institutional and corporate	2,038	1%	6,657,636,101	94.58%

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:

- contact you out of the blue;
- apply pressure to invest quickly;
- downplay the risks to your money;
- promise returns that sound too good to be true; and
- 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 **www.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** or **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 30 to 37**.

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.

Useful contacts

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.equiniti.co.uk**
Online: **help.shareview.co.uk**
From here, you can securely email Equiniti with your enquiry.

Group Company Secretary

Robert Welch

Corporate brokers

Barclays Bank PLC
Citigroup Global Markets Limited

Independent auditors

Deloitte LLP

MIX
Paper | Supporting responsible forestry
FSC® C022913
FSC www.fsc.org

CARBON BALANCED PAPER
WORLD LAND TRUST™

This report is printed on Arctic Volume paper and board.

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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Janie Airey

Designed and produced by Conran Design Group

If you have finished with this Annual Report and no longer wish to retain it, please pass it on to other interested readers or dispose of it in your recycled paper waste.

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TESCO

BOOKER

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one stop

TESCO Bank

TESCO mobile